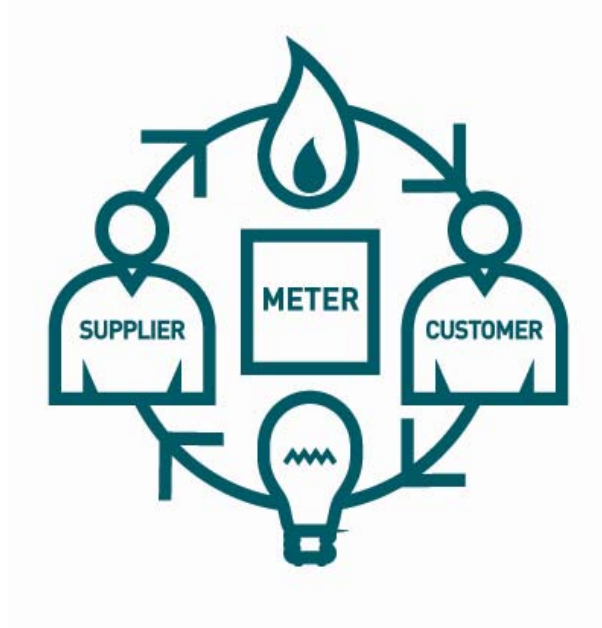


UK Energy Suppliers and the European Energy Services Directive



Duncan Sedgwick, Chief Executive, Energy Retail Association

Introduction

- ERA founded in 2003
- Trade association for Britain's six main energy suppliers in the domestic market



The Competitive UK Market

- Residential market opened to competition 1998-99
 - Initially 14 retailers
- Fierce competition between retailers
 - Now 6 retailers representing 98% market
 - British Gas
 - EDF Energy
 - E.ON Powergen
 - RWE npower
 - Scottish and Southern Energy
 - Scottish Power
- Over 50% customers have switched supplier



Interesting times...

- Energy sector is in the spotlight
 - Climate change at the top of the political agenda across the world
 - Security of supply *the* geopolitical issue
- Volatility in the wholesale market
- Consumer demand for energy efficiency measures
- European market liberalisation
- Increasing mainstream awareness of climate and environmental issues





European Legislation

- European Energy Services Directive
 - National indicative energy savings target of 9% by 2017
 - Public sector to fulfill an exemplary role in meeting the target
 - Member States required to place obligations on energy suppliers and distributors to promote energy efficiency
 - Requirements on metering and billing to allow consumers to make better informed decisions about their energy use
 - UK Government wants to use electricity display devices to comply; energy industry wants smart meters

Historical Consumption Data on Bills

- Ofgem carrying out trials on additional information to customers
- Suppliers need flexibility in providing this information to allow innovation
- Based on actual reads – not estimates
- Bills contain a lot of information already – risk that by including more, all messages will get lost
- Smart meters can provide solutions

UK political context on smart meters

- Government wants energy companies to send out EDDs
- Energy suppliers are in an important period of lobbying and awareness -raising on the issue of smart meters
- The Energy White Paper – Billing & Metering consultation underway
- Environmental committee of influential MPs produced report – described Energy White Paper as ‘a wasted opportunity’ to back smart meters
- Consensus across industry stakeholders for smart meters including energywatch and the Energy Saving Trust
- Political stakeholders in agreement - Conservative ‘Quality of Life’ report supported mandate for smart metering

ERA Smart Meter definition



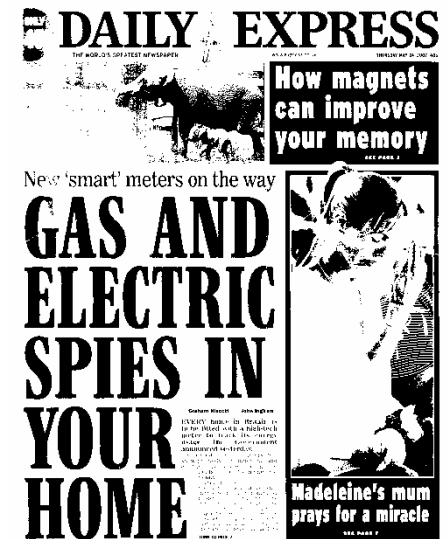
- ERA set up the Supplier Requirements for Smart Metering Project to develop a framework for the delivery of smart meters in GB
- Delivers supplier requirements:
 - Gas and electricity
 - In 10 years
 - At reasonable cost to customers
 - Suspension of electricity recertification and gas policy exchange programmes when SM roll-out starts
 - Resolve the problem of stranded metering assets
 - Only install the SRSM spec meters
 - No EDD's but all smart meters will display information when fitted
 - Regulator and industry to agree ownership of the assets, infrastructure and market model etc
 - 2-way communications
 - Remote configuration for flexible tariffs
 - Credit/Prepayment switching for electricity and potentially gas
 - Meter to store and display data over measurable time period
 - Automatic meter readings
 - Import/Export to support microgeneration

Role and potential of smart meters

- 'It's the right thing to do'
- It will revolutionise our sector
- Supply business and customer benefits
- Gas *and* electricity
- ERA willing to coordinate and lead the start-up phase

Potential barriers to UK roll-out

- Market challenges
 - Fiercely competitive retail market
 - Active, de-regulated metering market
- Government challenges
 - Demands on industry to provide free Electricity Display Devices
- Customer challenges
 - Misunderstandings of potential for smart meters
 - Need for national collaborative communications campaign
- Industry challenges
 - Interoperability of devices
 - Stranded assets
 - Gas and electricity



Incentives for Suppliers

- Accurate bills on real consumption
- Reduced in-house billing systems
- Expected lower calls to customer service departments
- Predictable demand
- End to house to house meter readings
- Remote tariff configuration
- Better means to communicate to consumers

Benefits for customers

- Real information on energy consumption
- Flexible tariffs
- Automatic meter reading
- Support microgeneration
- Credit/Prepayment switching for electricity and potentially gas
- Real bills based on consumption – no estimates
- Facilitate hassle-free switching process

What is the ERA calling for?



Electricity and gas smart meters to all households



True smart meters – two way communication



Delivery in 10 years at an affordable cost

In conclusion

- Smart metering has the potential to revolutionise our industry
- Co-operation is vital for success
- Win – Win
- British market has some unique challenges so learning lessons from other experiences is crucial

