GEODE POSITION ON ERGEG PUBLIC CONSULTATION ON DRAFT GUIDELINES OF GOOD PRACTICE ON REGULATORY ASPECTS OF SMART METERING FOR ELECTRICITY AND GAS

GEODE the European association representing the interest of **energy distribution companies**, welcomes ERGEG draft Guidelines of Good Practice on Regulatory Aspects of Smart Metering for Electricity and Gas and is grateful for the opportunity to contribute.

I.- General comments.-

GEODE supports the importance of implementation of Smart Metering**. GEODE** holds that the extended use of Smart Metering would enhance policy goals of the European Union such as energy efficiency and security of supply whilst encouraging innovation in the provision of energy services. **GEODE** also agrees in the importance of giving the end-consumer a better understanding of their energy use, time of usage and through increased awareness become more efficient in their energy consumption [1].

GEODE holds that the DSO is the suitable actor to be responsible for and to manage the Smart Metering infrastructure and this is the case in 23 out of 25 Member States. **GEODE** supports ERGEG's view that roles and responsibilities of market actors should be defined at national level for smart metering roll-out.

GEODE stresses that the installation of Smart Metering Systems is a large investment for DSO. It is necessary that the DSO is given financial allowance in order to recover the costs of the investment of a Smart Metering Infrastructure. **GEODE** considers ERGEG guidelines should include a recommendation to regulators to assure economic incentives for Smart Meters investments when roll-out of Smart Meters is launched.

GEODE agrees with ERGEG that a minimum level of functionalities should be defined at national and European level, in order that all customers are given the same basic option of services. **GEODE** supports ERGEG approach in defining minimum customer services and optional services for electricity and gas meters. Standardisation at European level is needed as well.

GEODE shares ERGEG's view that there are potential synergies between smart metering and smart grids. Smart Meters are one of the vital underlying elements in Smart Grid development and a key tool for Smart Grids. Their simultaneous development will be vital in the overall deployment of Smart Grids. If the utilities are already in the planning stage of Smart Metering roll-out and

[1] See GEODE position paper on Smart Metering. Updated version April 2010 at www.geode-eu.org

they take an early strategic view of the investment and plan early for the Smart Grid functionalities, investment will benefit greatly.

Lastly **GEODE** would like ERGEG to coordinate their Guidelines on Regulatory Aspects of Smart Metering with the outcome of the EC Task Force for the implementation of the Smart Grids and CEN/CENELEC Mandate M/441 on smart meters standardisation, to avoid possible overlaps.

II.- Comments on ERGEG Recommendations on customer services.-

2.1.-Comments on ERGEG Draft recommendations on minimum customer services - electricity

Recommendation 1 & 17: Information on actual consumption, on a monthly basis

GEODE basically supports the idea of providing the customer with information on his or her energy consumption on a monthly basis. However, it must be noted that such information leads to additional efforts and thus additional costs which need to be acknowledged in regulatory terms. The assumption of many bodies that "remote meter reading" will deliver monthly information as a by-product is only partially true, as the costs for transmitting the information to the customer (e.g. radio network charge, data plausibility, printing, postage, etc.) are not negligible.

According ERGEG paper, it is recommended for electricity, that customers that both generate and consume electricity should receive information on consumption and injection back to the grid, as well as cost and earnings.

Then, **GEODE** would suggest that the document should also comment on and clarify how to handle net metering and net charging. Furthermore, **GEODE** foresees difficulties in handling different price information for generation and consumption.

Regarding gas, **GEODE** additionally wants to remark that in some cases the data regarding consumption in m^3 is only for information, and can not be used for billing purposes, as it is the heating value in kWh that is used for billing.

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

GEODE fully supports the application of accurate consumption data. The access of consumption data by third parties, however, must be strictly limited to those with legitimate interest and must be handled with care as consumption profiles are highly sensitive in terms of data privacy. Again, costs should not be neglected when processes need to be implemented such as managing a

customer metering data account and checking the legitimate interests of third parties to receive such data.

Furthermore, **GEODE** recommends specifying the term "relevant consumption data".

Recommendation 3: Bills based on actual consumption

ERGEG recommends that customers no longer should have to accept estimated bills.

GEODE supports this recommendation for remotely readable meters in normal operation. However, in cases when remote reading is not possible, for extraordinary situations, out of control for the DSO, for technical or reasons, due to temporary technical issues (e.g. no wireless network service available, defective meter) or when the customer refuses reasonable cooperation (e.g. by shielding the wireless transmission due to electric smog concerns), the estimated meter value must remain accepted for billing.

Recommendation 4: Offers reflecting actual consumption patterns

In the discussion of pricing issues it is vital that care is taken to differentiate between market roles and to ensure freedom of action of the non-regulated market participants. While regulation is acceptable in monopoly aspects, it should be held to an absolute minimum in liberalized areas. Consequently, Member States and their regulatory authorities should develop price formulas only for monopolies and leave the rest to the market competition. Since in Europe the supplier role is separated from the network operator's role, the pricing formulas can only apply to the latter.

This being said, **GEODE** supports the idea of time based consumption/feed-in tariffs. While this can also be achieved by classical time-of-use registers, it is highly welcomed to support rating, i.e. calculating tariffs, based on interval metering in an IT system that is situated in the back end rather than in the distributed meter infrastructure components.

To ensure an active participation for prosumers (customers who consume and produce energy at the same time) the right time and the right prices for the energy used/fed-in from/into the grid have to be considered. Therefore, the time interval should be the same as the shortest interval used in line with the national market conditions. A single recommendation at European level does not seem to be appropriate.

Answer to question 4. b):
Practical discussion and theoretical elaborations have shown that time-of-use registers should be avoided if by any means possible. In a competitive market

environment differentiation is a crucial aspect for energy suppliers. Additionally, a powerful metering infrastructure will lead to even more stakeholders requesting information and demanding more sophisticated data, e.g. average peak power for a short interval, which can be obtained from interval metering but not from time-of-use registers. Moreover, current discussions have proven that a number of e.g. 12 registers is not sufficient to satisfy the demand of all stakeholders (in this case suppliers and DSOs) when it comes to tariffs which really are able to generate an actual benefit for the customer.

Consequently, strong emphasis should be put on interval metering and rating mechanisms based thereon. Due to the fact that the tariff zones may vary from day to day, it doesn't make sense to install the register into the metering device.

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Recommendation 5: Power capacity reduction/increase

ERGEG recommends that customers should have the possibility to regulate his/her electricity supply by capacity reduction/increase. This would enable the customer to reduce power and/or the DSO to remotely manage the capacity.

GEODE recognizes and fully approves the customer benefits identified by ERGEG. Germany is making strong efforts to create an environment, where the benefits, identified by ERGEG as beneficial to "a party other than the customer", should be transformed into direct, e.g. financial benefits for the consumer. The activities foremost include the E-Energy research program.

However, remote management services should not be made part of the mandatory service provided by the DSO. Pricing formulas or voluntary limitations of consumption by the user are subject to negotiations or product definitions between user and supplier, based on commercial deals and agreements. As suppliers are acting within a liberalized market environment, these functionalities can be installed in places where there is a sensible business case, but should not be mandatory in places where no benefits can arise from them.

Recommendations 6 & 23: Activation and de-activation of supply

GEODE welcomes and supports the fact that ERGEG mentions the aspect of customer protection in the context of supply activation to avoid accidents in case of unexpected re-activation. It should be noted, however, that devices which allow for remote activation and de-activation of electric power (and even more so for gas) can be expensive. Thus, they should only be used in environments where there is (at least presumably) a substantial benefit from their application. Thus, this service should not be considered a mandatory service but should be made optional for either party, i.e. customer, meter operator or supplier.

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

ERGEG recommends that the decision on the specific metering equipment needed should be made by the customers.

There is no visible benefit for the consumer to have a single metering device. In fact, it should be the meter operator or the DSO who determines the technical equipment, as only he has the knowledge and processes (e.g. for gauging) in place to handle the required data. Depending on the particular metering task, it is not even technically possible to get along with only one bi-directional meter. This is for example relevant in cases where there is a different tariff for fed-in energy which is self-consumed and for such fed-in energy that is truly delivered to the public network. Consequently, it is neither sensible to insist on a single metering device nor to have the customer make a choice in terms of metering equipment.

The decision on the specific metering equipment should not be left to the customer. The one who is responsible for the correct way to determine the energy flow is the DSO. To create standard metering concepts for the grid the DSO has to define metering concepts for situations of customers who generate and consume energy in order to carry out his tasks properly.

In any case **GEODE** considers that if the customer chooses more expensive equipment than originally planned for, they should pay the DSO for the extra costs.

Recommendations 8 and 21: Access on customer demand to information on consumption data

GEODE fully supports the data access for customers to the extent covered by national data security and privacy laws. In congruence with the argumentation related to ERGEG Recommendation 1, costs should not be divided among all customers but should be, within reasonable limits, associated with the beneficiary.

The access to the information on customer's demand should be made in one standard way; all other ways of providing the customer with information should not be a mandatory service of the smart meter operator. To create a "standard" information flow all other options to different channels to provide the information to the customer should be optional customer services and can be provided at an additional charge. These different options to different channels will lead to an increase of costs for information flow for all customers.

2.2.- Comments on Draft recommendations on optional customer services – electricity and gas

GEODE believes that in case the customer explicitly wants to have these optional functionalities, these should be only optional to the standard meter and can be ordered at additional costs.

Recommendation 9: Alert in case of a non-notified interruption

The practical case for this service is doubtful. It can be assumed that in case of a non-notified, i.e. an unplanned, interruption of power, the metering equipment will no longer work. Thus, the metering infrastructure can, in most cases, neither be used to identify a power outage as it cannot send an alert, nor can it be used to display any messages. **GEODE** therefore does not support this recommendation.

Recommendation 10: Alert in case of high energy consumption

ERGEG recommends that, in case of sudden high increase in consumption, information should be sent to the customer immediately.

GEODE outlines that to our knowledge, based on practical experience from Swedish utilities that are operating smart metering at least for one year, time processing of this type of data is presently not possible. Therefore alert with some time delay should be recommended instead.

Recommendation 11: Interface with the home

ERGEG recommends that meters could be equipped with, or connected to, a gateway that enables home automation.

GEODE agrees that the meters could be equipped with, or connected to, a gateway. It is important that it is not mandatory.

Recommendation 12: Information on voltage quality

GEODE supports the position of ERGEG that it should be the DSO's decision whether to use advanced smart meters or dedicated equipment to measure power quality. Consequently, this choice must be reflected in national cost regulation.

Recommendation 13: Information on continuity of supply

GEODE agrees that Smart Meters can be used to identify power outages. There are also other ways to identify this, and it should be up to the DSO to determine the most suitable solution based on local low voltage network conditions. Therefore it should not be mandatory.

Answer to question 13:
Currently, **GEODE** has no further recommendations for additional services from the point of view as a distribution network operator.

III.- Comments on costs and benefit – electricity

As described in ERGEG GGP, there will be benefits for customers as well as for suppliers and DSOs. **However, the DSOs will have to cover most of the cost for implementing the recommended customer services**.

GEODE would like to emphasize that the regulator, when making the Cost Benefit Analysis, should take into account the costs for the DSOs and how they could be compensated, considering the extensive value chain including all beneficiaries.

IV.- Comments on Roll-out – electricity

In case of a smart meter roll-out **GEODE** does not necessarily see the regulator's role in defining the schedules etc.; the regulators must rather create the necessary economic framework conditions for the grid operators. This includes that any costs arising from smart metering (both CAPEX and OPEX) are to be acknowledged in full i.e. without deduction, as grid costs and are to be charged to the customers as metering prices or grid tariffs. Thus, the incentive regulation is to be improved and expanded accordingly.

V.- Comments on Data security and integrity – electricity and gas

Smart Meters raise some potential data handling concerns from consumer perspective. These include: What data is controlled, used and shared and by who? Who owns the data? There might be concerns that metering data collected by Smart Metering are being sold for marketing purposes to third parties, without consumer consent.

Whatever metering model is in place, **GEODE** strongly believes that it is essential to ensure non-discriminatory access to meter data and/or smart meter functionalities as **authorised by the customer** according to contract or by law. Data must of course be handled in accordance with Member States laws and regulations.

As with all customer and billing data stored by the DSO or other responsible party, data handling must be carried out in a safe and non-discriminatory fashion.

ERGEG recommends that the key is that the customer must be the one who decides who should have access to what data and when. The DSO would obviously need to have access to some data to be able to safeguard the basic operations as the network operator.

GEODE disapproves this requirement, as in **GEODE's** opinion, this would involve obtaining the declaration of consent of every single customer. DSOs would be forced to implement a highly functional system with high costs which for some customers could not be used at all or not to full extent. This would lead to a very inefficient and uneconomical smart metering system which cannot be in line with the improvement in efficiency. Instead, against the background of data protection, the legal framework conditions should be created to enable that the use of the basic functions of a smart meter become legally legitimate and consequently no consent of every single connection user is required.

Data access and data protection is central to consider in the roll out of Smart Meters. The right level of data access within the industry will be important if the full benefits of Smart Metering for consumers and for Smart Grid management are to be realised. Equally the right safeguards must be in place to protect consumers from improper access and misuse of data. Data protection legislation in each country should serve as guidance for this, and Smart Metering management have to comply with data protection laws. A review of European legislation on data protection issues arising from Smart Meter roll-out is recommended.

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