ElectraLink Ltd.
Ground Floor
Grafton House
2/3 Golden Square
London W1F 9HR

Tel: 020 7432 3000
Fax: 020 7432 3015
www.electralink.co.uk

ElectraLink

FAO the Clerk
Energy and Climate Change Committee
7 Millbank
London
SW1P 3JA

07 February 2013

Dear Sirs

Re. Energy and Climate Change Committee's call for evidence on 'smart meter roll-out' (20 December 2012).

1. ElectraLink Ltd is pleased to respond to the Energy and Climate Change Committee's (ECCC's) call for evidence on 'smart meter roll-out', December 2012. In accordance with our central role as service provider of the Data Transfer Service (DTS) to the GB electricity market we have focused our response on those areas most closely aligned with our experience, knowledge and core competencies.
2. The government's Smart Metering Implementation Programme (SMIP) is the most significant project to affect the electricity and gas retail markets since the New Electricity Trading Arrangements (NETA) and British Electricity Trading and Transmission Arrangements (BETTA) were introduced. The scale of the programme is significant not only because it requires the replacement of over 50 million meter assets, which will be coordinated and then managed by a variety of existing and new market participants, but because the programme will have a direct impact on all domestic energy consumers (and a large number of SME businesses) both during the roll-out of smart meters and into the future as smart meters deliver benefits to those consumers.
3. ElectraLink recognises that the delivery of the SMIP is more than just an asset replacement programme – it is a key element of the government's plans to help consumers use less energy by empowering their decision making through access to timely and accurate energy use data, it will reduce the industry's costs to serve those consumers and has the potential to enable other smart energy technologies.
4. Whilst the SMIP has the potential to deliver considerable benefits to industry and to consumers, the scale of the SMIP means that ensuring these benefits are delivered is challenging. It will require effective coordination by government and industry to ensure that costs and risks are minimised and that consumers' experience of the roll-out and ongoing use of smart meters is positive.

5. We consider that to ensure success for consumers and the industry, it is important that the SMIP makes best use of existing infrastructure, data and arrangements. This is because using existing assets and procedures can avoid duplicating costs and minimises the risks to industry parties and the programme as a whole, because the operation of existing, shared infrastructure is already understood and integrated into industry parties' internal processes and systems.
6. Accessing and utilising the existing data that flows over the Data Transfer Network (DTN)[1] provides all market participants with access to a richer and more holistic view of how the retail markets are operating, from a single source. The use of these centralised data sets will allow the more effective improvement of poorly performing processes and will prevent poor quality data being transferred into the new smart metering arrangements. Furthermore use of these data sets will enable suppliers to improve the focus of their smart meter roll-out plans, e.g. by learning about typical installation issues, and generally allow more efficient and holistic monitoring of the roll-out.
7. The remainder of our response explains in more detail how we think that maximising the use of existing infrastructure and data can effectively support the cost effective and efficient delivery of SMIP, the realisation of benefits for consumers and greater transparency in market data.
8. Our response seeks to contribute to answering the following questions:
    - What are the potential obstacles to rolling out smart meters in the UK and how should these be addressed? What pitfalls have hindered roll-out programmes elsewhere and are we doing all we can to avoid them?
    - Will DECC's current approach to roll-out, including on procurement and establishment of the central Data and Communications Company, deliver an optimal data and communications strategy?
    - What criteria should DECC use to measure the ongoing success of roll-out?

About ElectraLink Ltd

9. ElectraLink was established in 1998 to procure and manage a regulated data transfer service that underpinned the newly formed competitive domestic electricity supply market. Since this date the DTS has effectively facilitated electricity retail market competition by supporting customer switching and other key business processes. In particular, the DTS has ensured that market participants (i.e. retail suppliers, network companies and their agents) can securely communicate critical consumption and registration details with each other over a single, regulated data transfer infrastructure.
10. Since 1998 ElectraLink has successfully operated the DTS and has developed complementary commercial services to further support the electricity retail market and the gas retail market. Our services are integral to the functioning of the regulatory and commercial arrangements that enable retail competition in electricity and gas today. For example, the DTN supports the processes for settling electricity trading accounts, communicating electricity consumption and meter reading details and change of supplier and meter registration in electricity and gas. Given the focussed scope of the SMIP, we expect to continue supporting these retail market processes during and after the mass roll-out of smart meters.

[1] I.e. the infrastructure that supports the provision of the DTS.

11. In addition to network services, ElectraLink has developed commercial data services over the last year. These data services have been developed to make the unique data set that is sent across the DTN more transparent and accessible to market participants. The capability to intercept and aggregate this market data was granted to ElectraLink by the users of the DTS in February 2012. They recognised that whilst individual participants may see a fraction of the data sent over the DTN (ie what they are sent or send), making all DTN data available could be of considerable value to industry through its aggregation and analysis by a central body. These services are provided to industry in accordance with specific rules defined by the DTS Users and detailed in the Data Transfer Service Agreement (DTSA).

What are the potential obstacles to rolling out smart meters in the UK and how should these be addressed? What pitfalls have hindered roll-out programmes elsewhere and are we doing all we can to avoid them?

12. The SMIP is a significant undertaking for government and industry. The benefits of successful delivery are potentially great but so are some of the challenges that must be tackled. Amongst these challenges, we consider that the following require attention:
    - Ensuring a positive consumer experience – in the first instance, consumers must be willing to allow suppliers and their agents to install a smart meter at their premises. They must then be willing to effectively use the data provided by smart meters to better inform their decisions in relation to energy use. A poor consumer experience is likely to hinder the likelihood of meter installation and use of smart meter data;
    - Ensuring effective co-ordination – the SMIP requires a number of industry parties to interact effectively and efficiently in order to install smart meters en masse and to operate smart meters going forward;
    - Ensuring efficient system and process interoperability – market participants' systems, internal and regulatory processes will need to be developed to accommodate the implementation of new smart arrangements. These systems and processes will also need to continue to support existing requirements that overlap and run parallel to the new smart arrangements. Burdensome smart metering requirements could have the effect of adding cost and risk to participants businesses and the operation of existing processes;
    - Delivering under tight timescales – whilst the SMIP has been in progress since 2010, there is still a large amount of important work to be delivered, under tight timescales, before the mass roll-out begins in 2014; and
    - Managing the integrity of meter registration details – the processes that enable competition in the electricity and gas retail markets are underpinned by a large volume of detailed meter registration data. The integrity of this data is not perfect and there is a real risk that the roll-out of smart meters could be affected because anomalies and errors in the standing data hinder the installation and registration processes.
13. In our view, the challenges described above can be mitigated by the judicious use of existing infrastructure, market data and processes. Existing infrastructure has the advantages of already being used, understood by the industry, integrated into market participants' systems and industry processes, and avoids the costs and risks of designing and implementing alternative (potentially duplicate) solutions from first principles. Such an approach could also allow an acceleration of the timescales associated with the initial installation and testing of connectivity between central smart services, i.e. the DCC, and its users.

14. In addition to reusing existing infrastructure, we believe that using existing, centralised market data will provide a resource that could be used to effectively inform market participants', consumer groups' and government's activities in relation to the roll-out of smart meters, their ongoing use and measurement of the success of the SMIP. Access to market data makes the details of the operation of the market more transparent and accessible, and enables participants to use the data to inform their businesses more efficiently and at a lower cost. It would also mean that participants have access to the same data which could reduce asymmetries in the information. This could facilitate competition and enable more effective comparative analysis for improving business processes and regulatory policy.
15. ElectraLink's regulated network services ensure that data relating to energy consumption, change of supplier activity, meter installation and maintenance, and Green Deal projects are already communicated over a single, secure network between a variety of industry parties. Access to this data enables better coordinated and targeted roll-out of smart meters and the delivery of more valuable enduring services to consumers. For example, the data could be used to:
    - identify or predict the prevalence and location of installation issues, which could support more effective resource planning and communications with consumers;
    - Identify and resolve issues with metering standing data ahead of smart meter installations, so as to avoid problems that may hamper the installation or the enrolment/adoption of a meter in the DCC's systems;
    - report the volumes of smart meter installs over time and by location, so as to shed light on progress and market penetration;
    - analyse change of supplier activity of customers with and without smart meters; and
    - report on the move from non half hourly settlement to half hourly settlement for customers with smart meters.

Will DECC's current approach to roll-out, including on procurement and establishment of the central Data and Communications Company, deliver an optimal data and communications strategy?

16. We consider that in general DECC's current approach will deliver a viable data and communications strategy. DECC have designed the SMIP by engaging with, understanding and learning from a broad range of industry participants and consumer groups.
17. However, the scope, complexity and timescales of the SMIP, and the range of views and vested interests raised, has meant that DECC have needed to ensure that the SMIP's design and implementation stays focussed, so as to avoid project creep and to ensure delivery that is value for money for consumers.
18. In light of this we consider that DECC should be aware of the total impact on all parties when considering different aspects of the overall solution. Otherwise there is a risk that individual decisions, which on their own appear to be lower cost, mean that the total cost to industry, and therefore to consumers, can be much larger. We believe the use of a new network and its associated interfaces to connect industry to the DCC could be such a case.

What criteria should DECC use to measure the ongoing success of roll-out?

19. There are a variety of indicators that DECC may choose to measure the ongoing success of roll-out. These might include measuring customer satisfaction, changes in consumers' usage behaviour, the numbers of smart meters installed over time, the numbers of meters enrolled in DCC and managed outside of DCC, effects on the change of supplier process, the volumes and types of installation issues and the time taken to resolve them.

20. The use of existing market transactional data will allow more holistic and cost effective monitoring and reporting of activity related to SMIP and will ensure that important data sets used in the operation of the electricity and gas markets are accessible by industry from a single, secure source, as opposed to a variety of sources. Such central reporting would benefit industry participants because it would enable them to avoid the costs and effort of development and operation of systems to store and process data for market reporting. ElectraLink already offers data services that provide market participants with tailored reports on retail market activity, which they use to streamline their business processes or develop services for consumers.

Concluding remarks

21. The success of the SMIP is reliant on effectively and efficiently managing the roll-out and operation of smart meters. This is necessary to ensure that consumers' experience of smart meters is positive, in terms of their installation, the price consumers pay for smart meters and the enduring services and opportunities offered to them.
22. ElectraLink believes that the SMIP can deliver more effectively and efficiently by making best use of existing infrastructure and opportunities to centralise the communication, monitoring and reporting of market data. This way costs can be minimised and risks can be reduced by reusing existing, tried and tested infrastructure, which, importantly, a large number of industry parties are already connected to and know how to use, and can accelerate the implementation timescales of the SMIP.
23. As the operator of the DTS, ElectraLink has a strong track record of supporting the electricity and gas markets through its provision of secure, regulated data transfer services and related data services. Through these services, ElectraLink is committed to supporting industry and government in order that consumers realise the full benefits of smart meters.

Please do not hesitate to contact myself or Nicholas Rubin (nicholas.rubin@electralink.co.uk) if you would like to discuss this response in more detail or ElectraLink's role in the electricity and gas markets more generally.

Yours sincerely

Stuart Lacey

Chief Executive, ElectraLink