

Comment on

**ERGEG Public Consultation Paper on:
*Draft Guidelines of Good Practice on Regulatory
Aspects of Smart Metering for Electricity and Gas***

We do appreciate ERGEG's commitment to open and harmonised standards in European energy metering and more generally the commitment to increase energy efficiency and to empower retail customers with respect to their energy consumption. We agree that EU-wide standardisation of meters will contribute to significant decreases in their costs.

However, the recommendations exceed by far the requirements of the provisions of the 3rd Package, the Directive on Energy End-use Efficiency and Energy Services and the Directive on Measuring Instruments. We are convinced that many of the recommended functionalities will be of use to only a very limited number of customers. In consequence we expect a high number of unused functionalities which will result in high costs for the customers, widespread frustration with smart meters and subsequently will hamper a market oriented, customer-centric approach. We would like to point out, that the CEN/CENELEC/ETSI-presentation *Responding to the EU Mandate M/441 on Smart Metering Standards in Europe* states in its *Notes on additional functionalities* that „not all functionalities will necessarily feature in all Member States“ and that the „list of functionalities is not a minimum list of smart meter functionalities“.

We advocate a more flexible and modular approach based on a lean smart meter that is equipped with all required features to comply with EU-legislation and an open and standardised interface for the connection of additional devices allowing for additional services. The advantages of this approach are obvious: It allows for smart metering that is adapted to the individual customer's needs and his technological, economical and juridical environment. In addition it leaves much more room for producers of meters and suppliers of metering services to enter into a market-driven competition for the best solutions. Thus, we suggest to put this flexible and modular approach at the heart of the final GGP.

A. Should any recommendations be left out of the final GGP? –

The suggested „minimum customer services“-approach is too extensive

For a one-by-one-evaluation we now turn to the *draft recommendations on minimum customer services – electricity* in detail (the discussion applies to the recommendations concerning gas meters as well).

1. Information on actual consumption on a monthly basis

Monthly information on actual consumption seems to be reasonable to enable the customer to influence his consumption in reaction to the information provided by the meter. The same holds for the provision of information on actual consumption (rated power or work measured over recent small time intervals). Both can be implemented at low costs.

The implementation of *remote data reading*, though, is not necessary. All relevant information for the customer can be made available at the meter. A home-display could be an additional comfort-feature. The added costs of a remote-data-reading-feature are not for every consumer in balance with the little additional benefit.

2. Accurate metering data to relevant market actors when switching supplier or moving

Again, remote data reading is by no means necessary in order to provide the consumer with relevant information neither on his energy consumption nor when he is switching the supplier or moving as stipulated by Directive 2009/72/EC, Chapter 2, Art. 3. par. 5.

3. Bills based on actual consumption

Bills can already be based on actual consumption without remote data reading, e.g. by customer-self reading. We recommend to rather include the possibility for consumers to opt for the feature if they are willing to pay for the gain in comfort – instead of including the feature as a compulsory one.

4. Offers reflecting actual consumption patterns

For legal and factual reasons we agree that smart meters should be equipped with the technical means to support tariffs reflecting actual consumption patterns. This allows for incentives to shift demand to off-peak-periods. At the same time, interval metering is not an expensive feature to realise. Still, questions 4. a) and 4. b) are hardly to be answered – it is nearly impossible to predict what kind of future tariffs will require what kind of registers. We thus advocate a technological solution that allows to answer this question later: The built-in

meter should be equipped with the minimal amount of registers necessary for the fulfillment of the legally required functions discussed above. Additionally, modular extensions can enable the meter to save and process much more information when this is desired.

5. Power capacity reduction/increase

We doubt that the two main benefits mentioned for this feature (reduction of the risk of disconnection in case of bad payment; remote management of capacity) are interesting for a great number of consumers. The foreseeable limited usage does by no means justify a major roll-out of the infrastructure necessary for this two-way remote communication and management.

6. Activation and de-activation of supply

The same arguments as for *5. Power capacity reduction/increase* apply.

7. Only one meter for those that both generate and consume electricity

We suggest that this potentially cost-driving suggestion is canceled. The consumer should decide whether or not he or she wants to have a single or two separate meters.

8. Access on customer demand to information on consumption data

See answer to Nr. 1. In addition it is quite easily realisable at low costs (e.g. display at the meter or a port for a USB-stick for the transfer of consumption data in a standardised format).

We conclude that with respect to most features included in the DGGP's far-reaching conception of a meter delivering the minimum customer services there is neither a legal necessity to introduce them nor sufficient consideration of the costs nor enough awareness of the fact that the choice of features beyond a certain minimum set should be in the hands of the actors concerned. We suggest to change the status of the recommendations for the features not strictly necessary to „optional“.

B. Should any additional recommendations be part of the final GGP? –

We suggest to adopt the concept of a lean and modular smart meter

We believe the minimum services to customers are well defined by the relevant directives and can be implemented at relatively low costs. Especially, there is no legal obligation to build a costly communication-infrastructure between meter and customer, DSO or metering

services provider in order to guarantee the services that need to be provided according to current legal provisions.

We believe a modular approach fulfills recommendation 15 of the DGGP which says all customers should benefit from smart metering. If no customer is to be harmed by the introduction of smart metering the very advanced meter suggested by the DGGP should not be rolled out. Many customers' benefits would be lower than their additional costs.

Thus, we suggest to base the GGP on a conception of a lean and modular smart meter.

C. Should any recommendations be changed for the final GGP? –

We suggest a Cost-Benefit-Analysis highly sensitive to customer needs and customer behaviour

We would like to suggest changes to the recommendations concerning the conduction of Cost-Benefit-Analyses (CBA). The 3rd Package (including the Commission's interpretative notes) stipulates that if no Cost-Benefit-Analyses is conducted, 80 percent of *all* electricity meters need to be smart ones within ten years, while, if a CBA is conducted, 80 percent of the meters *in places assessed positively* need to be smart. In general, we support the idea of conducting CBAs since first findings on the impact of smart meters suggest that for many retail customers there is only very limited potential for both shifting consumption to off-peak-periods and reducing overall energy-demand. Both a roll-out without preceding CBA and a roll-out following an inadequate CBA would inevitably lead to negative welfare effects, higher costs for many retail customers and widespread frustration with smart meters, which could prove very harmful for future endeavours in this field.

Since ERGEG's suggested minimum services meter would be costly, it runs the risk of being evaluated positively by a CBA in only very few cases. The 3rd Package's provision would thus have very little effect on energy efficiency. This highlights that the best information on costs and benefits of smart meters is available to the actors directly affected. It is highly reasonable to have them decide which services they want to use.

Thus, we advocate a CBA evaluating the suggested lean smart meter equipped with the minimum functionalities necessary to fulfill the prevailing legal provisions. Beyond that, free competition for the best solutions and investment-decisions of the market actors concerned should determine the allocation of the number and the types of smart meters, rather than

administrative speculations about desirability of certain features and generalised evaluations of costs and benefits.

Two things are important for the CBAs to deliver satisfactory results. First, in order to truly measure the cost-efficiency of smart meters, the analyses need to provide for a sufficiently large number of relevant consumer profiles to adequately draw the line between cases where a net benefit can be gained and those where a net loss will be suffered. If this is not guaranteed, again, there will be missallocations. Secondly, in many cases where theoretically there is a net benefit to be gained, many customers will not realise that benefit. This will be the case where there is very little to be gained or where split incentives prevail. We thus suggest to introduce into the CBA something like a compensatory *realisation factor* which raises the threshold of positive evaluation. This helps to avoid welfare losses caused by an excessive roll-out of smart meters whose potential is not being used.

Concluding remarks

In order to i) arrive at more energy-efficiency in a ii) cost-effective way iii) without frustrating consumers and without restraining competition in the evolving metering market we suggest to

- a. drastically reduce the number of the standard meter's services and functionalities to what is legally required and change the status of the rest to *optional customer services*;
- b. put the more flexible conception of a lean, but modular smart meter equipped with an open and standardised interface at the heart of the GGP;
- c. recommend the careful conduction of cost-benefit-analyses of this lean smart meter.

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