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11th January 2010

Dear Sarah and Robert,

UPDATED VIEWS FROM THE ERA ON SMART METERING

As requested in your letter of the 3rd December 2009, and at your stakeholder session on the 16th December 2009, the ERA and its members are happy to share our views following the Government's recent response to the May 2009 consultation, as well as highlighting the key areas that will need to be considered and resolved in Ofgem's forthcoming Prospectus as the key output from Phase 1 of the Implementation Programme.

There are three supporting documents to the ERA's response:

Phase 1 Key Issues

The key output from Phase 1 of the Central Implementation Programme is the delivery of the Prospectus, as set out in the Government's response to the smart metering consultation. In this document, we highlight the key issues for analysis and resolution in the Prospectus from the perspective of the ERA and its members.

Analysis of Government Position

Following the publication of the Government's response document in December 2009, the ERA has carried out analysis to update our views on the questions posed, in the light of the decisions set out in the Government response. As part of this we include areas for further work either as part of the smart metering implementation programme, or with other stakeholders.

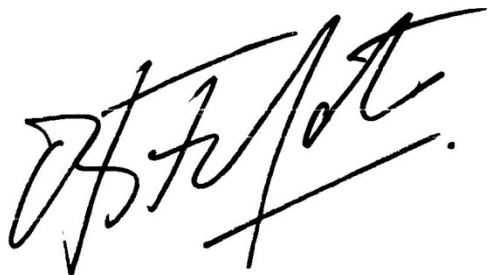
The ERA's Strategic Vision for Smart Metering

The final document describes the ERA's strategic vision for smart metering under a central communications service. It concentrates on the potential scope of services that could be provided as central functions in order to improve the operation of the retail market in a smart metering world. We see the analysis of whether smart metering functionality is delivered in centralised or distributed services as being an absolutely critical piece of analysis in defining the market design. This vision is viewed as a starting point from which to engage a wider stakeholder audience to confirm the validity of some of the assumptions that have been made, and the practicalities of implementing change in distributed services or centralised services.

We intended to provide more information to Ofgem as part of this information submission following 2 days of workshops on 6th and 7th January. These workshops were to carry out further analysis of the critical path for smart metering implementation and an impact assessment of the options for centralised/distributed smart metering services. However, due to travel difficulties because of the severity of the weather, these workshops could not be convened. We believe that the output from these workshops will be very useful input to the DECC/Ofgem smart metering implementation programme, so they are to be rescheduled for dates after the 11th January response deadline. We will share our output from the rescheduled workshops with DECC, Ofgem and its consultants as soon as is practicable.

I trust that our response is useful input at this crucial stage of the smart metering implementation programme. Given the responsibilities of energy suppliers for roll-out, we look forward to ongoing input to the programme at all levels through its lifetime.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Garry Felgate', written in a cursive style.

Garry Felgate
Chief Executive, Energy Retail Association