



Consultation Response

By email to smartmetering@decc.gsi.gov.uk

Ref: URN 11D/837

12 October 2011

Smart Metering Implementation Programme
Department of Energy and Climate Change
3 Whitehall Place
London SW1A 2AW

Dear Sir/Madam

ELEXON's response to DECC's Smart Metering Implementation Programme: consultation on draft licence conditions for a Code of Practice for the installation of gas and electricity smart meters

I welcome the opportunity to provide ELEXON Limited's views on the licence conditions relating to the Installation Code of Practice (CoP). We have restricted our response to considerations relating to Question 2:

Would the licence conditions as drafted effectively underpin: a) the intended roles of Ofgem and suppliers in establishing and reviewing Code(s) of practice for domestic and micro-business sites? b) an appropriate ongoing governance regime for the Code(s) of Practice? c) the intended arrangements for monitoring and compliance with Code(s)?

Governance

We believe that the Smart Energy Code (SEC) provides the right ongoing governance regime for the Installation CoP. The belief stems from our view that the SEC should govern all smart activities and provide a single point of reference for new and market players. Doing this also avoids creating a separate vehicle and unnecessary proliferation of industry codes and administrative functions.

To support the licence requirements to establish an Installation CoP and to allow the obligations to take effect by mid 2012, the CoP itself could be governed through:

- A live interim (or early) version of the SEC; or
- The existing Gas & Electricity Codes that govern metering.

Given this is an interim arrangement, we would suggest using an existing vehicle rather than make the SEC live solely for this purpose (unless an interim SEC and SEC administration is established in 2012 for other purposes).

In terms of managing changes and ensuring compliance during this interim phase this could be done by:

- the SMIP; or



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- Ofgem; or
- jointly by the existing gas and electricity Code bodies.

Using any of these organisations would achieve independent governance. This governance would allow Suppliers to maintain full participation in the oversight and change processes under that governance structure for the CoP, alongside interested bodies such as Ofgem and consumer groups. This would be beneficial as any perceived bias would be removed compared to that which may arise were the CoP to be managed by Suppliers or different parts of the Supplier community.

Monitoring

The licence conditions do not make it clear whether the Authority will require any monitoring, simply that Suppliers will monitor their performance. Ofgem's own Code Governance Review sets out the desire for monitoring of Key Performance Indicators of industry codes. It would seem appropriate for the licence condition to make clear that Ofgem can define the performance indicators it wishes to measure and how these will be assessed. Compliance with the CoP can be independently audited by the Authority and/or interim Code administrator /SEC Panel. Such reporting and independent audit will provide comfort to consumers, consumer bodies and government and deliver independent verification that the rollout is being managed appropriately.

The licence conditions do not make it clear what the recourse would be if a party were to be found non compliant with the Installation CoP. It would be unfortunate if the roll out were compromised due poor consumer experience arising from non compliance with the CoP. A robust monitoring regime would allow Ofgem to swiftly identify issues and take appropriate measured action to encourage the correct behaviour, prevent issues escalating and therefore avoid potential consumer backlash. We believe this would be most beneficial if delivered under the SEC.

Reference to National Consumer Council

In addition we have the following observation on the reference to the NCC in the licence conditions. The domestic code provides for the NCC to be consulted and raise changes to the CoP. It may be prudent to include a reference such as 'NCC or any other body as designated by the Authority (Ofgem)'. This would allow for any consumer body that either succeeds or acts in addition to NCC to be involved without the need for licence condition changes.

If you would like to discuss any areas of our response, please contact me on 020 7380 4337, or by email at chris.rowell@elexon.co.uk.

Yours faithfully

Chris Rowell
Smart Programme Director