

Smart Comment – Issue 4

<http://www.energy-retail.org.uk/smartmeters.html>

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Welcome to the fourth edition of Smart Comment, a newsletter produced by the Energy Retail Association (ERA) providing update information on the roll-out of smart meters to every home in Britain.

By 2020 Great Britain will be the first country in the world to have an overhaul of this size for both electricity and gas meters. This edition gives an overview of the key points of Energy Retail Association's submission to the Government's consultation on the installation of universal domestic smart meters.



Industry welcomes clarity on market model

As final details are added to the Energy Retail Association's (ERA) submission to the Department of Energy and Climate Change's consultation on smart metering, which closes on the 3rd August, industry is already anticipating the next stages in the planning of the biggest change project in the energy market since the conversion to North Sea gas in the 1970s.

The centralised communications model set out in the consultation paper provides much-needed clarity on the market model that Government anticipates will be needed to deliver a programme of such scale. The ERA agrees that a central communications service must be core to the market model for smart metering and that the definition of the central communications market model be taken forward to the detailed design phase.

It is difficult to envisage how suppliers alone could lead any form of co-ordination under what is fundamentally a competitive meter installation approach in the central communications model. However, we have identified that a national communications campaign together with localised communications from suppliers could deliver some of the customer engagement benefits that would be delivered by a more co-ordinated market model.

Good progress has been made in establishing meter functionality

Suppliers also welcome the Government's high level functionality for gas and electricity smart meters; this is fundamental to progressing the planning stages that precede implementation. The industry is clear that interoperability, enabling consumers to switch easily, must be the guiding principle when determining smart meter functionality.

Nonetheless, different customers have different requirements, and therefore the meter specification should be sufficiently flexible to allow suppliers to innovate with different displays or information channels according to customer needs. Suppliers are concerned that the proposal to mandate in-home displays is unnecessarily prescriptive, and that customers should be able to exercise a choice in how they access their consumption information. Providing information to customers is vital, but what is important is the quality of the data, not the channel used to provide it.

Government must act quickly to avoid losing momentum

While the Government's indication that a centralised communications is their preferred market model is undoubtedly a significant step forwards in the roll-out of smart metering, it is imperative that the Government continues to provide strong leadership to ensure that the delivery is not delayed. Government has set out a clear deadline of 2020 by which time it expects every home to have a smart meter, and in order to meet this deadline, the momentum within the energy sector to get on with smart metering development and delivery, needs to be maintained. While the industry is certain that DECC will receive a large volume of responses, we also expect DECC to hold to its stated ambition of an early Autumn response. Further consultation will surely compromise the critical path activities of industry development and threaten the 2020 deadline.

What the energy industry really needs now is for action as quickly as possible in reply to the consultation to:

- turn these proposals into firm policy as quickly as possible; and
- set up the central programme to deliver smart metering for GB

We are pleased to see DECC's ambitions to mobilise the programme of setting up formal industry governance with appropriate stakeholders in parallel with considering the consultation responses. We also welcome the Department's recognition that the regulator, Ofgem, will have a significant role to play in this programme, and consider that this must be underway by the end of 2009.

What are the immediate priorities?

We believe that early work on communications in the central programme is essential to keep the momentum on critical path activity, and that there is the opportunity to start work on a number of key issues. There are several areas requiring immediate focus and clarity, which are critical to defining a 'road-map' for getting to 2020.

Key decisions required to lay the groundwork for beginning smart metering operations are confirmation of meter functionality and the communication interfaces between the meter, supplier and customer, and the associated service levels. Less urgent, but also important, is the creation of a Smart Metering Code. This will be needed by 'Day 1' of implementation to ensure that meter interoperability is protected.

More broadly, DECC needs to develop a strategic vision for the long-term industry framework for smart metering and smart grids. The development of smart grids will greatly facilitate the movement to a low-carbon economy, and it should be noted that smart meters will be implemented with the needs of a smarter grid in mind. Suppliers believe the development of smart grid policy needs to happen in parallel with the implementation of smart meters.

The Energy Retail Association

The Energy Retail Association (ERA), formed in 2003, represents electricity and gas suppliers in the domestic market in Britain. The ERA works closely with Government, charities and other organisations in England, Scotland and Wales to ensure a coordinated approach to dealing with the key issues affecting our industry and British consumers. All the main energy suppliers operating in the residential market in Britain are members of the Association – British Gas, EDF Energy, E.ON, RWE npower, ScottishPower, and Scottish and Southern Energy.

What are smart meters?

<http://www.energy-retail.org.uk/smartmeters.html>

What can smart meters do for you?

<http://news.bbc.co.uk/1/hi/business/8023507.stm>

Smart meter animation

<http://www.energy-retail.org.uk/SmartMetersAnimation.html>
