

98 Aketon Road
Castleford
WF10 5DS

Smart Metering Implementation Programme -
Regulation
Department of Energy & Climate Change
Orchard 3
Lower Ground Floor
1 Victoria Street
London
SW1H 0ET

Our Ref: CJA

Your Ref:

August 15, 2014

Dear Sirs

Consultation on New Smart Energy Code Content (Stage 4)

Northern Powergrid is the electricity distribution (DNO) business for the Northeast, Yorkshire and parts of northern Lincolnshire, operating through its two licensed subsidiaries, Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc.

We are grateful to the Department of Energy and Climate Change (DECC) for the opportunity to comment on its consultation on New Smart Energy Code (SEC) Content (Stage 4). Our responses to the specific questions raised in the consultation are contained in Appendix 1 to this letter along with the rationale that supports our views where appropriate.

The proposals for SEC4 are well thought-out, logical and well summarised and we are fully supportive of the vast majority of the proposals for the additional SEC content. However, we have some concerns about the detail and drafting regarding power outage alerts which we have summarised in our response to question 56.

We have offered some points for consideration in relation to orders, delivery and returns of communication hubs although as a network Operator we are not directly involved in the supporting processes. Our interest is with regard to the potential cost for the roll-out programme as a whole from any unintended surplus stock that may be held by parties or the DCC at the end of the roll-out.

At Appendix 2 we also offer a minor drafting point regarding clause 2.1(i).

Northern Powergrid remains committed to supporting the evolution of the SEC, the technical development of the DCC arrangements and the smart Meter Implementation Programme as a whole.

Thank you for the opportunity to respond to the SEC4 consultation.

NORTHERN POWERGRID

is the trading name of Northern Powergrid (Northeast) Ltd (Registered No: 2906593) and Northern Powergrid (Yorkshire) plc (Registered No: 4112320)

Registered Office: Lloyds Court, 78 Grey Street, Newcastle upon Tyne NE1 6AF. Registered in England and Wales.

If you would like an audio copy of this letter or a copy in large type, Braille or another language, please call 0800 169 7602

www.northernpowergrid.com

Yours faithfully

Appendix 1: Northern Powergrid's responses to the consultation New Smart Energy Code Content (Stage 4)

| Chapter three - Communication hubs | Response |
|---|--|
| Q1 - Do you agree with the requirement for the DCC to consult SEC Parties on future tranches of Communications Hubs procurement? | Yes and in addition we suggest that such further consultation(s) on communications hub procurement should include consideration of forecasts and returns towards the end of the roll-out. We expand on this in our response to question 2. |
| Q2 - Do you agree with the proposed approach to allow SEC Parties (which will include MOPs) to forecast, order, take delivery and return uninstalled Communications Hubs? | Generally yes. We agree with the proposed approach regarding the management of Communication Hub requirements; however we have some observations about managing stock levels towards the end of the roll-out. Given that suppliers and MOPs can both order communications hubs (and we have no concerns about that in itself) and that delivery locations need not be within the relevant CSP region, and noting also that MOP agents can be contractually de-appointed by suppliers, we are mindful that there is perhaps a potential risk that in the final year(s) of the roll-out that the stocks held by multiple parties might significantly exceed, in total or at Device Model level, the numbers required to complete the roll-out. In addition, if there was also significant customer 'change of supplier' activity individual parties might also opt to hold contingency stock. If parties are free to return any spare stock to the DCC at the end of the roll-out DCC (risking the DCC being faced with surplus stock) it may be worth considering a stock balancing exercise between parties in the final year in order to minimise any such surplus stock; for example by forecasting the total requirement to complete the roll-out and reviewing the stocks held by individual parties in relation to their market share and install rates (obviously an appropriate level of stock will need to be retained to address any faults or other issues post roll-out). |
| Q3 - Do you agree with the proposed approach and legal drafting in relation to the development of the Communications Hub Support Materials? | Yes, the approach and drafting seems appropriate. |
| Q4 - Do you agree with the proposed approach and legal drafting in relation to forecasting of Communications Hubs? | Yes, the proposed approach seems appropriate. |

| | |
|---|--|
| Q5 - Do you agree that forecasts that are submitted from the tenth month before a delivery month should include the numbers of Device Models to be delivered in that month in each region, and these should be subject to the specified tolerance thresholds. | Yes, however in our answer to question 2 we highlight that forecasting and stock balancing may need to be reviewed towards the end of the roll-out to avoid surplus stock (and the costs to the programme as a whole from any such stocks). |
| Q6 - Do you agree with the proposed approach and legal drafting in relation to ordering of Communications Hubs? | Yes, the proposed approach seems appropriate. Noting also our comments in our response to question 2 regard orders and stock towards the end of the roll-out. |
| Q7 - Do you agree with the proposed approach and legal drafting in relation to delivery and handover of Communications Hubs? | Yes, the proposed approach seems appropriate. |
| Q8 - Do you agree with the proposed approach and legal drafting in relation to installation and maintenance of Communications Hubs? | Yes, the proposed approach seems appropriate. |
| Q9 - Do you agree with the proposed approach and legal drafting in relation to removal and returns of Communications Hubs? | Yes, the proposed approach seems appropriate. Noting also our comments in our response to question 2 regard returns and stock towards the end of the roll-out. |
| Q10 - Do you agree that there should be an obligation for the first installing supplier in a dual fuel premises to take all reasonable steps to install a communications Hubs that would work with both the smart meter that it is installing and the smart meter of the other fuel type? | Yes - ensuring that the first installed communication hub will work with both gas and electricity, will minimise the overall cost of the installation and the risks associated with maintaining data integrity as the communications hub is changed. |
| Q11 - Do you agree with the Governments proposals in relation to the processes to determine the reasons for early return of Communications Hubs? | Yes, however, does there need to be an additional category for returning 'un-used' or 'surplus stock' for example if a SEC party orders stocks and then exits a contract or ceases to trade. |
| Q12 - Do you agree with the proposed approach and legal drafting in relation to the transitional requirements for Communications Hubs forecasts and orders? | We feel that suppliers (and maybe their agents) would be better placed to respond to this question in relation to their view of their roll-out plans. |
| Q13 - Question: do you agree with our proposed changes to the DCC licence to require the DCC to offer services to non-SEC Parties where required to do so under the SEC? | We have no comments on this aspect. |
| Q14 - Do you agree with the proposed approach and legal drafting in relation to the provision of Communications Hubs for testing? | Yes, the approach seems appropriate. |

| Chapter four - Security Governance and Assurance and Privacy | Response |
|---|--|
| Q15 - Do you agree with the legal drafting in relation to Security Governance? | Yes. |
| <p>QX - Do you agree with the Governments proposals in relation to Security Assurance? In particular on:</p> <ul style="list-style-type: none"> the proposal for the SEC Panel to procure a central CIO on an initial basis; the proposal for Users to meet the costs of security assessments that are undertaken at their organisation; the proposal for a three year rolling cycle of security assessments to be used to provide assurance on Users; the process for identifying and managing non-compliance the assessment arrangements proposed for DCC. | <p>Yes.</p> <ul style="list-style-type: none"> We would expect that procuring a central CIO will have cost efficiency benefits; The alternative to each party paying its own costs would perhaps lead to a central recharge mechanism, over which there would be less individual control and could lead to higher allocated costs; The three-year assessment proposal seems reasonable for Network Parties, subject to us having an input to the proportionality review of the content of the interim assessments. Consideration should be given to allowing a move to interim self-assessments in due course if no material compliance issues are identified in the first three-year cycle; and There should be a mechanism which allows an offending party a reasonable period of time to rectify an identified non-compliance to the satisfaction of the CIO before it is referred to the SEC Panel as an Event of Default; |
| Q16 - Do you agree with our proposed approach and legal text for SEC in relation to Privacy Assessments? | Yes, we note the privacy arrangements here only apply to 'Other Users' that are defined as users who aren't a Supplier Party or a Network Party. The security and privacy arrangements for Suppliers and Network companies are included in the modified licences. |
| Q17 - Do you agree with the specific proposals for undertaking random sample compliance assessments? | Yes, the proposals seem reasonable. |
| Q18 - Do you agree with the proposal for Users to meet the costs of the privacy assessments that are undertaken at their organisation? | Yes, the proposals seem reasonable. |
| Q19 - What are your views on potential future changes to the SEC to provide for reporting the results of privacy assurance assessments bodies such as Ofgem, DECC, ICO and Parties generally? | This seems to be a reasonable proposal. |

| | |
|--|-----|
| Q20 - Do you agree that the proposed legal drafting reflects the position reached in the SMETS2 consultation response, that Users should be required obtain consent and to verify the identity of the energy consumer from whom they have obtained the consent prior to pairing a CAD? | Yes |
|--|-----|

| Chapter five - Security Requirements | Response |
|--|----------|
| Q21 - Do you agree with the proposed updates to the Security Requirements and the associated legal drafting? | Yes |
| Q22 - Do you agree that we should also include in the SEC obligations on the DCC and Users which limit the future dating of commands to 30 days? | Yes |

| Chapter six - Further SMKI Obligations | Response |
|--|---|
| Q23 - Do you agree with the proposed approach and legal drafting in relation to which parties are eligible to subscribe for specific Organisation Certificates? | Yes |
| Q24 - Do you agree with the proposed approach and legal drafting in relation to the Organisation Certificates the DCC must subscribe for in order to support installation of Devices? | Yes |
| Q25 - Do you agree with the proposed approach and legal drafting in relation to the date on which the DCC must start providing live certificates, in particular the proposal to turn off the DCC's response time obligations until the Stage 2 Assurance Report (see section 6.6) has been produced? | Yes |
| Q26 - Do you agree with the proposed approach for all Network Parties to have established SMKI Organisation certificates? | Yes |
| Q27 - Do you agree with the proposed approach for Non-User Suppliers to have established SMKI Organisation certificates? | Yes |
| Q28 - Do you agree with the proposed approach and legal drafting in relation to specific SMKI Organisation Certificates placed on specific Devices? | Yes |
| Q29 - Do you agree with our proposal to require DCC to provide Test Certificates to Test Participants (who, in the case of non-SEC parties, will have to be bound by an | Yes. These need to be regulated closely during testing and in addition to how long testing licences are in use for. |

| | |
|--|--|
| agreement entered into with the DCC) only for the purposes of Test Services and testing pursuant to Section T of the SEC, and to not require DCC to provide a Test Repository? Please provide a rationale for your view. | |
|--|--|

| Appendix seven - DCC Services | Response |
|---|--|
| Q30 - Do you agree with the proposed approach and legal drafting in relation to the DCC User Gateway Services Schedule? | Yes |
| Q31 - Do you agree with the proposed approach to centrally procure a EUI-64 Registry Entry? | Yes, this makes sense. |
| Q32 - Do you agree with the intention to create a 'Party ID', enabling access to the Self Service Interface at a Party level? | Yes |
| Q33 - Do you agree that the proposed legal drafting accurately reflects the process by which the DCC will provider connection the DCC User Gateway? | Yes |
| Q34 - Do you agree that the drafting meets the needs of both DCC and its Users in establishing, maintaining and terminating connections? Please provide a rationale for your views and include any supporting evidence. | Yes, the drafting seems to reflect a logical approach. |
| Q35 - Do you agree with the proposed approach and legal drafting in relation to Processing Service Requests? | Yes. |
| Q36 - Do you agree with the proposed changes to the approach and legal drafting in relation to Smart Metering Inventory and Enrolment Services? | Yes. |
| Q37 - Do you agree with the proposed approach and legal drafting in relation to Problem Management? | Yes. |
| Q38 - Do you agree with the proposed approach and legal drafting in facilitating provision of a service to consumers to allow them to find out which Users have accessed consumption data from their meters? | Yes, the approach seems appropriate |
| Q39 - Do you agree with the proposed approach of not requiring any User to offer a transparency service to consumers at this stage? | Yes. |
| Q40 - Do you agree with the proposal to provide for a date in the SEC when any assessment of whether a supplier is large/ | Yes, this seems sensible. |

| | |
|--|--|
| small for testing purposes is made? If not, please provide evidence for why this approach would not work and what alternatives should be used. | |
|--|--|

| Chapter eight - Registration data | Response |
|--|--------------------------------|
| Q41 - Do you agree with the proposed approach and legal drafting in relation to registration data text alignment? | Yes. |
| Q42 - Do you agree with the proposed approach and legal drafting in relation to provision of market share information to the CDB including Ofgem determining disputes between the CDB and the DCC? | Yes, the approach makes sense. |
| Q43 - Do you agree with the proposed approach to RDP/DCC connections and the associated legal drafting? | Yes. |
| Q44 - Do you agree that Network Parties using the same RDP should be jointly and severally liable for failure of that RDP to comply with provisions relating to the RDP's use of the connection provided to it by the DCC? | Yes. |

| Chapter nine - Explicit Charges for Certain Other Enabling Services | |
|--|--------------------------------------|
| Q45 - Do you agree with the proposed approach and legal drafting in relation to provision of Explicit Charges for Certain Other Enabling Services? | Yes, the approach seems appropriate. |
| Q46 - Do you agree with broadening the scope of DCC Licence Condition 20 to include the Other Enabling Services which attract an explicit charge? | No comment. |

| Chapter ten - Confidentiality | Response |
|--|---|
| Q47 - Do you agree with the proposed amendments to the legal drafting which introduce a new controlled category of DCC data, set out guidelines for types of data which may be marked as confidential or controlled and limit liability for breach of the latter category? | Yes, we agree with the principle of introducing the controlled category of DCC data. The marking of data as confidential by the DCC should be strictly limited to where it is absolutely and clearly necessary. We also agree with the proposed £1 million liability cap for breach in relation to controlled data. |
| Q48 - Do you agree that liability for disclosure of controlled information should be limited to £1 million per event (or series of events) for direct losses? | Yes, as part of arrangements that also include appropriate demarcation of confidential and controlled data. As in our answer to Q47, the marking of data as |

| | |
|--|---|
| | confidential by the DCC should be strictly limited to where it is absolutely and clearly necessary. |
| Q49 - Do you think that SEC Parties other than the DCC may have a need to mark data 'controlled'? If so, please outline what, if any, parameters ought to apply? | Yes, there may be a potential requirement for the SEC Parties to mark data as controlled, although we do not have any particular data items in mind at this time. |
| Q50 - Do you agree that liabilities if these controls are breached should be limited to £1 million (excluding consequential losses)? | Yes, subject to the other arrangements proposed in chapter 10 on confidentiality and the specific exclusion of consequential losses. |

| | |
|--|-----------------------------------|
| Chapter eleven - SEC Consequential Changes: Alignment to DCC and Supply Licences | |
| Q51 - Do you agree with the proposed approach and legal drafting in relation to the consequential changes to align the SEC with the proposed changes to the DCC and Supply Licences? | Yes, this approach seems logical. |

| | |
|---|--|
| Chapter twelve - Miscellaneous changes to SEC | Response |
| Q52 - Do you agree with the proposed approach and legal drafting in relation to the invoicing threshold? | Yes. |
| Q53 - Do you agree with the proposed approach and legal drafting in relation to the credit cover threshold? | Yes, this approach seems sensible. |
| Q54 - Do you agree with the proposed approach and legal drafting in relation to scope for an explicit charge related to Services within the DCC User Gateway Services Schedule of zero? | Yes, this approach seems logical. |
| Q55 - Do you agree with the proposed amendment to the definition of 'Mandated Smart Metering System'? Views would be welcome whether this change has a material impact. | Yes, this approach seems appropriate. |
| Q56 - Do you agree with the proposed approach and legal drafting regarding power outage alerts? | No. We agree that it is good to capture the requirement for the DCC to forward Power Outage alerts to the Network Operator and Supplier, however we do have several concerns: 1) The proposed legal text does not however correctly describe the Power Outage functionality in the Telefonica |

| | |
|--|--|
| | <p>solution, in that the Communications Hub Function as defined in CHTS doesn't provide an alert when the incoming power supply has been unavailable for a period of at least three minutes - this functionality is provided via a combination of the Communications Hub Function and the CSPs infrastructure. To capture this point the text in F4.9 should be changed to "Where the DCC receives an Alert from either i) a Communications Hub Function or ii) a Communication Hub Function in conjunction with other CSP infrastructure, indicating that no power supply has been available to that Communications Hub Function for a period of at least three minutes, the DCC shall send a copy of the Alert to the Import Supplier (if any) and Electricity Distributor (if any) for that Communications Hub Function."</p> <p>2) The drafting of the SEC also needs to be clear whether the obligation is in place to send an alert to the Electricity Distributor in the event that a stand-alone Communications Hub has been installed as a Gas First installation. As currently drafted, this would be required. Whilst such functionality would have value to the Distributor, we understand that there would be practical difficulties implementing such arrangements.</p> <p>3) Electricity Distributors have previously explained to DECC during the development work of the DCC contracts that only mandating the DCC to provide all the alerts to the DNO where there are 50 homes (or less) affected (para 326) could mean that Electricity Distributors receive misleading information in some network outage scenarios, which could dilute the value of the information and hence reduce the benefit. Our view is that all Power Outage alerts where 200 (rather than 50) installations are affected are required. Furthermore the DCC is only permitted to throttle back the number of alerts when they are 'related' and the CSP has no way of knowing which alerts are related. DNOs are currently working with the DCC to understand how the</p> |
|--|--|

| | |
|---|---|
| | Power Outage functionality can be best achieved to enable the customer benefits to be delivered. When these discussions are complete there may be a need to capture any changes in the SEC. |
| Q57 - Do you agree with the proposed approach and legal drafting in relation to the testing of shared systems? | Yes, we agree with the proposed approach. |
| Q58 - Do you consider the costs of remote access to the test SMWAN should be socialised across all Users or charged directly to those test participants who use the service? Please provide an explanation for your answer. | We are comfortable with the costs of this being socialised. |

| Chapter thirteen - Communication Hub Charging | Response |
|--|---|
| Q59 - Do you agree with the proposed legal drafting in relation to Communications Hub Asset and Maintenance Charges? | The approach appears to be sensible although we have no comments on the legal drafting. |
| Q60 - Do you agree with the proposed legal drafting on Communications Hubs Charging following removal and/or return? | The approach to charging seems to be clear and appropriate although we have no comment on the legal drafting. |

| Chapter fourteen - Using the SMKI Service | Response |
|--|--|
| <p>Q61 - Do you have any views on the operation of SMETS 2 meters that are opted out of DCC services in light of:</p> <ul style="list-style-type: none"> the conclusions on SMKI set out above; and any other matters, including GBCS, that may affect two-way communications with an opted-out meter? | We are unclear of the benefits of opting out of DCC services and how any benefits accrue to particular stakeholders. If the opt out enables simpler supplier-focussed communications we are unclear how this might benefit customers. Would customers of suppliers with opted out smart metering systems not be able to benefit from customer service aspects of network features such as no supply alerts and future smart grid developments? |
| Q62 - Do you agree with the proposed legal text with respect to the DCC's, Subscriber and Relying Party obligations and associated liabilities? | Yes. The obligations and liabilities are sensible and put an emphasis on conforming to SEC. |

| Chapter fifteen - Enrolment and Adoption of SMETS1 meters | Response |
|---|--|
| Q63 - Do you agree with proposed legal text in relation to the Initial Enrolment Project for SMETS1 meters installed during Foundation? | Generally yes. The intention of the enrolment project is to enable users to communicate with SMETS1 meters in the same way as SMETS2 meters (although potentially with limited functionality). The legal drafting in SEC4 N4.4(f) allows the |

| | |
|--|---|
| | DCC to propose alternative means of communicating with SMETS1 meters. Whilst this is a reasonable option to consider, it is important that the DCC's assessment should include any additional costs that Users would incur to develop and operate, on an enduring basis, such other means of communication. |
| Q64 - Does the contents list for the Initial Enrolment Project Feasibility Report (para 406) cover the required issues for the DCC to address? Are there any additional areas which you consider the DCC should be specifically required to include? | The overall approach to enrolment appears logical and well thought out. |
| Q65 - Do you agree with the proposed legal text in relation to charging arrangements for the ongoing communications costs of Foundation Meters enrolled in the DCC? | The overall approach to charging for this aspect seems fair and appropriate although we have no comment on the specific legal text. |

| | |
|---|---|
| Chapter sixteen - Provisions supporting non-standard operations | |
| Q66 - Do you agree with the proposed approach and legal drafting in relation to User supplier to Non-User supplier churn? | The proposed approach seems well thought out and the summary of the government's conclusions at 16.2 are clear and logical. |

Appendix 2: Northern Powergrid's observation on SEC4 clause 2.1

In reviewing the SEC 4 drafting we have an observation regarding clause 2.1(1); extract below.

- (i) ~~(e) Objection Details~~ details of whether an objection has been received regarding a change to the person who is to be Registered in respect of the Metering Point, and whether that objection has been removed, upheld or withdrawn (as at the date on which the Registration Data is provided).

We understand that objection is not in itself withdrawn, it is the registration which is withdrawn. An objection can only be removed or upheld.