Policy Design Consultation Response

Metering Implementation Programme: a consultation on the detailed policy design of the regulatory and commercial framework for DCC Licence and Licence Application Process 9 -URN 11D/868

SBGI welcomes the opportunity to provide a response to the Governments consultation. The table below contains answers to the questions where they are directly relevant to members, or where members expressed strong views. We look forward to future conversations in this area.

SBGI is concerned that more of the programme, both for the SME and the DCC seems to be carried out in a way that is contained. There has been in the past extensive interaction between all aspects of the industry and DECC, and much good work has been done and accepted by consultation. We are concerned that as the details are put in place that there is a need for the industry to confirm the costs and practicalities of the requirements being proposed, and that the level of interaction between DECC and the industry participants who must deliver the solution is now at the lowest level for several years.

Please Note, that where the members of SBGI have no particular view about a question, that question is omitted from the table.

No	DECC Question	SBGI Response
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.	Careful consideration needs to be made of domestic application of U16 meters which, for the time being, are not going to be Smart. Conversely, consideration of G4 size meters in non-domestic use may need to be excluded from the prohibition.
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.	Is it worth considering aligning the GA and EA with respect to meter ownership and responsibilities if amendment is being done to either of these Acts?
6.	Do you agree with, and have any comments on, the proposed approach to establish all of the DCC licence conditions as “special” conditions?	It seems the sensible approach while DCC is under development, though it may be worth formalising this before the re-tender process to ensure commercial stability.
7.	Do you have any comments on the scope and nature of the consequential licence changes that we propose to make?	Consideration to the management and alignment of MAMCoP and MOCOPA should be given, as this would simplify business processes and reduce the legislative and inspections burden for dual fuel meter operations businesses..

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11.	Do you think it is necessary to include any statutory duties on DCC in the Gas and Electricity Acts or is it appropriate address these issues in the DCC licence alone? Please provide the rationale for your views.	We believe that it is better to establish the licence, then the DCC, then make legislative changes in the light of experience when rollout is established.
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?	We believe that an obligation to make it simple for new small distribution companies to be recognised by DCC is all that is necessary in the first instance.
13.	Do you agree with the approach proposed in relation to the protection of consumers' interests?	We are in full support of the consumer groups and SMICoP on this point. There should not be any selling of other products during the Smart Meter installation visit. The consumer should be advised where energy savings advice is available and allowed to request this when they are ready.
14.	Do you think DCC should have a separate objective to promote (or facilitate) energy efficiency?	We believe that an objective to facilitate is appropriate, but to promote is not appropriate.
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?	There needs to be flexibility in the drafting. SBGI members are concerned that management of the SMETS needs governance by a group with wider membership than the SEC licence panel – input will be needed from meter service companies, comms providers and meter manufacturers, none of whom are likely to be SEC signatories.
18.	Should there be a SEC objective related to promoting (or facilitating) efficiency of energy networks?	We believe that an objective to facilitate is appropriate, but to promote is not appropriate.
19.	Do you think the SEC should have a separate objective of promoting (or facilitating) energy efficiency?	We believe that an objective to facilitate is appropriate, but to promote is not appropriate.
20.	Do you agree with the definitions of the services that DCC should be required or permitted to provide?	SBGI Members believe that Meter Registration of new smart meters is needed as a core service from day 1. We do not foresee an urgent migration for foundation or earlier meters. Further, we believe that the Core services are not changed without consultation, but value added services may evolve into elective services as approved by SEC. Value added and elective services should not interfere with core services.

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21.	In relation to which non-compliant metering systems should DCC be *required* to offer services?	The DCC should be required to offer services where this can be achieved in a financially viable manner and where the non-compliant system does not adversely affect the security of the DCC (including the comms and data services) as a whole. However, we also believe that a non-compliant system should not necessarily be allowed to continue after 2019 (completion of rollout). There may be scope for a short period of grace to allow a steady progression towards full compliance.
22.	In relation to which non-compliant metering systems associated with energy supply at consumer premises should DCC be *permitted* to offer services?	We believe that DCC should be able to offer services to the market, with two caveats, specifically that security is maintained for the DCC core functions, and that the core functions are meeting the KPI's required.
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?	We believe that elective services should be available against a standard pricing schedule. Value added services should be priced by confidential bilateral negotiation, where the parties require that the service is not publicised.
26.	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?	We believe that DCC should procure services, however, the procurement of services either as specific services or bundles should be left to DCC when new contracts are put in place after establishment.
35.	Do you agree that it is not necessary to explicitly require business separation between DCC users and DCC service providers?	SBGI believes that transparency demands that there is business separation between service providers and users of DCC services.
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?	SBGI believes that DCC should be prohibited from use of confidential information other than licensed activity, and prohibited from sale of information to third parties for profit. We believe that service providers may need to use confidential information solely for business planning purposes, e.g. data capacity or communications network planning, and therefore this specific situation only should be permitted. A clear definition of confidential and anonymous information is needed to ensure that anonymous information is correctly managed as well as confidential information. We expect that data in some areas, e.g. outage notifications, would form part of licenced activity.

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40.	Are there any other conditions that you consider should be imposed in DCC's licence to ensure its continued financial viability?	There needs to be method to ensure that service providers can continue to be paid in the event of a financial collapse of DCC, to ensure that critical services, e.g. prepayment vends, billing data, etc, can continue.
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.	At this stage we do not believe that DCC needs to include any further protections in its service provider contracts. Service providers should provide for continuity of service in the event of both financial and operational failure. Provision should be included for Step In Rights for persistent and material failure.
47.	Do you agree that DCC should be required to ensure that any critical services can be transferred to a successor?	SBGI members agree that this should be a key requirement on DCC.
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?	SBGI members agree that the licence should be revocable, with an enduring obligation to co-operate with handover to a new service provider.
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?	SBGI members believe that if moving services to DCC makes economic sense then this will occur without requiring a licence condition to deliver it.
51.	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?	SBGI members believe that meter registration for new, rollout smart metering is a day one requirement for a number of reasons not least of which are that the security of the end-to-end system is paramount, and the requirement for changes that would be needed to legacy systems to support smart meters.
52.	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?	SBGI members believe that a requirement to manage non- smart meters could remain with legacy systems. SME's and larger meters will need to migrate later in the programme, at a time to be agreed to ensure consistency across the whole industry.
53.	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?	SBGI members believe that this will depend on the decision to move non-smart meters to the new registration body. We believe that one registration body will be highly desirable in the medium term.
54.	What dispute mechanism would be appropriate to apply to disputes involving DCC and who should be enabled to determine such disputes ?	SBGI Members are keen that there is a clear appeals process in place surrounding the SEC as a process after a SEC panel decision.
55.	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?	SBGI Members support this requirement.

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57.	Are there any additional conditions that you would wish to see included?	We believe that the SEC panel would benefit from a wide range of industry participants, for example Consumer Focus, Trade Bodies, etc
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?	SBGI members believe that it is essential for DCC licence applicants to provide costs for undertaking meter point services.
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.	As the services to network operators are yet to be fully defined, the pricing needs to await a benefits analysis, in the view of SBGI members.
66.	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.	Yes we agree that DCC should only begin to charge users for communication service provider's costs from "go-live". In addition we agree that communications service providers' should only begin to charge DCC from "go live". – see also answer to 68 & 69
67.	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.	SBGI has encouraged individual members to comment on their financial models directly.
68.	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, can this option for allocating costs during rollout be improved? If not, what is your preferred option and why?	SBGI members believe that co-ordination between communications and meter rollout is essential, and financial incentives for good planning are the best approach.
69.	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)?	SBGI believes that costs incurred by network providers as a direct result of unplanned parts of rollout should be passed through to the relevant suppliers.
70	Do you agree that network operators should be charged in line with their market share?	SBGI members believe that a further benefit of early meter registration for smart meters being within the core requirements is that network operators can be charged using data from the meter registration activity.
71.	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?	SBGI members believe that a standing charge is essential, but work is needed to clarify what is within core services, for example the higher data costs that may be associated with more complex tariffs or prepayment messaging need further definition as to whether these are core or elective services.

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72.	Do you agree that a proportion of service providers' fixed operating expenditure should be converted to volumetric charges? (Fair proportion on a per extended service requirements on a per meter basis.)	It is the SBGI view that the standing charge should cover all costs associated with the core services required. However, there are issues around the collection of costs for the hub, and therefore the standing charges will need careful consideration as to the requirement to charge per location or per meter. It is clear that DCC may require flexibility to manage the charging dependent on electricity only, gas only, duel fuel and two supplier scenarios.
73.	Do you agree that the proposal for postage stamp charging is consistent with the objectives of the smart metering programme?	SBGI members believe that a postage stamp approach is most appropriate.
74.	Should postage stamp charging apply to all users including network operators?	SBGI members believe that a postage stamp approach is most appropriate.
75.	Do you agree with the proposed charging principles?	SBGI notes that the charge needs to be considered per meter rather than per premises.
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?	SBGI members note that core services are not those services likely to drive innovation, and hence this needs a careful approach.
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?	SBGI agree with the principle, but there may be issues with administration costs and variants required when services are offered.
79.	Do you agree that "a second comer principle" can be applied?	SBGI agree in principle, however administration costs and slight variants need careful consideration.
80.	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.	Some SBGI members are concerned about the data sizes being presented in some areas of the document, and would welcome the opportunity to understand how the numbers were prepared. It is particularly the case with routine reports from the meter that, if these are "pushed" rather than pulled each time that significant savings of data volume can be achieved with a resulting significant on-going operational cost saving. Management of the timing of data flows across the data networks could result in considerable savings for capacity, and DCC should take the opportunity to work with the comms providers to optimise availability with the best cost profile.

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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.	Some SBGI members are concerned about the data sizes being presented in some areas of the document, and would welcome the opportunity to understand how the numbers were prepared. It is particularly the case with routine reports from the meter that, if these are "pushed" rather than pulled each time that significant savings of data volume can be achieved with a resulting significant on-going operational cost saving..
84.	Do you consider it appropriate and feasible for the SEC panel and DCC to negotiate KPI targets?	SBGI believes that this should be done as part of the contract negotiation process.
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?	SBGI believes that the SEC panel should appoint an auditor with powers to inspect regularly and on an ad-hoc basis.
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?	SBGI believe that service providers should be encouraged to innovate in the first instance, and sharing of savings will reduce the focus of service providers in innovation. SBGI believes that the OFGEM RIIO methodology could be effectively applied to the DCC.
87.	Do you consider that it is appropriate to invite DCC licence applicants to propose KPIs?	We believe that KPI's and Service Level Agreements (SLA's) should be part of the negotiation process for the contracts, and hence it is appropriate that the licence applicants make proposals in this area.
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?	SBGI members believe that security and cost of adoption of these contracts needs careful consideration.
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?	The SBGI members believe that allocation should take account of both the market share of each supplier and the number of compliant smart metering systems installed. This ensures that the adoption volume is • shared out amongst energy suppliers and avoids the adoption being dominated by one or two energy suppliers. • gives energy suppliers an incentive to roll out foundation stage contracts • give energy suppliers a degree of certainty on the adoption of their contracts This also avoids the need to re-allocate any unused allocation between energy suppliers as the extent of the actual rollout of foundation contracts is included in the allocation mechanism.

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92.	Do you have views as to when Foundation Stage communication contracts should be adopted?	SBGI members suggest that DCC should achieve a business as usual state on core services, prior to the adoption of foundation of foundation stage communications contracts; and further suggest that the economic benefit be factored into the timing of any adoption of the contracts
93.	Do you agree that a four stage process as outlined in paragraph 9.10 is appropriate for appointment of DCC?	The method of procurement for DCC licencee is outside the scope of SBGI members, and therefore no further questions are answered.