Ovum's Response to Ofgem's Smart Metering Prospectus

Description: On July 27, 2010, Ofgem published its eagerly anticipated prospectus for smart metering in Great Britain. With 15 separate documents totaling over 800 pages, the prospectus gave Ofgem's views on how the deployment of 48 million smart meters in 27 million homes in Great Britain will progress. The prospectus is a consultation document, and Ofgem asks a number of questions throughout.

Scope

- Customer engagement in a smart meter deployment
- Ofgem's staged implementation approach
- The role of the DataCommsCo (DCC)
- Ofgem's WAN strategy

Highlights of this title

Ofgem has recognized the importance of the consumer, but Ovum questions its consumer engagement strategy.

The staged implementation approach appears to be more about political expediency than benefiting the deployment.

The role of the DCC has been left disappointingly thin.

Ovum is concerned that the WAN strategy has not been fully thought through.

Key reasons to purchase this title

- Read about Ovum's opinions regarding the Ofgem GB smart metering prospectus
- Use this report as a basis for a similar response to Ofgem

Contents:

Summary
Catalyst
Ovum view
Key messages

Table of figures
Great Britain smart metering is being driven by promises of cost and energy savings
48 million meters will be installed in 27 million homes by 2020
Smart metering will decrease the emission of greenhouse gases by accommodating increased volumes of renewable energy and energy storage
Smart metering can influence customer behavior to reduce overall consumption and shed peak load
Greater customer insight can offer a competitive advantage in the liberalized British market
Smart metering enables more sophisticated payment protection, reducing cost-to-serve
Smart metering reduces cost-to-serve in the call center
Ofgem's priority is to protect and engage customers - if it fails, so smart meters will fail to deliver a positive return
Ofgem has recognized the need to better engage consumers, but is yet to suggest the use of external agencies to maximize engagement
Ofgem should consider the role of social media in gaining customer engagement
Ofgem recognizes the importance of installation visits in gaining consumer buy-in, but has passed on the responsibility to suppliers
The prospectus crucially makes no reference to consumer confidence in smart meter accuracy
The favored ‘staged implementation’ appears hasty
In line with pre-election policy commitments, smart meter deployments will be accelerated
Favoring a phased approach has an air of political expediency
While staged implementation may please the government, it exposes many stakeholders to a number of risks
Meter interoperability will likely be driven by manufacturers
The potential risks of a staged implementation could be considerable
Ofgem needs a policy to protect against manipulation of the deployment process by suppliers
The role of the DCC will (hopefully) evolve over time
The proposed role of the DCC will restrict the number of applicants
The initial role of the DCC is uninspiring
It seems likely that the DCC will take on meter registration
The absence of data services such as VEE from the DCC’s initial scope is of particular concern
VEE requires substantial investment, and historic deployments have suffered from scalability issues
The risks of abdicating responsibility for VEE from the DCC to suppliers and market settlement extend beyond the duplication of effort
Ofgem needs a clear VEE strategy
Poorly structured WAN strategy supports rapid deployment, not long-term smart grid objectives
WAN functional requirements are a codified rejection of power line carrier and cellular as long-term solutions
Ofgem must ensure that they have the right to install an external WAN module
The separation of WAN from meter should not be used to justify a two-phase communications strategy
The concept of gas companies becoming lead suppliers does not stand up to analysis

Recommendations
Recommendations for Ofgem
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