



**Response by Energia to CER's Smart  
Metering Programme – Phase 3**

**Proposed Decisions**

***Regulating the Transition Activities of Market  
Participants***

***CER/15/273***

**22<sup>nd</sup> January 2016**

## **1. Introduction**

Energia welcomes this opportunity to respond to the Commission for Energy Regulation (CER) proposed decision paper on regulating the transition to activities of market participants (CER/15/273). This paper is part of the ongoing series of CER consultations on consumer policy described as Phase 3 of the National Smart Metering Programme (NSMP) and although it touches on a number of important areas that will, in time, require detailed project timelines, our comments on these high-level issues are somewhat limited.

Energia's response to this consultation is divided into two sections; general comments are first provided and are then followed by comments on the specific consultation questions.

## **2. General Comments**

In response to the CER's July 2015 consultation, Energia highlighted three high-level issues that CER should have regard to in this specific workstream and elsewhere, where appropriate. These issues were;

1. That policy decisions should be feasible and, that the costs they impose be proportionate and manageable; and,
2. That a full, robust CBA would be required to support the CER's decision on roll-out of smart meters.

These points remain valid in the context of this response. Furthermore, Energia considers the development of a detailed project plan for further development and implementation to be an important document in the context of this consultation and the management of transition to smart metering. Notwithstanding the resource requirements the NSMP has already commanded, it is important that the CER, network companies and suppliers are given adequate opportunity to develop and implement their respective transitional arrangements, including CAPEX spend and process changes; this process cannot be back-ended onto suppliers to deliver in a prohibitively short and compressed timeframe. Realistic supplier timeframes must be part of the overall project plan, with contingency for slippage from either CER or networks companies as part of the overall programme. Consumer readiness is also of critical importance to the successful rollout of smart meters.

## **3. Specific Question**

***Question 1 – Do you have comments on the CER's Proposed Decision for regulating the transition activities of market participants, or further evidence or reasoning that you consider to be relevant to the Proposed Decision?***

Taking the proposed decision in its constituent parts, this response shall address rollout, testing and trialling and participant readiness. In general, Energia broadly agrees with the principle of regulating this transition through transitional licence arrangements on the network companies and suppliers. However, transitional licence conditions alone will not bring about a successful transition. The transition's

success will be determined by a number of factors both within and outside of the parties upon which this transitional licence conditions will apply.

It will also be necessary to ensure that these transitional licence conditions are monitored and, where necessary, proportionate and dissuasive actions are taken against those failing to meet their transitional licence obligations. It cannot be the case that an asymmetrical structure or application of these transitional licence conditions can be allowed to emerge. Possible incentives and penalties, should they be introduced, should be applied to none or all of the parties to be subjected to these transitional licence requirements, in accordance with the respective obligations on different parties; i.e. incentives for network companies should be mirrored in a similar scheme for suppliers.

In relation to the rollout, Energia supports the joint development and maintenance of an integrated rollout plan by ESNB and GNI. However, Energia strongly believes that the role of suppliers should also be incorporated into the programme plan and governance arrangements for the NSMP. It must be recognised that energy suppliers, through our direct contact with customers, are more than mere industry stakeholders and that it is necessary for suppliers to be involved at the highest level of rollout planning and governance. It is not appropriate or sufficient for both networks companies to merely have an obligation to engage with energy suppliers and to just consider their views in developing the integrated rollout plan. Such an approach as that proposed undermines the role of suppliers and their customers in this transition.

Energia broadly supports the proposed introduction of a revenue recovery and incentivisation approach but strongly argues for this mechanism to be extended to all parties to be subject to transitional licence obligations. Furthermore, revenue recovery and incentivisation payments suggest that the mechanism proposed is asymmetrical; i.e. there is no risk for the network companies arising from poor performance, or performance below the agreed standards set by the CER. Such an outcome (e.g. programme delay) would impose significant costs on suppliers, a feature apparently ignored within this paper and in the proposed mechanism.

In respect of the proposed decisions on testing and trialling, Energia again broadly supports the collaborative development of a programme plan but again stresses that this cannot be developed by the network companies alone, and approved by the CER. Suppliers should also be given the equal opportunity to contribute to the development of the trialling and testing plan, particularly where transitional licence obligations are to be imposed on suppliers to use reasonable endeavours to comply with the coordinated testing and trialling plan developed as part of the overall NSMP programme plan. As with the comments provided on the role for suppliers in the rollout, it is not expected that suppliers would play an equal part in the development of these critical programme plans but that they would have an equal say in matters that are materially important to their business and be able to benefit from the two-way communication that would be a feature of our proposals, as opposed to the inappropriately one-sided approach proposed in the paper. The CER's proposed approach also appears to diminish the role of suppliers and their customers in the

coordinated rollout of the NSMP programme and its governance, something that must be addressed in the CER's decision paper.

Finally, while Energia does not oppose the proposed CER role in assessing participant readiness prior to go-live, it is also critical to the success of the programme to ensure consumer readiness prior to go-live. It is therefore necessary that the role of customers and the parties to interact with customers is integrated into the transitional arrangements being considered as part of this workstream.

In summary, Energia considers that:

1. The proposed approach of introducing transitional licence obligations on both network companies and suppliers is broadly appropriate.
2. Network companies to be well placed to undertake much of the development, planning and coordination of the NSMP rollout, testing and trialling. A coordinated approach to rollout, testing and trialling is a sensible approach.
3. Suppliers must be formally incorporated into the NSMP governance arrangements for rollout, testing and trialling, and afforded an equal voice in matters that are to affect their businesses throughout rollout, testing and trialling.
4. An incentivisation scheme for network companies may be appropriate, albeit paid for by customers, but such a scheme must be symmetrical in two senses; 1) such a scheme should also be open to suppliers, and; 2) the mechanism must include an appropriate mechanism for dealing with performance that fails to meet the prescribed standard, set by CER.
5. Consumer readiness is critical to the success of the rollout of smart meters and responsibility for this should be incorporated into this policy workstream.