

Statutory consultation on the post-2020 smart meter rollout supplier reporting requirements

Eaton written submission

About Eaton

Eaton is a global power management company with nearly 100,000 employees and a global turnover of \$22bn. Since 1911 we have manufactured power management technologies for a wide range of energy intensive industries including road transportation, aerospace, machinery, oil and gas and electrical infrastructure in buildings.

Eaton has been present in the UK since 1946 and directly employs around 4,500 people in 31 sites across the country in high-tech manufacturing, R&D and administrative functions. We have manufacturing and R&D sites around the country with key locations including Doncaster, Cwmbran, Luton, Titchfield, South Molton, Sutton Coldfield and Havant.

Nationally, Eaton and our partners are key providers of energy storage and the provision of behind-the-meter flexibility products and services. In 2017 we launched our xStorage Home product, a complete system housed in a single unit, utilising recycled Nissan Leaf batteries manufactured in Sunderland, that integrates everything needed to store and manage electricity more effectively.

Overview

Eaton welcomes the Government's intentions to bring forward a new regulatory framework that will see the roll out of smart meters beyond 2020 and appreciates the opportunity to respond to the proposals in the consultation.

We strongly support the rollout of smart meters, as we believe it is essential the technology is deployed universally as quickly as possible to support the transition to a more flexible energy system. Smart meters have a crucial role to play in supporting the use of smart pricing tariffs by recording electricity use in real time and enabling the benefits of behind-the-meter flexibility services to be realised. Smart meters and dynamic pricing can enable load disaggregation, allowing for different regimes for electric vehicle charging, storage and solar and the rest of the loads.

Smart meters and increased use of dynamic consumer pricing tariffs are also essential part of the flexibility mix as they offer financial incentives for consumers to change behaviour, for example to shift to off-peak demand periods in response to market price signals. Such demand side response can help reduce the need for renewable energy curtailment and fossil fuel back-up generation, as agile tariffs can offer consumers different prices according to time of day or incentivise them to use less electricity at any one time.

With the existing obligation on energy suppliers to take all reasonable steps to install smart meters due to expire on 31 December 2020, we support Ofgem's proposal that all suppliers in the market – regardless of size – would have binding annual installation targets to roll out

smart and advanced meters to their remaining non-smart customer base until they reach a minimum smart coverage of 85%. We also welcome the intention to achieve market wide rollout by 31 December 2024.

While the UK is in the middle of a major smart meter rollout programme, to date it has not kept pace with countries such as the Nordics which already have near-universal roll out of smart meters. The Government has already had to push back its target date to achieve near-100% roll out from 2020 by four years, with a more cautious ambition to achieve 85% roll out 2024.

It is crucial that Britain follows the direction of Nordic countries and achieves near universal roll out of smart meters, being a key building block to a more flexible energy system and to decarbonise the sector. Therefore, it is right that moving forward Ofgem is strengthening its obligations on suppliers, from requiring them to offer customers smart meters by the end 2020, to requiring suppliers to meet annual roll-out targets in their trajectory to achieve 85% coverage by 2024.

1. Overarching principles

1.1 For reporting purposes, we are minded to define large suppliers as those with 150,000 or more gas and/or electricity customer accounts as of 31 December of each year from 2020 to 2023; those with less than 150,000 gas and/or electricity customer accounts as of 31 December of each year from 2020 to 2023 will be defined as small suppliers.

1.2 We are minded to require all suppliers to report to Ofgem annually their annual milestones for both gas and electricity as well as their performance against these milestones.

1.3 We are minded to require all suppliers to report their annual milestones for the year ahead as well as their performance for the previous year to Ofgem on 31 January of each relevant year.

We agree that this obligation should apply to all suppliers in the market regardless of size and should include new entrants, as this will be crucial if the Government is to achieve its aim of 85% smart meter roll out by 2024. It is also important to ensure that all consumers can experience the benefits of dynamic pricing and be incentivised to change the way they consume energy. Smart meters have a crucial role to play in the UK's future energy mix if we are to have a much more flexible system and decarbonise the sector.

We also agree that all suppliers should report to Ofgem annually, being important to ensure that suppliers are meeting their targets and being held accountable for doing so. However, it is right that small suppliers should continue to be subject to somewhat less onerous reporting requirements under the proposed new obligation. As recognised in the consultation documents, the largest suppliers cover around 92% of the market which gives Ofgem a sufficient overview to monitor broad market activity.

2. Beginning of Year Reporting

2.1 For Beginning of Year Reporting purposes, we are minded to require all suppliers to submit by 31 January in each of the four years from 2021 their calculated annual milestones for both gas and electricity for the upcoming year. This would include confirmation of their Qualifying Relevant Premises for both gas and electricity as well as total customer base as of 31 December of the preceding year.

2.2 In addition to the information set out in section 2.1, we are minded to require large suppliers to submit additional information in the following areas as part of their Beginning of Year reporting:

- **The planned split of their annual milestone delivery to credit and pre-payment customers for both gas and electricity.**
- **The planned split of their annual milestone delivery to domestic and non-domestic customers for both gas and electricity.**
- **Projected installer capacity, productivity and abort rates for the upcoming year.**
- **Key dependencies and risks for the upcoming year.**

2.3 For large suppliers, upon receipt of their Beginning of Year Reporting, we are minded to review and respond to suppliers with relevant observations; For small suppliers, upon receipt of their Beginning of Year Report, we are minded to review the submission but only respond where we have a query about the calculation of the annual milestones.

No comment.

3. End of Year Performance Reporting

3.1 For End of Year Performance Reporting, we are minded to require all suppliers to submit by 31 January in each of the four years from 2022 their annual installation milestones for the preceding year for both gas and electricity as well as the number of installations for Qualifying Relevant Premises for both gas and electricity for the previous year. All suppliers should also provide a narrative setting out their

3.2 In addition to the information set out in section 3.1, we are minded to require large suppliers¹ to submit additional information in the following areas as part of their End of Year Performance Reporting:

- **Number of installations delivered to credit and pre-payment customers for both gas and electricity in the preceding year.**
- **Number of installations delivered to domestic and non-domestic customers for both gas and electricity in the preceding year.**

No comment.

4. Publication of Information – All Suppliers:

4.1 We are minded to require all suppliers to publish, on their website:

- their annual milestones for both gas and electricity for the upcoming year; and
- performance against these binding milestones for the preceding year.

We are minded to require this information to be published at the same time as suppliers submit their reports to Ofgem in January of each year. Suppliers should also provide a link to Ofgem to where the information is published on the supplier website.

4.2 In addition to publication of information set out in section 4.1, we are minded to require large suppliers to publish, on their website:

- the planned split of their annual milestone delivery to credit, pre-payment, domestic and non-domestic customers; and
- their delivery performance against Beginning of Year Report as set out in their End of Year Performance report.

We are minded to require this information to be published at the same time as suppliers submit their reports to Ofgem on 31 January and suppliers should also provide a link to Ofgem to where the information is published on the supplier website.

We agree that all suppliers – regardless of size – should be required to publish their annual targets and their performance against these targets online. Publication by suppliers is important to maximise transparency, make them more accountable, and drive compliance with the obligations, all to the benefit of the consumer. This would also deliver benefits to the consumer; helping broaden public understanding of how they can access the benefits of a smart meter and engage with the energy market in new ways to reduce their costs and emissions and ensure no customer groups are left behind.

As with the proposed reporting requirements, we agree it is reasonable that large suppliers should be required to publish further details on their targets and performance.