Smart Metering Implementation Programme - Regulatory Design Team 1 June 2012
Department of Energy & Climate Change,
3 Whitehall Place,
London
SW1A 2AW

Dear Sirs,

Smart Metering Implementation Programme: Consultation on the draft DCC Licence and Licence Application regulations

We welcome the opportunity to respond to this consultation.

We have no comments to make on much of this consultation. However, we have a proposal to make on the objectives of the charging methodology to ensure that the methodology does not deter the uptake of cost-effective services. We have made the same point in response to the consultation on the Smart Energy Code.

Yours faithfully

Smart Metering Implementation Programme: DCC licence conditions

Response

8. *Do you have any comments on Chapter 5 of the licence conditions? In particular do you have any comments on:*
i) The procurement obligations, including the balance between what the DCC must competitively procure and what it may self provide;
ii) The most appropriate role, if any, for the Authority in influencing how the DCC should balance various competing public interests, when preparing for future procurements of Fundamental Service Capability;
iii) Do you have any evidence from other sectors about how the public interest is taken into account by regulated bodies when making major procurement decisions;
iv) The obligations on the DCC in relation to provision of services, recognising that these conditions will need to be reviewed in light of a more detailed definition of services; and
v) The charging methodology provisions, particularly the objectives of the methodology?

agrees with most of the objectives of the charging methodology.

However, one amendment is needed in order to prevent the objectives from potentially reducing the net benefits that customers realise from the roll out of smart meters (including through smart grid network solutions).

In particular, point (d) at clause 18.16 does not give a full list of the factors that should be balanced in setting charges. At present it states that charges should be non-discriminatory and cost-reflective as far as is reasonably practicable. These are appropriate, but believes that there should also be a third objective added to this list, to be balanced against the other two – specifically to 'facilitate the efficient uptake and use of Communications Services'.

This amendment would be consistent with some of the relevant aspects of the approach to pricing set out in the SEC - namely that variable elements of core and elective service pricing should only seek to recover the variable costs associated with those services. It would also provide an objective that could assist with issues that are yet to be resolved as part of the SEC methodology, such as the allocation of fixed costs between service providers (which is difficult to specify in a way that ensures efficient uptake until more details are known about drivers of DCC incremental fixed costs).