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16 July 2009

Phil Nash
Smart Metering Team
Department of Energy and Climate Change
Area E, 1st Floor
3 Whitehall Place
London
SW1A 2HD

Dear Phil,

ELEXON Response to Consultation on Smart Metering for Electricity and Gas

ELEXON is the Balancing and Settlement Code (BSC) Company for Great Britain. Its role is to ensure the proper, effective and efficient implementation of the BSC, which is established under the Electricity System Operator's transmission licence for the purposes of electricity balancing and settlement. To enable the settlement process, the BSC contains requirements for the submission of electricity metering data, and the central systems, which ELEXON manages, receive and process this information.

Whilst ELEXON welcomes the opportunity to comment on the issues raised in the consultation, our response is limited to matters relating to Settlement and the electricity governance arrangements that may impact the BSC.

Our detailed responses to the consultation questions are attached. Please note that these responses are from ELEXON and do not necessarily represent the views of signatories to the BSC.

ELEXON would welcome the opportunity to discuss further any Settlement and governance issues. In the first instance please contact Peter Davies (peter.davies@elexon.co.uk /0207 3804036).

Yours sincerely

A handwritten signature in black ink that reads "Stuart Senior". The signature is written in a cursive style with a horizontal line underneath.

Stuart Senior
ELEXON Chief Executive

List of Enclosures

Detailed responses to Smart Metering Consultation

Questions from Section 2: Proposals for the Domestic Sector: Delivery Model

Questions

Q1 Do you have any comments on the Government's preference for the Central Communications model?

The Central Communications model is consistent with existing Settlement arrangements, shields Suppliers from communication issues and delivers interoperability, which is a key requirement to ensure the ongoing quality of the data used in the Settlement processes.

There are discussions still to be had on the extent to which meter, registration and consumption data is managed centrally – the so-called “thin” or “thickness” of the Central Communications model. The management of this data in the electricity arrangements currently falls under the governance, to varying degrees, of the BSC. We are therefore keen to work with the government and industry, where appropriate, in helping to further define the data management aspects of the model, including options of how this functionality could be delivered.

Q2 Do you have any comments on the analysis and conclusions on the delivery model contained in this consultation document, the reports prepared by Baringa Partners, or the Consultation Impact Assessment?

Section 2.3.1 of ‘Smart Meter Roll Out: Market Model Definition & Evaluation Project’ states that there are “clearly opportunities for additional benefits by improving the settlement processes, for example through replacing electricity profiles with actual half-hourly data. Changes to Settlement could either be included in the initial scope of the smart meter roll-out programme, or could be made as part of a later decision”. We would welcome early involvement in these considerations. The ability of Suppliers to offer a wider range of tariffs, for example, would depend to some extent on ensuring that Suppliers can receive commensurate benefit in their wholesale energy bills, via the Settlement profiles, for any demand shedding by their customers as a result of these tariffs. Increases in data storage and transfer volumes for Settlement and Supplier Agent systems resulting from a wider range of tariffs would also need to be considered.

Q3 Do you agree the Central Communications model effectively facilitates ‘end to end’ management of the electricity networks system needed for smart grids?

The Central Communications model could contribute to the ‘end to end’

management of the electricity networks system needed for Smart Grids, but would need to be applied more widely for active network management.

If the functionality of the smart metering system is to be extended beyond that specified in paragraph 3.3 of the consultation then careful consideration will need to be given to functionality required within the customer's premises and the chosen communications technology. For example, if the objectives of smart metering were to be extended to encompass Smart Grid capabilities, which would include active distribution network management and effective real time demand side management, such as load shedding of non-essential demand, then a messaging communications solution might not be appropriate.

It might be useful to identify how this additional functionality could be added at a later date, once the detailed requirements are understood, thereby seeking to ensure that there are minimal stranding and obsolescence issues. ELEXON would be pleased to discuss with DECC how this could be achieved.

The BSC addresses financial settlement for the physical balancing of the transmission network. With an increased need for active management of distribution networks on a more local basis (for example, as a result of increases in intermittent generation from renewables, wider take-up of microgeneration and increased use of electric vehicles), we could envisage a change to the trading arrangements being required to take account of actions taken by distributors to manage their networks.

Q4 Do you consider that Government should adopt measures to promote co-ordination of roll-out at local level? If so, what measures would you support?

No comments.

Q5 Should any particular policy considerations be taken into account in considering whether there should be priority target groups for early deployment of smart meters?

Priority target groups could be used for any pilot activities to prove the meters and communications. Further, we could envisage suppliers wishing to target customer groups which currently have more complex and therefore costly administrative arrangements. Potentially these groups could benefit more from a reduction in these costs and the additional capabilities that smart metering offers.

Q6 Do you have any comments on the merits of alternative approaches under which electricity and gas network businesses take on responsibility for aspects of smart metering?

We participated and contributed, where appropriate, to the 'Smart Metering - Distribution Network Model – Workshops' facilitated by Baringa Partners on behalf of DECC and have no further comments.

Questions from Section 3: Proposals for the Domestic Sector: Functionality

Q7 Do you agree with the functionality proposed for electricity meters? Please explain your reasons and if possible give evidence for your comments.

From a BSC perspective, we are comfortable that the functionality proposed for electricity meters meets Settlement requirements. Existing Settlement processes provide for the settlement of export in the domestic sector, so we welcome the proposal to include export metering capability.

We recognise that consideration will need to be given to the ongoing governance around the meter specification and associated assurance. We have a long history of developing and maintaining metering Codes of Practice within the BSC and would welcome the opportunity to support the development of any equivalent codes under the new arrangements.

Q8 Are there any additional requirements that will be needed to facilitate smarter network management, efficient energy management and the development of “smart grids”? Please provide analysis, particularly on costs and benefits, where possible.

We anticipate that there will be additional functionality required to support smart grids and any significant roll out of functionality to provide effective demand side management where non essential loads may be controlled by either Suppliers or System Operators.

Q9 Do you agree with the functionality proposed for gas meters? Please explain your reasons and if possible give evidence for your comments.

We have no comments on the proposed functionality. It is assumed that the electricity meter could provide the communications hub to the home. In order

to take full advantage of the new metering technology, there may need to be some alignment of processes within the electricity and gas markets, particularly where metering and communication requirements overlap. This could have ramifications in terms of the industry governance framework, including the BSC, and we are keen to support any discussions in this area.

Q10 Is there significant scope for retrofitting non-valve functionality to gas meters? What are the costs and how many meters are capable of being retrofitted?

No comments.

Q11 Are there any additional maintenance, administrative or management costs associated with having all gas smart meters with a valve?

No comments.

Q12 Do you agree with the Government's position that a standalone display should be provided with a smart meter?

No comments.

Q13 Do you have any comments on what sort of data should be provided to consumers as a minimum to help them best act to save energy (e.g. information on energy use, money, CO2 etc)?

No comments.

Q14 Do you have comments regarding the accessibility of meters/display units for particular consumers (e.g. vulnerable consumers such as the disabled, partially sighted/blind)?

No comments.

Questions from Section 4: Proposals for the Non-Domestic Sector

Q15 Do you agree with the Government's proposal to extend to the small and medium non-domestic sector the minimum functionality that we will

require for smart meters in the domestic sector, with certain exceptions to allow for individual consumer requirements?

Yes. This is a sensible approach. Careful consideration needs to be given to allowing the small and medium non-domestic sector to benefit from the economies of scale that domestic smart metering will bring and to enjoy the interoperability benefits of the Central Communications model, whilst not alienating particular customer groups.

Q16 Do you have any comments on how such a requirement, and the exceptions to it, should be framed?

Requirements in relation to meter functionality will need to take into account the legacy issue of Profile Class 3 and 4 customers (often group customers) with advanced metering already installed. There will probably need to be a degree of flexibility in this sector about use of the Central Communications infrastructure, as some retail chains may wish to utilise their own communications.

Q17 Do you have any comments on how the proposed new requirements should work in the context of the current developments in metering in this sector?

There does not appear to be any conflict with BSC requirements.

Q18 Do you have any comments on the implications of the Government's proposed approach in this sector for the future development of smart grids?

The matters discussed in our response to question 3 seem to apply here also.

Q19 Do you have any comments on the revised Consultation Impact Assessment for this sector?

No comment

Q20 Do you have any comments on the implications for the non-domestic sector of the options identified for a domestic delivery model?

We believe that as long as there are adequate requirements to support interoperability the current metering arrangements in the non-domestic sector could continue.

Q21 Do you agree with the Government’s approach to promoting interoperability in the non-domestic market? Do you have particular views about the interaction between the Government’s proposals for the non-domestic sector and the domestic smart meter roll-out?

We believe that the need to ensure operability is essential for the competitive market to function effectively.

Question from Section 5: Other Issues and Next Steps

Q22 Has Government identified the right issues for the immediate next steps? Are there other activities or key issues which you think should be addressed at this stage of the preparations for roll out?

We agree that extensive industry changes will be required under all delivery models and that an understanding needs to be reached about how existing governance arrangements will change. We would welcome the opportunity to support the preparation work and, in particular, the “high-level review of existing codes and an assessment of the impact of the roll-out of smart meters on these codes”.

Q23 Do you have any other comments or evidence on issues relating to this consultation document or the accompanying Consultation Impact Assessments?

No comments.