

## THE SMART METER CHALLENGE



The target of having a smart meter installed in every home in England, Wales and Scotland by 2020 is feeling increasingly challenging. This amounts to more than 26 million homes, and is not supported by a compulsory ruling – people can choose if and when they want a smart meter, and for the time being it has proven difficult to encourage consumers to be active and enthusiastic about them.

Aside from generating enthusiasm in consumers, there are numerous other barriers to achieving a successful rollout of smart meters.

### EVERY HOME BY 2020?

- ▶ The **uncertainty around the "go live" date for the Data and Communications Company (DCC)**, which will establish and manage the data and communications network to connect smart meters to the business systems of energy suppliers, network operators and authorised users, has delayed the mass roll-out that is expected of SMETS 2 meters (which requires the DCCs network infrastructure) in place of the SMETS 1 meters that have been installed to date
- ▶ **SMETS 2 technology** is critical to generating consumer demand – as this is the technology that enables people to switch suppliers or move home without needing a meter reading, one of the key attractions to many consumers of switching to a smart meter
- ▶ The **sheer scale of roll-out** will require around 12,000 re-skilled installers. Engineers and installers can therefore be expected to become a scarce commodity – there are around 26 training programmes, with training taking several weeks. Query how attracted the workforce will be to train for a role where the demand will diminish significantly after a 3-4 year period
- ▶ **Multi-dwellings** present a significant logistical problem. In theory these may be big benefactors from smart metering, but there is a technological challenge in ensuring that meters in the basement communicate with the monitors/units in each individual dwelling
- ▶ **Poor customer understanding** as to the benefits of smart metering remains a concern, despite the efforts to date of utility companies. Whilst an individual might stay off work for broadband or satellite TV to be installed, can the same be said of a smart meter?
- ▶ Will energy suppliers really be enthused to push smart-metering to their customers? **Offering a meter switch is akin to the annual home or car insurance letter**, in effect encouraging a customer to consider shopping around.
- ▶ As **we approach critical mass** will a more aggressive approach be required? An analogy might be drawn with digital TV roll out – where eventually switching off the analogue signal was of minimal impact as such a substantial number of homes had already adopted digital
- ▶ It seems certain that smart meter roll out will be a **catalyst to greater change** in the supplier market in the UK, with challenger utility companies promoting offerings that are more driven by innovation and service orientation – particularly **pay as you go**, which might be expected to be widespread in the energy market in a manner akin to mobile phones

# OUR SMART METER PRACTICE

Addressing the challenges, and finding the opportunities, in Smart Metering requires experience in the sector. Our expertise in the Smart Metering sector is wide ranging and includes advising the full range of businesses and financiers working in this area.

Our experience includes advising:

- ▶ A **provider of smart metering communication hubs** in its participation in the UK's national smart metering implementation programme. Our client supported Telefonica's successful bid to provide smart metering to UK households in the central and southern regions in a contract worth £1.5bn over 15 years
- ▶ An **investment fund** on due diligence and structuring in relation to the acquisition of a Meter Asset Provider. The matter required specialist advice on structuring due to the fund's requirements including development of standard documentation outside of conventional MAP arrangements.
- ▶ Advising a **licensed supplier** on a framework for the supply of smart data services and revisions to those standard terms and the underlying work order. Also advising on subcontracting arrangements with SIM suppliers as part of this.
- ▶ A **UK clearing bank** in connection with provision of £45 million secured loan facility to finance the purchase price and installation costs of domestic and commercial smart ready gas meters and electricity meters
- ▶ A **finance company** on provision of £60 million limited recourse master lease purchase facility to finance purchase price and installation costs of industrial and commercial smart ready gas meters
- ▶ A **fund manager** in connection with provision of £9 million limited recourse lease facility to finance purchase price and installation costs of traditional electricity and gas meters
- ▶ A number of **Meter Asset Providers, suppliers and funders** in connection with preparation of standard metering rental and services agreements and licence requirements
- ▶ Advising on **meter installation and supply agreements**, frameworks for supply, installation and sale of data to both suppliers and (separately) third parties

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