



**Response from Three Ireland to the CER consultation paper
CER/15/138 'Regulating the Transition Activities of Market Participants'**

Question 1

'Do you think that this is a complete range of factors that should be considered in the development of the rollout plan? If no, please explain why.'

Introduction

Three Ireland supports the CER in its objective of delivering an efficient and economical transition solution for upgrading infrastructure, business systems and processes for Smart Metering.

Three Ireland firmly believes that coordination and cooperation amongst industry stakeholders are critical to provide 80% of households with electrical smart meters by 2020. Indeed, our view is that rolling out both electricity and gas meters in this 2 ½ years' time frame presents a significant challenge.

In order to deliver the most efficient and cost effective deployment solution, we believe it would be beneficial for the CER to allow market players (Distribution System Operators and tenderers) to shape the most economically viable rollout options that fit policy objectives.

We believe that separate gas and electricity rollouts would significantly reduce complexity and could allow each DSO to optimise their own deployment plan to maximise early benefits. We therefore believe that rollout would be best achieved with ESB Networks and Gas Networks Ireland managing the rollout of electricity and gas smart meters separately. In our view, this will be critical to the success of the National Smart Metering Programme.

CER should consider empowering relevant participants (ESB Networks and Gas Networks Ireland) to take the lead and develop the simplest and most secure option. The CER could ensure the consumer experience is effectively managed by placing requirements on both parties to actively manage end-to-end customer interactions.

Submission

We agree with the list of factors that the CER puts forward as key for shaping the smart metering rollout and with the definition of fundamental building blocks required to deliver and commission a new platform¹.

1) While it is possible that dual fuel rollout scenario may improve engagement with end customers, this could be at significant additional costs, particularly where the percentage of dual fuel equipped household is low

Dual fuel customer experience, with a single physical customer contact for both fuel meters installation, is the strongest argument for dual fuel rollout. The main objective is to reduce customer inconvenience for dual fuel equipped houses. Dual fuel rollout has been considered viable in countries with over 50% of dual equipped houses². However most of these rollouts have not yet been completed and so there is limited evidence. With 33% of households being dual-fuelled, Ireland is clearly below this threshold.

A Dual fuel scenario would have implications at 3 levels: resources, planning and logistics. On the resource side, it would translate into having a high portion of dual certified workforce to make planning and logistics workable. A dual fuel meter program with 80% of meters installed by 2020 would increase the need for dual certified installers and there is a strong probability that the Irish labour market would not be able to meet that demand. On the planning side, dual-fuel rollout would require strong coordination between DSOs, increasing management overhead costs significantly. On the logistics side, dual fuel technicians will be faced with an increased level of complexity while managing electricity and gas components.

Higher dual fuel rollout costs will hence be incurred by all customers while being relevant only to a portion of households. This may lead to an imbalance in the incidence of costs between gas and electricity DSOs.

2) Single fuel rollout optimises resources needs from DSOs, improves planning and reduces rollout complexity

Single fuel rollouts for electricity and gas would allow adoption of different timelines for electricity and gas meter installation. Each DSO would design its rollout with the optimised approach on resources, planning and logistics. Gas installers will manage only gas meter installation components with electricity installers managing electricity components. This allows each DSO to find the right balance between using its own workforce and procuring additional resources. Each DSO can adapt rollout planning with respect to their day-to-day business

¹ Consultation paper CER/15/137, p.12

² Such as the UK or the Netherlands

activity and can be more efficient in logistics and warehouse management. We believe these benefits to be significant and outweigh the inconvenience linked to a possible second visit to some of the household equipped with gas and electricity.

3) Research shows single rollout is the most viable and most frequently chosen option for electricity and gas and the average duration for an 80% customer base rollout is 4 years

In Europe, smart meter rollouts are mostly conducted by DSOs with the exception of the United Kingdom and Germany. Most of the successful smart meter rollouts have been single-fuel rollouts including Sweden, Finland, or Italy (see below). These countries have opted for electricity smart meter rollout in the first place, followed by gas meters. Dual fuel smart meter rollout solutions are more relevant in countries with high dual fuel equipped households (95% in the Netherlands, 88% in the United Kingdom).

| Examples of successfully delivered single fuel rollouts in EU markets | |
|---|---|
| Italy | Single fuel rollout completed in 2006, first amongst major European countries; gas smart meter infrastructure rollout planned to be started in 2015 ³ |
| Finland | Single fuel scenario successfully delivered in less than 4 years (fastest in Europe); no plan to deploy gas smart meters (use of district heating rather than gas) ⁴ |
| Sweden | Single fuel rollout delivered with no delays despite managing multiple suppliers; no plan to deploy gas smart meters (use of district heating rather than gas) ⁴ |

Average time of implementation, from placing first production meter into service until to 80% rollout mark, is around 4 years. An additional 12 months is usually needed, if the majority of meters are inside customer homes. Typical timelines for rollout are approximately 10% in year 1, 32% in year 2, 47% in year 3, 72% in year 4, and up to 99 % in year 5⁵.

³ Industry press articles ; Smart Consumer Project (joint European project funded by the EU), *European Smart Metering Landscape Report*, 2014, available at http://www.escansa.es/usmartconsumer/documentos/USmartConsumer_Landscape_2014_Final_pr.pdf

⁴ Industry press articles ; Council of European Energy Regulators (CEER), *Status Review of Regulatory Aspects of Smart Metering*, 2013, available at http://www.ceer.eu/portal/page/portal/EER_HOME/EER_PUBLICATIONS/CEER_PAPERS/Customers/2013/7-1_C13-RMF-54-05-Status_Review_of_Regulatory_Aspects_of_Smart_Metering_FOR_PUBLICATION.pdf

⁵ Victoria State Government, *Smart Metering: Lessons Learnt*, 2010, available at <http://www.smartmeters.vic.gov.au/about-smart-meters/reports-and-consultations/advanced-metering-infrastructure-cost-benefit-analysis/appendices/smart-metering-lessons-learned>

Oliver Wyman analysis of European Commission smart metering data

4) We believe that that single fuel rollout would enable the optimum rollout of smart meters in Ireland

The nature of the smart metering equipment installation is very different for gas and electricity (meter equipment, location, installation process). Separate rollout option would bring in lower overall costs and allow a more flexible timeframe for deploying smart meters. This option would also provide more leeway for energy DSOs and suppliers to shape the right products and services for smart meter launch so as to motivate customers from day 1 towards behavioural change and energy savings.

5) We believe that a geographical rollout would best achieve the objective of early benefits realisation. DSOs are best placed to decide the rollout strategy and be held accountable for efficient delivery

Early benefits realisation is critical to overall NSMP success. There are two main groups of parameters that will influence success.

- Energy Supplier parameters: opt-in ratio, energy saving potential, “influencing” capability of customer etc.
- DSO parameters: installation complexity, speed of rollout, etc.

Both energy suppliers and DSOs are relevant partners in defining and delivering an early benefits realisation plan. We believe that progressive geographical rollouts, carried out by each DSO, would be the simplest option in the Irish context. It would allow investment phasing, and improve the overall cost-benefit analysis.

6) DSOs should be given the opportunity to choose the most effective way to rollout while being required to manage customer interaction.

Given the challenge of delivering 80% of the rollout in 2 ½ years in Ireland vs. 4 years on average in Europe, we believe it is essential for the CER to empower the market to maximise efficiency. Hence, DSOs (and their partners) should be given the opportunity to design and choose the best “rollout approach”, while being required to carefully manage and deliver the most appropriate customer experience.

Conclusion

Three Ireland believes that the rollout of the smart metering project is going to be challenging. Indeed, it is currently planned to be delivered in 2 ½ year reaching 80% of households including dual fuel rollout whereby the experience in Europe showed it has taken in average 4 years for a single fuel rollout.

Three Ireland believes that single fuel rollout should be considered as it is more likely to deliver a successful rollout of the national smart metering programme, while at the same time enabling early benefits. To allow this, we think it would be appropriate for the CER to re-assess and adjust its deployment specifications.

Finally, Three Ireland believes that separate rollout should be led by the Distribution Systems Operators (DSOs). They are the best placed to manage these challenges; While early benefits should be based on a geographic rollout to maximise engagement with consumers.