

Rob Turner
Smart Metering Implementation Programme

*Promoting choice and value for
all gas and electricity customers*

27 July 2012

Dear Rob,

Ofgem's response to DECC's consultation on a smart metering system security licence condition for energy suppliers

We welcome the opportunity to respond to DECC's consultation on a proposed supply licence condition relating to smart metering system security. Ofgem regulates the gas and electricity markets in Great Britain. We have an important role in ensuring that the interests of consumers remain protected both during the transition to smart metering and in the enduring framework. We will also play a key role in monitoring and, where appropriate, enforcing compliance with any new regulatory obligations relating to smart meters.

The government's objective is to ensure that the end-to-end smart metering systems enable a secure and reliable national infrastructure for energy supply. In addition, the government's aim to ensure that consumer interests, industry investments and data privacy commitments is protected. We recognise and support the government's commitment to embed security into the design of the smart meter regulatory framework from the start. DECC is already working with industry and other relevant government agencies, to develop security arrangements and governance for the period after the Data and Communications Company (DCC) starts to provide services. The licence condition proposed in DECC's consultation is intended to apply to suppliers ahead of that period, when it is intended that different arrangements will be in place.

If explicit regulation through energy supply licences is deemed necessary for the transition period, then obligations should be proportionate and consistent with the principles of better regulation. Further, licence obligations should be consistent with, and supportive of, an appropriate allocation of roles and responsibilities across industry, government and, where appropriate, Ofgem. Specifically, it would not be appropriate to place Ofgem by default in the role of overarching 'security regulator', or for Ofgem potentially to duplicate a role that an appropriate body already carries out. For example, assessing compliance with or certification against specific standards of the International Organisation for Standardisation.

If a licence condition is introduced, we agree with DECC's proposal that the licence condition should be time bound. Any interim licence condition should fall away when the enduring security arrangements are in place and appropriately codified. We anticipate that, on an enduring basis, the security rules and governance of those rules would sit with a single, appropriate body, with clearly defined roles and responsibilities for all parties. We are not persuaded that it would be appropriate for such arrangements to be complemented with licence obligations on an enduring basis.

Given the importance of end-to-end security, and government's assessment that a security incident of any nature has the potential to impact the Smart Meter Implementation Programme, we urge the government therefore to prioritise the delivery of the enduring solution. We are willing to actively engage with the government in support of this deliverable.

We appreciate the constructive engagement with your team thus far and look forward to this continuing in the coming months. If you would like to discuss this response in the meantime, please contact

Yours sincerely