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Smart Metering Implementation Programme: A consultation on the detailed policy design of the regulatory and commercial framework for DCC (September 2011)

Dear Sir/Madam,

Many thanks for the opportunity to respond to this discussion paper and I hope the comments below help to take the debate on Smart Meter deployment another step forward.

As you are aware the Energy Networks Association (ENA) is the industry body representing the UK's electricity and gas transmission and distribution networks operators. The following comments are provided by ENA on behalf of its Member Companies to the consultation on the detailed policy design of the regulatory and commercial framework for DCC (September 2011)

We are aware that a number of ENA member companies have responded individually and in detail to this discussion paper and these comments therefore are submitted in addition to, and in support of those individual responses.

The detailed responses of ENA and its member's collective views of the questions are included later in this response, but it may be helpful to summarise our general views on the key issues below.

Our key points are therefore as follows:

The general objectives of the DCC and of the Smart Energy Code need to include the promotion of an efficient, co-ordinated and economical system of electricity distribution.

The interests on non-licensees, such as meter asset providers, also need to be taken into account.

Because Network Operators will be unable to make much use of DCC core services until there is significant coverage, Network Operators should not be charged for DCC internal costs pre "go-live"

or in the early years of operation. In return, Network Operators could provide relevant services to the DCC, such as the provision of start-up registration data, free of charge.

If Network Operators were to be required to fund early costs, they would need to be given reassurance that these costs would be recoverable.

It is not possible for Network Operators to decide on the value of the elements of the Minimum Core Service Requirements in the absence of knowledge of the costs involved. This could result both in requesting messages whose cost did not justify the network benefit as well as unnecessarily rejecting potentially valuable data flows that did not add materially to costs. If detailed costs are not available at this time, it would be helpful if some order of magnitude costs could be provided with some indication of the key cost drivers. Communications infrastructure providers could be asked to tender on a small range of alternative levels of service.

ENERGY NETWORKS ASSOCIATION RESPONSE TO –

A CONSULTATION ON A CONSULTATION ON THE DETAILED POLICY DESIGN OF THE REGULATORY AND COMMERCIAL FRAMEWORK FOR DCC (SEPTEMBER 2011)

24th October 2011

Energy Networks Association – Members collective response to consultation questions	
Section 2: Proposed regulatory approach to DCC	
1.	Please provide views on the approach to basing the prohibition upon contracting with all licensed suppliers in respect of all domestic smart meters, and on the way in which the specific wording of the prohibition should be developed
	<p>ENA members agree that it is important under the Prohibition Order not to inadvertently implicate parties other than DCC who are legitimately involved in smart meter related data communication, including consumers. At the same time it's important to ensure that the specific services undertaken by DCC can be undertaken only by a licensed entity. The need to ensure security of private information is of particular importance in this consideration.</p> <p>It's worth pointing out that other key parties will also need to be able to obtain data managed by the DCC. For example, meter asset providers (MAPs) will need to be able to track their assets including on change of supplier and will therefore need meter registration and removal data independent of suppliers.</p>
2.	Do you think there will be any persons other than DCC who might inadvertently be captured by a definition structured in this way?
	<p>ENA do not consider that any parties other than DCC will be inadvertently captured at this time, although it is important to recognise the possibility of future (including unforeseen) market developments which could create new smart meter information related products. For example, commercial aggregators might seek to provide a range of ancillary services based on smart meter information. Such services could be of interest to suppliers and also network operators (including the national electricity transmission system operator, NETSO).</p>
3.	Do you have any other comments on the form of the licensable activity?
	<p>ENA have no additional comments to make on this question</p>
4.	Please provide comments on the proposed changes to legislation identified in Table 2.1 and Table 2.2 and any other possible changes that you consider might be appropriate.
	<p>The proposed changes to existing legislation we believe are appropriate to take into account the creation and operation of the DCC.</p> <p>In addition members believe that consequential amendments and modifications may be required to the Electricity Act 1989 and the Gas Act 1986 to enable a statutory right of access for DCC staff/agents to customer's properties for maintenance of communications equipment.</p>
5.	Do you agree with the proposal to have a single document with a single set of licence

	conditions that apply to both licences?
	Members believe that a single document is preferable. If two documents existed the possibility would exist for potential conflict between the requirements of the two licences.
6	Do you agree with, and have any comments on, the proposed approach to establish all of the DCC licence conditions as “special” conditions?
	ENA members believe that this distinction is immaterial.
7.	Do you have any comments on the scope and nature of the consequential licence changes that we propose to make?
	Members believe that the proposed licence for the DCC should provide a clear date from which the Data Transfer Services and MPAS transfer from the electricity distributors to the DCC.
8.	Are there any other consequential licence changes that you consider might be necessary as a result of the creation of the new licensable activity?
	ENA have no additional comments to make on this question
9.	Please provide any comments on the proposed approach in relation to geographic scope of the DCC licence and provisions relating to its duration.
	ENA have no additional comments to make on this question
Section 3: DCC licence conditions	
10.	Do you agree with the proposed general objectives of DCC set out above?
	<p>Members believe that the DCC overall should carry out its business in a manner that promotes or facilitates competition in the supply of gas and electricity. As a result members believe that the general objectives need to be expanded along the lines of s9 of the 1989 Electricity Act, and should include a requirement for the promotion of an efficient, co-ordinated and economical system of electricity distribution. This is needed in order to include activities relating to services to be provided to Network Operators including the future development of a smart grid. The obligation to operate an efficient, co-ordinated and economic data and communications system is narrower than this and so the additional wording is needed.</p> <p>It would also be sensible to check whether the objectives need amending to ensure compatibility with the EU Third Internal Energy Package.</p>
11.	Do you think it is necessary to include any statutory duties on DCC in the Gas and Electricity Acts or is it appropriate to address these issues in the DCC licence alone? Please provide the rationale for your views.
	Members believe that the obligations of the DCC should be set down in statute in order to ensure that Parliament is stating the clear purpose for which the DCC is being established. There is a precedent for this as the Electricity Act provides for the statutory duties of an electricity distributor and we believe that similar provisions setting out the statutory requirements of the DCC should be included in legislation.
12.	Do you agree that any obligation to facilitate competition in the area of distribution should be considered as part of the implementation of any future smart grids related arrangements?
	Members agree that, whilst in the future there may be a need to specifically address any competition issues associated with smart grid development, at the moment the smart grid debate is relatively immature and it would be premature to develop any specific arrangements.
13.	Do you agree with the approach proposed in relation to the protection of consumers' interests?

	In general terms ENA members agree with the proposed approach for protection of consumers interests, however we believe that in the future consumers' interests will also be critically dependent on DCC facilitating the development, maintenance and operation of efficient, coordinated and economical systems of electricity distribution
14.	Do you think DCC should have a separate objective to promote (or facilitate) energy efficiency?
	Members believe that this should be a fundamental obligation placed on the DCC. In the future the DCC will be a significant part of the way in which energy is managed and consumed across the UK. The long term desire to de carbonise the use of energy across the UK is laudable and correct and DCC will pay a significant part in this. It is likely of course that emerging technologies such as Electric Vehicles, Heat Pumps etc. in customers premises will have a level of control via „ Smart Demand Response“ utilising the Smart Meter or other means of control. If this becomes a future option, DCC will inevitably have a major part to play if control is via the smart meter
15.	Do you agree that SEC licence condition should be drafted so as to provide flexibility over the future scope of the SEC, i.e. that the scope of the SEC in the DCC licence condition should be drafted in a permissive manner?
	Overall members agree with DECC's proposal; at this stage it would be impractical to define the scope of the Smart Energy Code definitively. We believe that the SEC will need to be flexible and able to evolve in a systematic manner over time.
16.	What are your views on the SEC Applicable Objectives set out above?
	ENA members generally agree that the objectives proposed for the SEC are appropriate; however we also believe that the objectives should be extended to include the promotion of an efficient, co-ordinated and economical system of electricity distribution.
17.	Do you agree that the SEC should be designed to take into account consumers' interests by meeting its applicable objectives, rather than having an explicit objective related to the protection of the interests of consumers?
	Ideally consumer's interests would be best served by ensuring that the SEC objectives are sufficiently comprehensive. However it is very likely that the code will evolve over time and as such a specific objective at this stage, covering protection of consumers interests at this stage may be necessary to highlight the importance early in the evolution of the programme
18.	Should there be a SEC objective related to promoting (or facilitating) efficiency of energy networks?
	Members believe that facilitating, rather than promoting, efficiency of energy networks is appropriate. Network operators already have a statutory obligation to develop, maintain and operate efficient networks and regulatory incentives to promote the same outcome. The role of the SEC should be to ensure that all parties, including but not limited to DCC, have an obligation to facilitate efficient energy networks.
19.	Do you think the SEC should have a separate objective of promoting (or facilitating) energy efficiency?
	ENA have no additional comments to make on this question. Please refer to the answer we have already given to Q14
20.	Do you agree with the definitions of the services that DCC should be required or permitted to provide?
	ENA members agree that there should be categories of service that include „ core“ and

	<p>Unfortunately the document is not specific on this point so we assume that the price of core services will be regulated, while the price of elective services will be negotiated?</p> <p>Members obviously have a keen interest in knowing which services fall into which category. However, the definition in summary table provides little clarity about what services are „ core “ or „ elective “ . We are keen to work with DECC to develop the schedule of core services. In addition we believe it would be worth considering two additional points</p> <p style="padding-left: 40px;">It would be sensible to test the definitions against the core processes being developed by the BPDG to ensure they encompass all the required services</p> <p style="padding-left: 40px;">The definitions need to accommodate data services to those non-licenced industry parties including meter asset providers (MAPs) and meter operators (MOPs) who will be key players in delivering a smooth roll out.</p>
21.	In relation to which non-compliant metering systems should DCC be required to offer services?
	<p>ENA members believe that DCC should be obliged for the duration of its licence to continue to provide support to all meters which were SMETS compliant at the time of installation.</p> <p>This will be vital in ensuring interoperability in the longer term and therefore capitalise on the overall advantages of the smart metering system and ultimately the part it will play in smarter networks.</p>
22.	In relation to which non-compliant metering systems associated with energy supply at consumer premises should DCC be permitted to offer services?
	<p>ENA believe that there could be benefit in permitting the DCC to offer services related to advance metering systems. The data available from these systems could be very helpful in the future development of the overall Smart Grid</p>
23.	<p>What information should be made available to all users about:</p> <ul style="list-style-type: none"> • elective services; • value-added services? <p>Should information be restricted to that required to assess the impact on other users</p>
	<p>Provided that the DCC has obligations to ensure that, in the provision of services (whether they be core, elective or value-added), it sets charges on a cost-reflective and non-discriminatory basis and avoids cross subsidy between core and elective services / value added services, we see no reason why full transparency is required on terms for elective and value added services. If such services are provided bilaterally we see no reason why the details of the commercial terms and conditions for specific contracts should be made available to other parties.</p>
24.	Do you think the detailed terms and conditions for elective and value-added services should be set out in the SEC or included in bilateral agreements between DCC and persons to whom it is providing services?
	<p>ENA have no additional comments to make on this question, please refer to previous answers</p>
25.	Are there any other matters that we have not addressed related to the nature of services provided by DCC? (Note that provisions addressing independence and non-discrimination in the provision of DCC services are covered in paragraphs 3.119 to 3.120).
	<p>DECC must ensure that those non-licensed parties who are key to ensuring a smooth roll out and smooth change of supplier processes, including meter asset providers and meter operators, have direct access to data and any other necessary DCC services.</p>

	<p>The consultation is drafted very much in the context of DCC services to suppliers. We have made specific reference to important services that DCC will provide to network operators (and other parties), and while we acknowledge that users other than suppliers are not explicitly excluded (arguably they are implicitly included), we would be concerned if such other users were not at the forefront of DECC²'s thinking in terms of the obligations on DCC as conveyed by licence drafting and in terms of the evolution (and indeed governance) of the SEC.</p> <p>A clear example of this would be the ENA smart metering Use Cases and other related documents as an essential source of reference for the services that network operators would seek to secure through the DCC or otherwise. These have already been shared with DECC but are available via the ENA.</p>
26.	<p>Do you agree that DCC should be required to externally procure specific services and have principles that determine what other services it should externally procure?</p>
	<p>ENA members hold mixed views, but in general terms members believe that DCC should not be required to pursue an external procurement approach where that would have the effect of undermining the core activities of DCC as a licensed entity.</p> <p>However, DCC should not be precluded from offering such services in-house provided that (for example through benchmarking) DCC could demonstrate that such services could be provided more cost-effectively in-house than through a procured service.</p>
27.	<p>Do you agree with the procurement objectives for DCC identified above?</p>
	<p>Members agree with the procurement objectives for the DCC set out in the consultation. It³ is also worth pointing out that the decarbonisation of electricity production and the gradual electrification of heat and transport will impose considerable stress on future electricity distribution networks and transmission systems if technological and commercial innovation in smart grids is undermined by an inadequately specified WAN. In addition to encouraging flexibility, the procurement objectives need to have regard to the achievement of scalability, particularly in relation to communications services.</p>
28.	<p>Do you agree that DCC should be required to produce a procurement and contract management approach document?</p>
	<p>ENA Members agree with this proposal</p>
29.	<p>We seek your views as to whether the procurement and contract management approach document should be required to be submitted for approval by the Authority and/or the Secretary of State.</p>
	<p>Given the wider objectives to be served by DCC services, including the need to procure services that will not only serve consumers' needs but also facilitate the transition to an affordable low carbon economy, we would see merit in approval by both the Authority and the Secretary of State.</p>
30.	<p>Is the scope of the proposed prohibition on discrimination, which is limited to undue discrimination between uses or classes of users, adequate?</p>
	<p>As the DCC will be a monopoly provider ENA members believe that it should therefore be subject to a prohibition on discriminating between users.</p>
31.	<p>Are any specific provisions needed which require DCC not to discriminate between service providers? Or is it sufficient to rely on obligations on DCC to maintain and develop an economic system and, in the procurement of DCC services, to promote competition in the provision of such services?</p>
	<p>ENA have no additional comments to make on this question</p>

32.	Do you agree that DCC should be independent of service providers? Do you agree that a de minimis level of affiliation between DCC and service providers should be permissible?
	ENA have no additional comments to make on this question
33.	What level of affiliation do you consider should be set for the maximum level of shareholding or control of any individual service provider may have in DCC?
	ENA have no additional comments to make on this question
34.	Do you agree with the business separation between DCC and users that is proposed? More specifically, do you agree that no DCC user that operates in a competitive environment should be permitted to have more than a 20% shareholding or control in DCC, and that DCC and its subsidiaries should not be permitted to have any shareholdings in users or service providers?
	ENA have no additional comments to make on this question
35.	Do you agree that it is not necessary to explicitly require business separation between DCC users and DCC service providers?
	ENA have no additional comments to make on this question
36.	Should DCC be prohibited from using confidential information for any purpose other than the licensed DCC activity? Should DCC be obliged to impose this restriction on service providers contractually?
	Generally ENA members believe that DCC and service providers should be subject to a general prohibition on any such use of confidential information. However it may be necessary (subject to the possibility of creating an exemption) under appropriate governance, if it is demonstrated that specific data could have wider benefits, for example in terms of environmental benefits or the promotion of smart grids.
37.	To what extent do you believe that the existing financial ring fencing provisions (and those proposed by Ofgem in its recent consultation on this issue) should be included in DCC's licence?
	ENA have no additional comments to make on this question
38.	Do you agree that a flexible approach to financial security should be adopted and, if a financial security is required, what level of financial security should be provided?
	ENA have no additional comments to make on this question
39.	What are your views on whether it would be appropriate to require DCC to pay for a proportion of the costs of appointing a new DCC in the event of an early licence revocation? Do you think that this potential liability should be reflected in the level of financial security required from DCC?
	ENA members agree that this potential liability should be reflected in the level of financial security required from DCC.
40.	Are there any other conditions that you consider should be imposed in DCC's licence to ensure its continued financial viability?
	ENA consider that there are no other conditions required – those proposed appear to appropriate given the nature of the DCC's activities
41.	Would it be appropriate for a special administration scheme to apply to DCC?
	ENA have no additional comments to make on this question

42.	Do you agree with that DCC should be required to ensure business continuity of service providers and should monitor the provisions that they have in place to deliver business continuity?
	ENA believe that this should be undertaken as part of the contract management of the DCC" s service providers and audited on a regular basis.
43.	Do you believe that DCC needs to include in its service provider contracts any further protections which help to secure against, or mitigate the consequences of, a financial failure of a major service provider? Please provide examples of any additional protections you consider suitable.
	ENA Members believe it is appropriate to review the requirements placed upon current industry parties (e.g. governance bodies such as MRA and DCUSA) and to mirror those where appropriate
44.	Do you agree that it is appropriate to grant the initial DCC licence for a ten year period?
	ENA members agree that an initial 10 year licence is appropriate. This will provide stability during and after the roll out programme.
45.	Do you agree that flexibility for the Authority to decide to extend the initial DCC"s licence by up to 5 years would be desirable?
	ENA members believe that a contract extension provision of up to 5 years would be desirable, however we believe this should be based on performance of the DCC.
46.	Do you agree with the approach described for the treatment of DCC internal costs for any extension period?
	ENA members generally see merit in being able to test the market as part of any decision to extend the licence by five years.
47.	Do you agree that DCC should be required to ensure that any critical services can be transferred to a successor?
	In general terms ENA members agree with this requirement, however it will be important to robustly evaluate the „ minor" services that the consultation proposes need not be transferred, to ensure there are no hidden consequences.
48.	What scope of matters governing the handover to a successor do you think need to be included in DCC"s licence?
	<p>ENA members believe that consideration should be given to the inclusion of a couple of additional items in the licence:</p> <p>There should be an obligation to provide an adequate level of specialist resource to work with the DCC successor company for a predefined handover period to ensure business continuity.</p> <p>It may be appropriate to include a general „ catch-all" provision that the successor licence holder is provided with all of the information necessary to provide a seamless transition of service provision on change of licensee</p>
49.	Do you agree that DCC"s licence should be capable of being revoked in the event of a repeated or material failure to meet service levels?
	ENA members believe that this is an appropriate condition to be placed on the DCC" s licence
50.	Do you agree that the DCC licence should contain a condition which gives it a high-level obligation in relation to foundation and subsequent rollout, activities and that the detailed obligations can be dealt with as part of the development of the SEC?

	<p>ENA consider that this proposal will require more detailed consideration in light of evolving views on the timing of programme milestones during the Foundation Stage, it would seem important to ensure that this key phase of the programme benefits so far as is practicable from the provision of such services that DCC is able to bring (particularly in respect of coordination and preparations for system testing) prior to DCC operational go-live. A high level obligation in the DCC licence is one means of achieving this.</p>
51.	<p>Do you agree that DCC should have a high-level obligation, albeit initially “switched off”, relating to the provision of meter point/supplier registration services?</p>
	<p>In general terms ENA members believe that this is appropriate however there may also need to be an explicit obligation to assist other licensees with the handover.</p>
52.	<p>Do you agree that conditions should be introduced in other licences providing the ability to release other licensees from the requirement to provide meter point/supplier registration services at some point in the future?</p>
	<p>There is general agreement for the introduction of these conditions, but it was thought that consideration should also be given to the transfer process of customer groups into the DCC registration and the licence requirements for this. If the DCC are only dealing with domestic customers, there is always going to be the need for multiple parties to have registration systems and processes for the different customer groups and we need to be mindful of this.</p> <p>Members also believe that there needs to be further exploration to ensure the requirement to provide the service at any given point in time is clear</p>
53.	<p>Do you agree that DCC and other relevant licensees should be subject to an obligation requiring the licensee to take steps to facilitate the transfer of meter point/supplier registration activities to DCC?</p>
	<p>ENA members agree with this requirement but this should be subject to the need to ensure that other licensees are satisfied with the robustness of the new arrangements. It's also worth pointing out that its precise wording and the strength of the obligation (i.e. reasonable steps) need further exploration.</p>
54.	<p>What dispute mechanism would be appropriate to apply to disputes involving DCC and who should be enabled to determine such disputes?</p>
	<p>ENA members believe that using the existing determination process run by the Authority is an appropriate dispute mechanism.</p>
55.	<p>Do you believe that DCC should be required to operate its business in a way that ensures it does not restrict, prevent or distort competition in gas shipping, the generation of electricity and participation in the operation of an interconnector?</p>
	<p>ENA members agree with this requirement and would highlight that this is an important point of principle, extending to a requirement not to distort competition in meter operation or the provision of energy services. A requirement to ensure commercial interoperability would be a further important obligation which should be placed on the DCC.</p>
56.	<p>Do you have views on the additional conditions discussed above?</p>
	<p>ENA have no additional comments to make on this question</p>
57.	<p>Are there any additional conditions that you would wish to see included?</p>
	<p>ENA have no additional comments to make on this question</p>
58.	<p>Is it appropriate to consider extending the Secretary of State's powers to provide equivalent powers to modify DCC's licence conditions as it does for other energy licences for the purposes of implementing smart metering?</p>

	Whilst ENA members believe that this may be appropriate (although it is difficult to envisage a specific requirement) it is for Government to consider whether such provisions might be appropriate, given DCC's role in facilitating low carbon transition.
Section 4: Revenue requirements	
59.	Do you consider that it is practicable for DCC licence applicants to provide costs for undertaking meter point/supplier registration? Or is it more appropriate to include a specific reopener for DCC's costs of undertaking meter point/supplier registration?
	ENA members consider that applicants should provide costs for undertaking meter point/supplier registration services but include with them a detailed description of assumptions. DNOs need to be assured of a high quality service with no risk as the registration process underpins the settlements process. A reopener therefore seems more appropriate.
60.	Do you have views on the relative benefits of the two options (cost pass through and volume drivers) for recovery of DCC internal costs associated with SEC modifications?
	ENA members generally have no comment on these options at this stage; however we would welcome more clarity on how each option would work in practice in relation to DCC internal costs at which point we may be able to comment in more detail.
61.	Do you have a view on the appropriate materiality threshold (trigger) for the revenue reopener?
	ENA have no additional comments to make on this question
62.	Do you consider that any other cost areas may require mechanisms to deal with uncertainty?
	ENA have no additional comments to make on this question
63.	Do you agree that market share should be based on MPANs and MPRNs that are mandated to receive smart metering systems, rather than all MPANs and MPRNs?
	ENA members believe that market share should be based on MPANs and MPRNs that are mandated to receive smart metering systems as this appears to be more cost reflective.
64.	Do you have a view on whether suppliers of only larger non-domestic customers should be charged a proportion of DCC internal costs?
	ENA have no additional comments to make on this question
65.	We welcome views from stakeholders in regards to charges on network operators for DCC internal costs pre-"go-live" and whether they should charge DCC for services provided to DCC.
	<p>ENA members consider that DNOs should not be charged for DCC internal costs pre " go-live "</p> <p>or even in the early years of " go-live" . Initial DCC core services are likely to focus on supplier activities including registering new smart metering systems, processing meter reads and consumption data and managing change of supplier processes. DNOs are unlikely to be able to make use of DCC services associated with such things as messages, alerts or half hourly data for network planning until later in the roll-out when there is a significant population of smart metering systems. We expect that suppliers will fund the DCC's change of supplier activities as these support competition in supply. DNOs would expect to receive core industry data flows free of charge as notification outputs from such processes, where data flows are required to support regulatory obligations including facilitating use of system billing and trouble call management.</p>

	<p>of charge, including the provision of start-up registration data to assist “ go-live ” .</p> <p>If, however, DNOs were required to fund some of the DCC internal costs within the DPCR5 period, they would need to be able to recover these costs from customers. There would be a need to assess the magnitude of these internal costs and agree how they should be apportioned between Suppliers and DNOs. It would then be possible to form a view of whether a reopener or logging up would be more appropriate. Such arrangements could also be appropriate for the internal costs that Network Operators will incur making changes to their systems to interface with the DCC. Providing reassurance that Network Operators will be able to recover costs incurred pre go live would encourage their involvement in the detailed design and implementation work which should help to streamline the development.</p>
66.	<p>Do you agree that DCC should only begin to charge users for communication service providers” costs from “go-live”? Please provide reasons as to why this is or is not appropriate.</p>
	<p>ENA have no additional comments to make on this question</p>
67.	<p>Do you have a view on whether the data service provider(s) should be treated differently from communication service providers and be allowed to recover its fixed costs evenly over the length of its contract from “go-live”? Please provide reasons why this is or is not appropriate.</p>
	<p>ENA have no additional comments to make on this question</p>
68.	<p>Is it appropriate that the allocation of costs on suppliers during rollout be based on the suppliers” rollout plan for the year plus actual smart meters installed in preceding years? If so, how can this option for allocating costs during rollout be improved? If not, what is your preferred option and why?</p>
	<p>Members consider that allocating costs based on a mechanism that takes into account of rollout plans and actual past performance would appear to be cost reflective.</p>
69.	<p>Do you have a view on how any additional costs resulting from suppliers exceeding their rollout plans should be allocated? Should DCC be able to pass through to the relevant supplier any higher costs resulting from this (or should such costs be averaged across all users)?</p>
	<p>ENA have no additional comments to make on this question</p>
70.	<p>Do you agree that network operators should be charged in line with their market share?</p>
	<p>ENA members do not agree with this proposal. It may well be the case that If suppliers arrange their roll out plans by region, a network operator could be faced with a share of DCC costs where the roll-out was relatively low in its operating area. It would be more cost reflective for DCC costs to be funded by suppliers based on their roll-out plans. This is especially the case given that the bulk of DCC core services in the early years will be mainly attributable to registering new smart meter systems and change of supplier activity.</p> <p>It could be argued however that where services are required that are over and above this, a charge may be appropriate.</p>
Section 5: Charging methodology	
71.	<p>Do you agree that a standing charge should cover the service providers” fixed costs for providing core services, DCC’s internal costs and the SEC management funding requirements?</p>
	<p>ENA Members are in agreement that it is appropriate that the service providers” fixed costs are covered through a standing charge.</p>

72.	Do you agree that a proportion of service providers' fixed operating expenditure should be converted to volumetric charges?
	ENA members agree that the charging structure should be such that it encourages greater use of the DCC services and that there is transparency in the charging methodology to facilitate this. Members also believe that the volume of transactions carried out should be linked to the charge levied. However, if this caused the DCC to over-recover, this would need to be returned to the relevant parties during the following charging period. It's worth highlighting that similar arrangements already apply to the management of MRA and DCUSA.
73.	Do you agree that the proposal for postage stamp charging is consistent with the objectives of the smart metering programme?
	ENA members agree with this proposal. This approach would seem to allocate cost more fairly, particularly in relation to communication costs for hard to service geographical locations. It would also ensure that parties are treated fairly regardless of where the connection is on the network, which is consistent with the objectives of the smart metering programme.
74.	Should postage stamp charging apply to all users including network operators?
	<p>Please refer to our earlier responses. In the later years of the roll-out when there is a sufficient population of smart meters to enable network operators to begin using data for more sophisticated purposes a postage stamp approach may be appropriate.</p> <p>As a result, postage stamp charging would need to be based on a DNO regional basis at least for the volumetric charges otherwise the DNO would not be incentivised to develop innovative methods of minimising the volume of data whilst maintaining the quality of information that can be extracted from that data.</p>
75.	Do you agree with the proposed charging principles?
	<p>Please refer to our earlier responses.</p> <p>In addition members would like to comment that the proposed charging principles appear to be fit for purpose in that they should support competition and not prevent or distort it, as well as having predictable and non-discriminatory charges, which will be important to the success of the smart metering programme.</p>
76.	Do you consider that an objective for the charging methodology should be to promote innovation in the supply of energy, provision of energy related services and energy distribution?
	In general ENA members consider that the facilitation of this is important as suppliers will need to be able to set themselves apart from others by offering a different range of value added services.
77.	Do stakeholders have views on whether DCC's internal costs should be allocated across the different types to users on the same basis as service provider fixed costs?
	ENA have no additional comments to make on this question
78.	Do you agree with the proposals to charge users for extensive assessment and design work in relation to AMRs? Should a similar approach be adopted for other elective services offered by DCC, regardless of the user accepting the service?
	ENA have no additional comments to make on this question
79.	Do you agree that "a second comer principle" can be applied?
	ENA agree that this would go some way to ensuring that innovation is rewarded, and would be a fair approach for both „ first" and „ second" comers; however the approach needs to be

Section 6: Core services – WAN requirements	
80.	<p>Please indicate whether the Minimum Core Service Requirements (i.e. message size, frequency, response time and coverage) for each of the message flows in the above tables can be modified to reduce the potential impact on the WAN cost without compromising the corresponding benefits. Please quantify the additional Programme benefit that could be realised by including each of this message flows in the aggregate Minimum Core Service Requirements.</p>
	<p>All ENA members have worked closely together under the overview of the ENA, to prepare a functional specification for the smart metering system that would deliver real benefits to consumers and/or lower costs in the long run, and provide a foundation for affordable low carbon transition. Members would like to draw particular attention to the ENA Functional Requirements for Smart Meters, which are available from the ENA website:</p> <p>http://2010.energynetworks.org/smart-meters/</p> <p>Also available from the ENA website is a comprehensive suite of documents supporting the case for including this functionality. This suite of documents is summarised in an attachment to this response but in brief includes:</p> <ul style="list-style-type: none"> Benefits of Advanced Smart Metering for Demand Response Based Control of Distribution Networks Summary Report (ENA/SEDG/Imperial College) System Requirements Update Smart Metering System Use Cases High-level Smart Meter Data Traffic Analysis Data Traffic Analysis Workbook Security and Privacy Control Points Functional Requirements ENA High Level Smart Metering CBA: Summary Report ENA High Level Smart Metering Cost Benefit Analysis Privacy Impact Assessment <p>The High-level Smart Meter Data Traffic Analysis and associated Data Traffic Analysis Workbook report on the indicative data volumes that would be required to support the ENA Functional Requirements. The evidence-based justification for specifying the required functionality is contained in the Smart Metering System Use Cases, ENA High Level Smart Metering Cost Benefit Analysis and the Benefits of Advanced Smart Metering for Demand Response Based Control of Distribution Networks Summary Report.</p> <p>It is essential that Government understands the criticality of the ENA functionality to ensuring affordable low carbon transition for consumers and hence the importance of ensuring that the WAN system is able to support that functionality.</p> <p>To that end, we have worked closely with all members and DECC to ensure that:</p> <ul style="list-style-type: none"> The overall performance requirements of the WAN are properly understood; The estimated message size, frequency, response time and coverage required to support each aspect of the required smart meter functionality are understood; and (importantly) <u>Only</u> the minimum core service requirement, as envisaged at 2019 on completion of the rollout programme, is specified at this stage. <p>While these requirements are broadly summarised in Tables 6.2 and 6.3 of the consultation document, these tables contain a number of errors and omissions. Table 6.3 also includes a</p>

	<p>number of 'networks' requirements which were not specified by ENA and which we believe are not justified at this stage. We have also attached to this response fully revised tables which are based on tables 6.2 and 6.3 of the consultation document but which highlight the errors, omissions and requirements not specified by ENA. The tables – 6.2 and 6.3 as amended represent the WAN requirements at 2019 that ENA members consider are necessary.</p> <p>It is important to understand that DNOs generally have limited visibility of either the extent to which specific individual WAN requirements are driving costs, or the materiality of those costs.</p> <p>It is also important to understand that the WAN requirements as at 2019 (in respect of message size, frequency, response time and coverage) do not reflect the longer term (beyond 2019) requirements of the WAN that are likely to be necessary to deal with future growth in volumes of low carbon technologies such as electric vehicles, heat pumps, wind generation and photovoltaic micro-generation.</p> <p>We are aware that DECC is currently presiding over low carbon technology future growth scenarios in conjunction with developing Government's fourth carbon budget strategy. While we understand that these growth scenarios are not yet finalised (and in any case not known to us), we would urge DECC to ensure that in specifying the capacity and performance parameters of the smart metering WAN, it takes full account of its own projections for low carbon technologies.</p> <p>While we do not advocate (WAN) investment ahead of need, we urge DECC to ensure that, in considering technical service offerings, the value of future options for expansion and enhancement of the WAN system is fully taken into account in any investment appraisal. In this respect, we would draw particular attention to the first of the reports listed above: „Benefits of Advanced Smart Metering for Demand Response Based Control of Distribution Networks Summary Report (ENA/SEDG/Imperial College) “. In order for demand response based control of networks to be an effective solution to future demands placed on electricity networks by electric vehicles and heat pumps, and for the potential network reinforcement cost savings outlined in the study to be realised, it will be essential that the smart metering WAN system is sufficiently specified in terms of message size, frequency, response time and coverage (and/or is capable of future cost-effective expansion and enhancement) to provide an effective foundation for such demand response based control.</p> <p>In summary, while we have insufficient visibility of the incremental cost of providing WAN capacity and functionality, we believe that the requirements stated in the attached appendices 3a and 3b (based on tables 6.2 and 6.3 of the consultation document but highlighting errors, omissions and requirements not specified by ENA) are the minimum core service requirements as at 2019 and that DECC should fully consider, based on its own fourth carbon budget future energy scenarios, the capability of the procured WAN service solution(s) for economic future expansion and enhancement, to deal with the electricity network and whole system impact of future low carbon technologies.</p> <p>In trying to reduce attachments to this response we have made reference to the documents mentioned above being available via the ENA website. If however you have</p>
81.	<p>Please quantify the additional benefit, if any, that could be realised by using the „User Target“ rather than the „Minimum Core Service Requirement“ in table 6.1. as basis for the procurement of DCC communication services.</p>
	<p>For reasons highlighted above It follows that, from an ENA member perspective, we see no benefit (as at 2019) of specifying the User Target requirement above the Minimum Core Service Requirement in table 6.1. However, with reference to our answer to question 80, it is important for DECC to be mindful of the implications of its own future energy scenarios for</p>

	future (beyond 2019) WAN functionality and hence the additional benefit that should be assigned to maintaining options for cost-effective expansion and enhancement of the WAN system.
82.	Please provide views on whether the Service Requirements described in the above table represent the Minimum Core Service Requirements. Please also indicate whether in your view there are any additional Minimum Core Service Requirements not identified in the above table, and for any such requirement please quantify the additional benefits, if any, that could be realised.
	Please refer to details pointed out in our earlier responses, however for clarity ENA members consider that tables 6.2 and 6.3 of the consultation document (but highlighting errors, omissions and requirements not specified by ENA – see attached tables) are the minimum core service requirements as at 2019. Appendices 3a and 3b cover the WAN requirements to meet the ENA smart meter functionality – as documented in the ENA Smart Meter Functional Requirements referred to above and as reflected in the current Industry Draft Technical Specification (IDTS).
Section 7: Performance incentives	
83.	Please provide comments on the incentive regime proposed for DCC.
	ENA members agree with the high level incentive regime proposed for DCC. Furthermore, members would welcome the opportunity to participate in a further consultation once a more detailed proposal is available.
84.	Do you consider it appropriate and feasible for the SEC panel and DCC to negotiate KPI targets?
	ENA members agree that it is appropriate and feasible for the SEC panel and DCC to negotiate KPI targets.
85.	Do you have views on the use of an independent audit of DCC performance? Should this be on a regular and/or ad hoc basis?
	ENA members consider that regular independent reporting on DCC performance is important, and members also believe that this should form part of the performance assurance framework. However If the SEC Panel has serious concerns about a particular area of DCC service provision they should be able to instigate a focused independent audit at any time.
86.	Do you consider that a sharing mechanism should be in place for DCC internal costs? Should a sharing mechanism be included in the contracts with the service providers?
	ENA members believe that a sharing mechanism for DCC internal costs should be in place. For all parties to benefit there still needs to be sufficient incentive for DCC to look for and implement internal cost savings.
87.	Do you consider that it is appropriate to invite DCC licence applicants to propose KPIs?
	ENA members believe that it would be appropriate for the licence applicants to propose KPIs as they should have knowledge developed through the bidding process about what are suitable KPIs for such a business
Section 8: Adoption of Foundation Stage communication contracts	
88.	Are the criteria for adoption of contracts discussed in paragraphs 8.8 and 8.9 appropriate? Are there any additional criteria that should be included? Can quantitative thresholds for any or all of criterion be defined and, if so, how?
	NOTE: ENA members believe that consultation response questions 88 to 103 are out of scope for members to provide a response to and therefore have no additional comments to make on the following questions We do however have one final response to Q104, please see below.

89.	Do you agree with our approach to identifying the guaranteed adoption volume of Foundation Stage smart metering systems? Are the factors we have identified the appropriate ones? What are your views as to the appropriate values of the various parameters identified in Table 8.1?
	ENA have no additional comments to make on this question
90.	Do you agree that DCC should be able to decide to adopt communication contracts associated with Foundation Stage smart metering systems in excess of the guaranteed adoption volume providing there is a net benefit to doing so? If so, does DCC need to be provided with additional obligations and incentives to encourage DCC to actively pursue such contracts and what factors should DCC take into account in making its assessments? Should we specifically provide for suppliers to compensate directly DCC for any costs incurred by DCC or its service providers in the adoption of additional contracts?
	ENA have no additional comments to make on this question
91.	What in your view is the most appropriate option for allocating the guaranteed adoption volume across energy suppliers and on the mechanism, including timing and frequency, by which any allocation unused by one supplier should be redistributed to other suppliers?
	ENA have no additional comments to make on this question
92.	Do you have views as to when Foundation Stage communication contracts should be adopted?
	ENA have no additional comments to make on this question
Section 9: Competitive licence application process	
93.	Do you agree that a four stage process as outlined in paragraph 9.10 is appropriate for appointment of DCC?
	ENA have no additional comments to make on this question
94.	Do you consider that applicants should commit to lodge a form of financial security at the invitation to apply stage that would take effect if the licence was granted to the applicant?
	ENA have no additional comments to make on this question
95.	Do you agree with the proposals for dealing with changes to consortia including allowing changes up to but not beyond submission of responses to the ITA?
	ENA have no additional comments to make on this question
96.	Do you agree with the proposal for one overarching confidentiality agreement for each applicant group rather than individual confidentiality agreements for each member of an applicant group?
	ENA have no additional comments to make on this question
97.	Do you have any comments on the approach to clarifications and dialogue with prospective applicants?
	ENA have no additional comments to make on this question
98.	Do you agree with the proposed approach to the pre-qualification stage including the timescale, the information required and the assessment methodology and criteria?
	ENA have no additional comments to make on this question

99.	Do you have any comment on the documentation to be provided by applicants for the DCC licence? Is there any other information that you think should be made available to applicants?
	ENA have no additional comments to make on this question
100.	Do you agree with the proposed approach to the Invitation to Apply stage including the timescales, the assessment criteria and their weightings?
	ENA have no additional comments to make on this question
101.	Do you agree with the proposals for appointing one or more preferred applicants as well as one or more reserve applicants to ensure that there are alternatives in the event that a preferred applicant withdraws or is disqualified?
	ENA have no additional comments to make on this question
102.	Do you agree with the proposal for an optional best and final offer stage in the event that two or more applicants have similar positions?
	ENA have no additional comments to make on this question
103.	Are there any other specific issues that you think should be considered before grant of the licence?
	ENA have no additional comments to make on this question
104.	Do you agree that in the event of DCC losing its licence the Authority should have the power to fast track the appointment of a temporary DCC? If so, is eighteen months an appropriate maximum time period for the temporary DCC to hold a licence before a new DCC can be appointed via a full competitive process? Which elements of the licence application process could be accelerated or eliminated to ensure rapid appointment of a temporary DCC?
	<p>ENA members believe that in the event of DCC losing its licence, the Authority should have the power to fast-track the appointment of a temporary DCC. Given that the temporary DCC may need to operate inherited processes and systems, they are likely to require time to resolve any outstanding issues and possibly restore a full service to all SEC parties. The new temporary DCC should be able to undertake this and prepare a plan to hand over to the new DCC within 18 months.</p> <p>The process to select a temporary DCC could be streamlined by eliminating the pre-qualification stage and requesting that applicants submit a single application combining pre-qualification information and an offer to undertake the role.</p>