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Federal Electricity Commission ElCom  
Technical Secretariat

**CH-3003 Bern**

A-PRIORITY

Mrs Fay Geitona  
CEER Secretary General  
Rue le Titien 28  
BE – 1000 Brussels

Also per e-mail:  
[smart\\_metering@ergeg.org](mailto:smart_metering@ergeg.org)

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Contact person: mem  
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**ERGEG Consultation E10-PC-51 - Draft Guidelines of Good Practice (GGP) on regulatory aspects of Smart Metering for Electricity and Gas (Ref: E10-RMF-23-03, 10 June 2010)**

Dear Mrs. Geitona,

ElCom, the Swiss regulatory authority for the electricity sector, recognises the potential of smart metering for the electricity industry and for network users. In this respect, we are glad to comment on some issues addressed in the draft ERGEG GGP document, even if a large scale roll-out of smart metering at national level is not foreseen in Switzerland at present.

ERGEG's approach in considering smart metering not merely from a technological point of view, but on its merits as evaluated through a comprehensive economic cost-benefit analysis, is a step in the right direction, even if, in our eyes, the issues of smart metering and of smart grids cannot be entirely separated.

The general – yet so far unproven - belief that the needs of the network and of those who use it will be met at a lower cost thanks to smarter technologies has to be assessed. In ElCom's view, it is absolutely necessary to clearly demonstrate that the benefits anticipated from smart metering - and from smart grids – will exceed their roll-out, operating, and upgrading costs.

Over the last few decades Swiss network operators have introduced substantial improvements, such as audio-frequency power line carrier control systems to monitor and optimise the network. This makes a roll-out of smart metering (and the introduction of a smart grid) less time-critical in Switzerland and allows for a step-by-step approach. A study by the Swiss Federal Office of Energy (SFOE, 2009) also shows that there is no need for a general roll-out of smart metering across the whole of Switzerland. Furthermore, it points out that a considerable financing gap may occur if every household

Eidgenössische Elektrizitätskommission ElCom  
Effingerstrasse 39, CH-3003 Bern  
Tel. +41 31 322 58 33, Fax +41 31 322 02 22  
[info@elcom.admin.ch](mailto:info@elcom.admin.ch)  
[www.elcom.admin.ch](http://www.elcom.admin.ch)



has to be equipped: the installation costs for smart metering and feed-back equipment (investment of around CHF 1.5 bn) would outweigh the financial savings anticipated from subsequent energy efficiency gains (around CHF 1.2 bn)<sup>1</sup>.

The minimum and the optional smart metering services ERGEG is proposing are an indication of some of the smart grid capabilities that may emerge in the future. In EICOM's view, a precise and comprehensive cost-benefit analysis should be produced to support ERGEG's proposals before considering any possible roll-out on an EU-wide scale, as opposed to a national or local step-wise approach.

In EICOM's opinion, smart metering (and smart grids) should first of all aim at ensuring greater security of supply while achieving efficiency gains, e.g. in distribution system operations or regarding ancillary services. Pilot projects should unambiguously demonstrate which net economic gains end-users could expect from smart metering (or smart grids). Only capabilities with the greatest benefits compared to costs should be proposed. Cross-subsidies between regulated network costs and free-market energy supply should be avoided.

Standardisation, interoperability and openness of systems should be guaranteed at an early stage, not only because of the principle of technological neutrality but also in order to prevent new forms of market dominance. IT-security risks and privacy issues should also be addressed early on. Smart metering should not be an impediment to consumers who wish to switch electricity supplier.

Yours sincerely,

Federal Electricity Commission EICOM

Renato Tami  
Director

Michael Bhend  
Head of Section Networks and Europe

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<sup>1</sup> The study does not include some extra costs that end-consumers may face (e.g. communications costs), nor extra savings achieved by distribution system operators (e.g. through automation of processes).