

SMNCC Review – November Working Paper

21 December 2020

Introduction

Energy UK is the trade association for the energy industry with over 100 members spanning every aspect of the energy sector – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership.

We represent the diverse nature of the UK's energy industry with our members delivering over 80% of both the UK's power generation and energy supply for the 28 million UK homes as well as businesses. The energy industry invests £13bn annually, delivers £31bn in gross value added on top of the £95bn in economic activity through its supply chain and interaction with other sectors, and supports 738,000 jobs in every corner of the country.

This is a high-level industry view; Energy UK's members may hold different views on particular aspects of the working paper. We would be happy to discuss any of the points made in further detail with Ofgem or any other interested party if this is considered to be beneficial.

Cost & Benefit Input Data

While we agree that Ofgem's proposals to use ASR submissions seems reasonable, Ofgem must set out how it intends to use each data point in more detail. Energy UK believes it is imperative that Ofgem assesses the Smart costs in a transparent manner, including: advising suppliers of which data items of the BEIS reporting are used to calculate costs/benefits, publishing the methodology of assessing costs and inviting suppliers to comment on the methodology via data rooms.

It is from this transparency that suppliers will be able to most effectively scrutinise Ofgem's plans and determine whether the data at its disposal is sufficient and being utilised appropriately, or whether an additional RFI is required to set the SMNCC at a cost-reflective level.

COVID-19 & Installation Costs

We welcome sight of this initial thinking from Ofgem. However, regardless of the option taken forward by Ofgem, it must be clear on how it will use the data it collects. It is essential that its data gathering is proportionate to Ofgem's need, and that there is sufficient transparency on the assumptions and analysis that Ofgem undertakes. It should seek to avoid unnecessary data collection, and prior to the eventual statutory consultation provide appropriate transparency to enable suppliers to scrutinise Ofgem's use of the data and underlying assumptions.

Impact of COVID-19 on Other Cost Allowances in the Cap

Advanced Payments

Energy UK retains its position, previously outlined in response to Ofgem's SMNCC review consultations, that any claw-back in future cap periods would be detrimental upon the success of the continuing smart meter rollout. Reducing the allowance at the same time as suppliers' rollout obligations are being rolled out will have a detrimental impact upon the overall success of the Government's smart meter rollout programme. The impact on planning lead-times and a lack of budgetary certainty caused by potential further decreases in the allowance in the future will undermine suppliers' plans to efficiently rollout smart meters to their customers in line with BEIS' new targets.

Process Considerations

Energy UK welcomes Ofgem's sharing of its initial views on these important aspects through this working paper. We would welcome clarity at the earliest opportunity as to when to expect the publication of the second working paper for the SMNCC, and for the PPM-specific SMNCC.

As a note of concern, Ofgem has published six separate consultations/working papers in the same time period all reflecting upon the default tariff cap methodology. Given the time of year, the level of detail in which stakeholders will be able to provide effective scrutiny of all the proposals set out in the various consultations. We believe that this is a sub-optimal approach to seek industry insight into methodological proposals and initial thinking that will have material impacts upon suppliers, customers and the successful delivery of such a key Government programme.

If you would like to discuss the above or any other related matters, please contact me directly on 020 7747 2931 or at steve.kirkwood@energy-uk.org.uk.