Submission to DECC

Consultation on the Draft DCC Licence and Licence Application Regulations

1 June 2012

Introduction

Response

is pleased to be involved with DECC across the SMIP and we hope our wide breadth of members can offer useful value to the programme as it enters a critical phase.

would like to provide DECC with the collated thoughts on topics of primary relevance. To do this we have responded to pertinent questions in the DCC Licence Consultation and the Data Access and Privacy Consultation.

These comments will also be of relevance to the Consumer Engagement Consultation as they will impact the consumer experience – and also to the wider programme at DECC. We would encourage DECC to share the responses around the programme teams to ensure there is a joined-up approach, and would be happy to help facilitate this via workshops and/or further dialogue.

Introduction

The points raised on specific topics across the Smart Meter Implementation Programme at DECC can be largely placed under the following interconnected headlines:

1) Concerns about the **timeframe** for the programme, including:

    - The delays to date and the amount of work which is having to be done in parallel with other workstreams to fit the 2019 final date – such as the DCC Licence procurement in parallel with the providers;

    - The resulting lack of time for DSP and CSP bidders to build an effective working relationship with the eventual DCC License winner; and conversely for the DCC License winner to input into the DSP and CSP process.

2) **Ongoing uncertainty** in critical aspects of the programme, which impacts upon the viability of the whole business case, including:

    - The allocation of key responsibilities for aspects of the programme;

    - The distinction of core, elective and value-add services and the provision for allowing value added services to create crucial wider benefits.

are keen to assist the programme achieve the targets it has committed to by ensuring that the necessary foundations are in place, in particular for the CSP and DSP bidders, whilst also ensuring the programme does not miss opportunities to maximise the roll-out.

Response

has not responded to all the questions, instead focusing on where we have specific points of concern to raise.

Do you have any comments on Chapter 2 of the licence conditions, in particular do you have any views on:

i. **The general objectives of the DCC;**
ii. **The way in which the Mandatory and Permitted businesses of the DCC have been constructed;**
iii. **The interaction between the mandatory and permitted businesses;**
iv. **The proposed general and security controls for the DCC?**

emphasise that clarity regarding allocation of resource is needed, and a key part of this is a clear allocation of responsibility for parts of the smart metering system – such as clear definition and demarcation of DCC/DSP/CSP responsibilities.

Indeed, the core responsibilities (and boundaries) of the primary agents in the smart system need crystallising as these will by nature dictate the rest of the process.

An example of this highlighted by many of our members is the DCC 'first-line helpdesk' and related support activity. This will be the primary point of contact and first point of interaction for many customers and is thus an important part of the customer engagement strategy. It is crucial that this has the capacity to support its responsibilities – and the first stage of this is a clear definition of what exactly that capacity is defined as.

also raised concerns that the governance structure of the DCC does not overtly allow for the provision of value-add services, and as such the DCC Licence holder risks being hindered from introducing additional beneficial services – this is expanded upon in our Data Access and Privacy consultation response.

Our members have also raised concerns that the 'Design Authority' for the DCC, identifying the scope of services for the DCC, is divorced from the DCC finalists and the bidding process. The programme would benefit from improved communication to better inform CSP/DSP bidders and, therefore, improve the quality of bids. Moreover, we would encourage DECC to revive and make good use of the Community of Technical Experts (COTEs) in order to not miss the opportunity to benefit from valuable expertise.

Regarding the DCC security controls, our members acknowledge the work taking place, however we note that the end-to-end security design appears to always be 'playing catch-up' to other programme developments and several key decisions still need to be made. To an extent this is driven by a lack of clarity in other areas hindering the security policy, however it is also an issue in its own right which requires addressing.

Indeed, many of our members highlight concerns about the prospect a *'single point of failure'* in the design of the smart metering system. By nature this is an issue for the end-to-end design and needs addressing holistically. For example, it is an unacceptable risk that a successful attack against the DSP could potentially result in the loss of the entire UK domestic energy supply.

Testing and Trialling

Regarding the testing programme, the late selection of the DSP, combined with the potential for three different CSP's with different technologies, and continuing uncertainty surrounding the comms module, has resulted in many of our members questioning if there is sufficient time in the programme plan to test all of these with the DCC in the 1.5 years from SMETS 2 to the go-live date in 2014. Indeed, the discussion in the working groups at DECC regarding exactly what is meant and implied by the term 'go-live' highlights the work which needs to be done.

This 'slippage' in the programme means that without any change to the 2019 target of 97% penetration of smart meters, the 2014-2019 roll-out curve is steepened. This is exacerbated by the slowed-down deployment of Foundation smart meters by some suppliers, and uncertainty as to when and how they will be migrated into the DCC. The programme profile implies the installation of approximately 45,000 meters per day at peak (excluding national holidays and other events) – a hugely challenging logistical exercise, even without faults and corrective actions. Moreover, the DCC Service Desk activity will be enormous for 4 or 5 years (with a similar peak for meter renewal in later years) before dwindling to a much lower level.

is committed to seeing a successful smart meter roll-out across the UK as soon as practicable and welcomes the government commitment to a timetable. However, the numbers quoted above and the issues discussed here highlight the challenge of the requirement to build a support infrastructure that can handle the peak loads - and the wasted cost to the programme if these estimates prove to be too high. Indeed, doubts over rollout timetable feasibility, and the level of consumer opt-outs, casts doubt on DECC's business case.

A key issue to tackle is the need to scale the programme timescales and budgets to what is practically acceptable in order to avoid overruns and budget creep which would be detrimental to the reputation of the programme.

The level of confidence that can be gained, and how that can be delivered in the short timeframe of the foundation phase, is crucial. To help with this, our members have highlighted the particular need for clarity on:

- Potential CSP adoption of existing comms hubs;
- The end-to-end testing timeframe – including the obligation on suppliers to do market trialling;
- The viability of this testing timeframe, given the political need to complete roll-out from 2014-19;
- The possibilities of further foundation testing and trialling, given the diminished deployment of foundation meters, and of greater transparency in the process;
- The possibilities of DECC-incentivised scaled deployments from now up to 2014 to provide practical demonstrations from CSP finalists;
- Who/what will fill the gap between the roles and responsibilities of the CSP and the DSP that the DCC will ultimately aim to fill – for example would it be the SEC Panel?

Other matters

would also like to comment on the 'Other Matters' section of the consultation document which looks at the comms hub and Adoption of Communications Contracts, which our members have identified as areas of concern.

Comms Hub

Our members remain concerned by the ongoing uncertainty surrounding the comms hub. We note that discussion continues to be ongoing to assess whether or not the DCC (via its CSP(s)) or energy suppliers should be primarily responsible for the design, procurement, installation and maintenance/replacement.

As DECC note, either solution is likely to have an impact on the drafting of the DCC licence – which is of fundamental importance to CSP and DSP bidders. Indeed, who is responsible for paying for the comms hub, and who has responsibility for it and over what timeframe, has wide ramifications as it will impact on who bids - in terms of pricing for the CSPs and the requirements for resource allocation which will ward off some potential bidders early - and is thus an important piece of information needed as early as possible.

The programme has been reticent in precluding certain decisions on issues such as this which will dictate key elements of the programme. However, there is a strong need to provide a greater degree of certainty at this point to both CSPs and suppliers.

does not advocate the nature of this decision; *however,* we do emphasise the importance of making the decisions quickly for the good of the programme, given the impact on wider critical aspects of the programme.

Adoption of Communications Contracts

In the September consultation, DECC suggested there may be a guaranteed adoption volume of smart metering systems that the DCC would be required to adopt - and that a final guaranteed volume would be available before any significant rollout of compliant metering systems. The reasoning of this was to provide the commercial certainty needed to facilitate early rollout.

The level of enrolment of meters permeates risk through the whole smart metering system, and thus nomination of enrolments should be the subject of a DECC obligation rather than the closed decision of suppliers.

Recommendation: *would suggest an obligation on suppliers to nominate enrolments given that this has clear impact upon the guarantee of volumes, which is a crucial part of the business case for CSP and DSP bidders.*

CSP bidders need a greater degree of understanding on the roll-out volumes and DCC adoption to allocate resource and prepare bids appropriately. Indeed, CSP, DSP and overall DCC Licence bidders currently operate with vague numbers which rely on a whole range of criteria. Government does not control the roll-out strategies of suppliers; however it can send a stronger message on the profile which they should take.

Regarding foundation meters, it is important to ensure that whatever is agreed in foundation (for convenience sake in a time-pressured programme) does not impact the operating model/goal of the DCC environment. The number of foundation meters to be enrolled into the DCC, and when they will be enrolled, affects the business profile of the DCC – which is a further reason why CSP's and DSP's should be aware of the level and staging of an obligation on suppliers on the format of their roll-outs.

Moreover, all compliant foundation comms solutions/contracts should be novated to the DCC service providers upon adoption and provided using their agreed comms solutions – this

enables a better surety of estimates planning/charges and provides a less complex enduring model for the DCC.

Conclusion

DECC has set the aim of creating the environment for industry to deploy smart meters in the UK and there are fundamental decisions, outlined above, which the programme is required to make to enable industry to make this happen in the given timeframe and make it a success.

In many cases has not recommended what that decision should be; however , we have emphasised the need to make these decisions in order to provide the required certainty to industry.

has also responded to the Data Access and Privacy Consultation and we would encourage this team to also take note of that response as many of the points are of strong relevance to the DCC Licensing work. Likewise, we encourage DECC to circulate this response to the other programme teams.

would be very happy to organise workshops and/or follow up responses to discuss the issues raised in this paper.

remains fully supportive of the objective to successfully roll-out smart meters across the UK and acknowledges the impressive work completed by DECC to date; please do get in touch if we can assist the SMIP further.