



Department for
Business, Energy
& Industrial Strategy

SMART METERING IMPLEMENTATION PROGRAMME

Government response to the April 2016 further
consultation on the DCC opt-out

31 August 2017

SMART METERING IMPLEMENTATION PROGRAMME

Government response to the April 2016 further consultation on the DCC opt-out

The Government response can be found at GOV.UK:

<https://www.gov.uk/government/consultations/further-consultation-on-non-domestic-smart-metering-the-dcc-opt-out>

© Crown copyright 2017

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence.

To view this licence, visit www.nationalarchives.gov.uk/doc/open-government-licence/ or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Any enquiries regarding this publication should be sent to us at smartmetering@beis.gov.uk.

Contents

Contents	2
General information	3
1. Introduction	4
Non-domestic smart metering	4
Background to the Further Consultation on the DCC Opt-Out	4
2. Government response on removal of the DCC opt-out	7
Alternative Smart Metering Communication Services	7
Consumer Impacts and Market Competition	8
Changes to the regulatory framework to remove the DCC opt-out	12
Measures the Government would take to protect consumers of the DCC's services	13
Annex A: Responses Received	19

General information

Purpose of this document

This document sets out the Government's response to the further consultation on the DCC opt-out, published in April 2016. A decision on the DCC opt-out has been delayed following further discussions with stakeholders and to enable the decision to be taken on the basis of the best information and evidence available.

Issued: 31 August 2017

Enquiries to:

Email: smartmetering@beis.gov.uk

Smart Metering Implementation Programme - Policy and Consumers Team
Department for Business, Energy & Industrial Strategy,
5th Floor, Victoria 3
1 Victoria Street,
London, SW1H 0ET

Territorial extent:

This consultation applies to the gas and electricity markets in Great Britain. Responsibility for energy markets in Northern Ireland lies with the Northern Ireland Executive's Department of Enterprise, Trade and Investment.

Additional copies:

You may make copies of this document without seeking permission. An electronic version can be found at <https://www.gov.uk/government/consultations/further-consultation-on-non-domestic-smart-metering-the-dcc-opt-out>

Other versions of the document in Braille, large print or audio-cassette are available on request. This includes a Welsh version. Please contact us under the above details to request alternative versions.

Quality assurance

This consultation has been carried out in accordance with the [Government's Consultation Principles](#).

If you have any complaints about the consultation process (as opposed to comments about the issues which are the subject of the consultation) please address them to:

BEIS Consultation Co-ordinator
1 Victoria Street,
London, SW1H 0ET
Email: enquiries@beis.gov.uk

1. Introduction

Non-domestic smart metering

1. The roll-out of smart meters is an important national modernisation programme that will bring major benefits to businesses and the nation as a whole. Smart meters will give smaller non-domestic energy consumers control over their energy use and help them to make savings on the basis of better information about their consumption. Smart meters will also bring an end to estimated billing. Robust interoperability is essential to support government objectives on easier and more reliable switching, ensuring that a competitive energy supply market can be fostered. Smart metering will underpin the transition towards a smart energy system, for example by providing the functionality that supports time-of-use tariffs, and enabling non-domestic consumers to access the benefits this can provide them should they wish to. The Programme's 2016 Cost Benefit Analysis forecasts net benefits resulting from the rollout of smart meters to non-domestic consumers of around £2.0 billion.¹
2. Energy suppliers are responsible, under standard conditions of their electricity and gas supply licences ('supply licence conditions')², for rolling out smart meters. The Government's role is to provide the right framework against which they can plan.
3. The non-domestic roll-out covers around two million sites³. These sites are very varied: they cover both private and public sector organisations, and include small shops, chain stores, small industrial units and schools as well as many other business types.

Background to the further consultation on the DCC opt-out

4. The Data and Communications Company (DCC) provides centralised data and communications services for SMETS2 meters and its infrastructure is now live nationwide. It brings various benefits, including:
 - Ensuring that customers with smart meters can switch supplier easily without losing their smart metering services;
 - The ability for smart metering data to be shared with electricity network companies, facilitating more efficient network management; and
 - The ability for customers to give third parties access to their data, for example as part of an energy management or advice service, or to allow tariff comparisons.
5. In 2011 the then Government introduced the DCC opt-out policy⁴, which would allow energy suppliers to use communications services other than those provided by the DCC

¹ See: BEIS (2016) Cost Benefit Analysis: Smart meter roll-out for the domestic and small and medium non-domestic sectors (GB), available at <https://www.gov.uk/government/publications/smart-meter-roll-out-gb-cost-benefit-analysis>. Appraisal period 2013-2030.

² See: <https://www.ofgem.gov.uk/licences-codes-and-standards/licences/licence-conditions>

³ Supply licence conditions require energy suppliers to install smart metering systems (or in some circumstances, advanced meters) at gas sites where average annual consumption is below 732 MWh per year and at all electricity sites in Profile Classes 1-4.

⁴ For a more detailed background on the DCC opt-out policy see the Government Response to Part A of the March 2015 consultation: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/517983/DCC_Opt-out_Government_response_final.pdf

for any SMETS2 meters they install at non-domestic premises. This decision was taken on the basis that a competitive market was already established for communications services in the non-domestic advanced metering market. However, the Government response noted that the policy would be “kept under review and action may be taken if, for example, evidence emerges of serious interoperability issues or if the development of smart grids is being hampered”⁵.

6. Since 2011, as part of finalising key aspects of the smart metering system design, the Government has engaged with industry to establish how SMETS2 meters for non-domestic consumers could be operated in smart mode outside of the DCC. For this to work, an equivalent of the DCC’s communications hub would be needed to enable communications with the meter, and much of the DCC’s infrastructure would need to be replicated, including the capability to support a security (public key) infrastructure.
7. In light of these system developments, and through consultation and engagement, it emerged that some stakeholders were concerned that the opt-out policy was no longer appropriate, whilst others called for further clarity on this. Given these views and the original commitment to review the policy should issues emerge, in 2015 the then Government decided to seek updated stakeholder views and evidence on the appropriateness of the opt-out policy.
8. The resulting consultation, published in March 2015, was made up of two parts. Part A of the consultation related to the DCC opt-out. It noted that the Government was not aware of any alternative provider planning to come forward to provide equivalent services that would enable the satisfactory operation of SMETS2 meters if opted out of the DCC. It also highlighted the Government’s view, supported by the majority of stakeholders, that the DCC opt-out would prevent the establishment of a fully interoperable solution when customers with SMETS2 meters switched between opted-in and opted-out suppliers. Part B of the consultation related to the advanced metering exception; the Government response to stakeholder views on this topic was published on 17 December 2015⁶.
9. The Government response to Part A of the consultation, on the DCC opt-out, was published on 21 April 2016, and set out its minded-to position to remove the DCC opt-out subject to final views to be sought in a further consultation. The further consultation⁷ was published on the same date and closed on 27 May 2016, and was made up of two parts. Part A sought further views on the impact of retaining the opt-out on non-domestic consumers and energy supply competition, given that two key aims of the Programme are to deliver consumer benefits and to foster energy supply competition. Part B of the consultation set out the regulatory changes that the Government proposed to make should a decision be taken to implement the minded-to position of removing the DCC opt-out. These measures include:

⁵ See: pg. 31 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/42734/1475-smart-metering-imp-response-overview.pdf

⁶ See: <https://www.gov.uk/government/consultations/consultation-on-non-domestic-smart-metering>

⁷ See: <https://www.gov.uk/government/consultations/further-consultation-on-non-domestic-smart-metering-the-dcc-opt-out>

- Introducing a User and Enrolment mandate to the non-domestic sector. The User mandate would place an obligation on all non-domestic energy suppliers to become DCC Users by a date stipulated in supply licence conditions. The Enrolment mandate⁸ would require suppliers to commission installed SMETS2 meters within the DCC systems. The Enrolment mandate for domestic suppliers came into effect on the date on which meters were first capable of being commissioned (i.e. DCC Live), or, where a supplier was not then a DCC User, when that supplier becomes a DCC User. The non-domestic Enrolment mandate will therefore take effect from the date the supplier becomes a DCC User.
- Ensuring satisfactory arrangements are in place to protect non-domestic Users of the DCC's services. The DCC licence⁹ allows the DCC to provide communications and enrolment services in relation to smart meters in accordance with the Smart Energy Code (SEC). It also places various controls on the operation of the DCC's licensed business including, for example, obligations not to be unduly discriminatory and not to distort competition in energy supply or related activities. The controls in place were intended to reflect the DCC's monopoly position in respect of domestic premises and the expectation that energy suppliers would also use the DCC's services for the majority of non-domestic premises. The consultation sought views on the Government's provisional conclusion that the DCC's regulatory regime provided sufficient protection for non-domestic Users.
- Simplifying the charging structure for non-domestic suppliers by extending uniform fixed pricing to suppliers of non-domestic premises.

Summary Government response to the further consultation

10. The rest of this document sets out the Government's response to the views expressed through the April 2016 further consultation on its minded-to position to remove the DCC opt-out. Following analysis of the fifteen consultation responses received and further stakeholder engagement to enable a decision to be taken on the basis of the best information and evidence available, the Government has concluded that the DCC opt-out is no longer appropriate, particularly as the evidence supports the position that smaller non-domestic consumers are unlikely to benefit from the full range of smart metering services if the opt-out is retained. Further, there is still no evidence of an alternative provider coming forward to deliver an equivalent service to the DCC. The Government's conclusion is therefore to remove the opt-out and extend the DCC's monopoly to the non-domestic sector.
11. Published alongside this response is a consultation on the amendments to supply licence conditions, the SEC and DCC licence conditions that are considered necessary to implement the removal of the opt-out. The consultation also seeks views on two further

⁸ See:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/484721/15_11_26_December_2015_SE_C_Government_Response_final.pdf

⁹ The DCC licence was granted to Smart DCC Ltd by DECC on 23 September 2013 pursuant to sections 7AB(2) and (4) of the Gas Act 1986 and sections 6(1A) and (1C) of the Electricity Act 1989

non-domestic proposals to ensure that the requirements on suppliers better reflect the diverse nature of the non-domestic sector:

- First, the Government proposed to amend the supply licence conditions to allow suppliers to large non-domestic consumers an explicit choice between advanced meters and SMETS2 meters.
- Secondly, the Government is consulting on the case for exempting some non-domestic only suppliers from being required to become DCC Users. The intent is to exempt non-domestic only suppliers that supply predominantly large business consumers and as a consequence supply only a limited number of non-domestic premises covered by the smart metering mandate.

12. The consultation seeks views by 19 October 2017 and is available at:

- GOV.UK: <https://www.gov.uk/government/consultations/non-domestic-smart-metering-policy-proposals-and-draft-legal-text>
- Citizen Space: <https://beisgovuk.citizenspace.com/sm/non-domestic-smart-metering-policy>

2. Government response to April 2016 further consultation on the DCC opt-out

Part A - Alternative Smart Metering Communication Services

Consultation Question	13 responses
1.	Are you aware of any firm plans for providing communication services equivalent to those operated by the DCC that would enable the full range of smart meter benefits to be delivered, including arrangements for ensuring equivalent security and meter interoperability between such providers and between these providers and the DCC during change of supply? If so, please cite specific examples, indicating likely timescales and whether the information needs to be kept confidential.

Summary of issue under consideration

In the March 2015 consultation on the DCC opt-out, four respondents were of the view that smart metering communication services would be, or would be likely to become, available from alternative providers to enable the satisfactory operation of SMETS2 meters if opted out of the DCC. However, none of the responses cited specific examples showing that services equivalent to those provided by the DCC would become available. Such services would need to ensure, for instance, that customers with smart meters can switch easily between suppliers using the DCC and those not using the DCC without losing their smart metering services. This question gave stakeholders a further opportunity to provide firm evidence that such services were being developed.

Summary of responses

13. Thirteen responses were received from a range of stakeholders including seven large suppliers, an independent supplier, an energy services trade association and a consumer group.
14. None of the respondents was aware of any firm plans to develop communication services equivalent to the DCC. In particular, two large suppliers noted that there was little commercial incentive to develop such a service, with one of those suppliers going on to say that there was insufficient time to develop the service at this stage of the Programme.
15. Two respondents were of the view that, although there was currently no evidence of alternative DCC services being established, the position could change in the future and the Government should not close down the opportunity for the development of a competing service.

Government response

16. The Government observes that respondents provided no evidence that alternative smart metering communication services were currently being developed. Although two respondents argued that the Government should not close down the ability for such services to develop, based on the evidence available we consider that it is unlikely that

such alternative services will emerge. Further, the Government recognises that some non-domestic suppliers that have yet to take steps to become a DCC User are increasingly calling for clarification of their obligations in respect of becoming a DCC User and would welcome certainty on this matter. The Government’s view remains that requiring all SMETS2 meters to be enrolled into the DCC will ensure that smaller non-domestic consumers can access the full suite of benefits that smart meters offer, including interoperability and access to historical energy consumption data on change of supplier.

Consumer Impacts and Market Competition

Consultation Question		11 responses
2A.	Do you agree that the need for a site visit would have a significant impact on small businesses’ willingness to engage with the market and switch supplier, in comparison with a situation where there was full interoperability?	
Consultation Question		13 responses
2B.	We would also welcome views on any other potential impacts on non-domestic consumers if the opt-out is retained.	
Consultation Question		14 responses
3.	What impact would removing the opt-out have on the competitiveness of the non-domestic supply market? Please be specific about how the opt-out would affect the energy market and which sectors would be affected.	

Summary of issue under consideration

The consultation explained that the Government was seeking views on the impact on consumers if the DCC opt-out were retained and the impact on effective competition in the non-domestic supply market should the opt-out be removed.

In particular the consultation asked for evidence of the impact of site visits on small businesses to change metering equipment when switching from an opted-in to an opted-out supplier or vice versa. This question was in part prompted by the Competition and Market Authority (CMA)’s findings that there are low levels of engagement by microbusinesses with the energy supply market.¹⁰ The Government’s view is that smart metering enables faster switching, which in turn can play an important part in removing barriers to engagement.

¹⁰ See: <https://assets.publishing.service.gov.uk/media/5773de34e5274a0da3000113/final-report-energy-market-investigation.pdf>

Summary of responses

Need for a site visit and other potential impacts on consumers if opt-out is retained (questions 2A and 2B)

17. Eleven responses were received to Part A of this question. Eight respondents (six large energy suppliers, one consumer group and an independent supplier) agreed with the statement that site visits could have an adverse impact on the consumer. One large supplier outlined its experience of the advanced meter market whereby non-domestic customers are inconvenienced by a disruption to supply when metering equipment has to be replaced on change of supplier. Another large supplier cited its experience of the impact on small businesses, namely lost revenue and inconvenience, as a result of interruption to supply when exchanging traditional meters.
18. A large supplier, a meter asset manager (MAM) and the respondent from the energy services sector disagreed with the statement that consumers would find site visits inconvenient. The large supplier argued that the need for a site visit does not justify the removal of the opt-out as the consumer has a choice and if the supplier's service is not suitable then the consumer can choose another supplier. The MAM focussed on the advanced metering market, noting that advanced meters can be retrofitted with pulse reader devices without interrupting supply and they offer a cost-effective alternative to smart meter deployment. The other respondent disputed the need for a site visit. In its view, site visits for a change of communications system are rare in the advanced metering market and would be even rarer for SMETS2 meters.
19. There were thirteen responses to Part B of this question, including from seven large suppliers, two consumer groups, an independent supplier and a MAM. Ten of the respondents were generally in agreement that a centralised data and communications solution enables non-domestic consumers to access all of the benefits smart meters can offer. Examples provided included the expected difficulty in retrieving historical consumption data following a switch from an opted-in to an opted-out supplier, or vice versa, because the meter has been replaced; and the potential loss of smart services on a change of supplier and consequent need to provide an estimated initial invoice if there is a delay to the site visit.
20. Elaborating on the challenge of accessing historical consumption data under an opt-out model, one large supplier considered that if customers lost historical consumption data they may not be able to negotiate the most competitive price, as they would be unable to demonstrate their energy consumption patterns to a new supplier. Another consideration, raised by a consumer group, was that small and medium-sized enterprises (SMEs) might find themselves locked into contracts with opted-out suppliers, as poor interoperability may prove a barrier to switching. In its view these customers, with relatively basic needs, could be at risk of being offered sub-standard, overly complex or expensive contracts.
21. Three respondents argued that retaining the opt-out would benefit non-domestic consumers. For example, one large supplier noted that retaining the opt-out would enable future competition in data and communication services should the DCC provide a sub-optimal service. The MAM made a number of comments on this point, including that in their view multi-site businesses may prefer to have a single advanced meter solution.

Another respondent argued that retaining the opt-out would enable customer choice, which in turn could deliver the benefits of a competitive market, including cost-effective, quality services.

Impact on the competitiveness of the non-domestic supply market (question 3)

22. There were fourteen responses to question three, ten of which expressed the view that removing the opt-out would have no anti-competitive impacts and in some cases would enhance competition in the non-domestic energy supply market. The main reasons put forward were that a centralised data and communications service would improve change of supplier processes and keep costs down, which in turn would incentivise customers to switch. Further, one large supplier noted that all suppliers would be able to offer the same consistent services via the DCC and therefore would need to look beyond basic services to differentiate themselves. This in turn could lead to innovation and improved product offerings to customers. One consumer group noted that the DCC plays a key role in ensuring interoperability, while the other argued that retaining the DCC opt-out may reduce energy supply competition as the potential interoperability issues may reduce consumers' willingness to engage in the market.
23. Against this, four respondents argued that removing the opt-out would have a detrimental effect on the non-domestic energy market. An energy services trade association was concerned that retaining the opt-out would impact on the competitiveness of the third party energy services sector. In their view the costs associated with accessing energy consumption data via the DCC would prevent third parties from participating in the market. The MAM noted the range of data and communications services already in the non-domestic sector and that removing the opt-out would affect the financial viability of these options, thereby impacting competition development in this area. Both of these respondents argued in favour of retaining advanced metering. Two other respondents (one large supplier and one other) argued that if the opt-out were removed, the lack of competition for communications provision would mean less customer choice and less incentive to drive innovation and improvements in products and services.

Government response

24. The majority of consultation responses supported the Government's view that business energy consumers would be adversely impacted if the DCC opt-out were retained. In particular, views and examples were offered from both advanced and traditional metering scenarios to show that site visits on switching between opted-in and opted-out suppliers – and the temporary disruption to supply when changing metering equipment – would make for a worse consumer experience. Further, the majority of respondents argued that removing the opt-out would enhance competition in the energy supply market, to the benefit of smaller businesses.
25. We have carefully considered the issues raised through this consultation and ongoing engagement by those in favour of retaining the DCC opt-out. We recognise that some stakeholders are concerned about the metering choice for large energy consumers with multiple sites and we are considering steps to address these concerns (see paragraph 26). However, the Government disagrees with the view that the DCC may not provide a good level of service to non-domestic suppliers. We have also reviewed the DCC's regulatory regime, which places stringent controls on how the DCC operates and which is overseen

by Ofgem. It is the Government's view that this offers sufficient protections to ensure the DCC delivers a good service to non-domestic consumers (see below). In terms of access to the DCC's data, as well as becoming a DCC User there are other options to access energy consumption data. For instance, third parties can access data, with the consent of the consumer, by using a Consumer Access Device (CAD).¹¹ We are also working to ensure CAD pairing services are offered by third parties other than energy suppliers, so that these services could be offered on a low-cost, per pairing basis by a DCC Other User.

26. The April 2016 consultation stated that the Government would reconsider its minded-to position if the evidence showed that retaining the opt-out would not adversely impact consumers. Although three respondents disputed the need for or the impact of site visits, the majority of responses were clear that retaining the opt-out would have a negative impact on the consumer experience because of the need for costly, inconvenient change of supplier processes and the potential temporary loss of smart functionality on switching between opted-in and opted-out suppliers. These respondents included examples of the impact of site visits on consumers, which can reasonably be expected to be the experience of consumers switching between opted-in and opted-out suppliers, or vice versa. Although one respondent noted that non-domestic consumers can choose their supplier based on its service offering, it is clear from the CMA findings that most microbusinesses are not engaging with their energy suppliers and that barriers to switching remain. The Government's vision for the role of smart metering for smaller non-domestic consumers is that this should support objectives on faster and easier switching. The Government believes that removing the DCC opt-out could play an important part in removing the barriers to microbusiness engagement in the non-domestic market.
27. The Government noted the views raised by a minority of respondents that removing the opt-out may have an impact on the energy services sector and end consumer choice, particularly for large multi-site consumers with advanced meters installed at their sites. The Government has engaged with stakeholders on the level of effectiveness of the market for larger non-domestic consumers compared to microbusinesses and SMEs, and we consider that there may be a case for adjusting elements of non-domestic smart metering policy to reflect this. In particular, the Government proposes that these large consumers with multiple sites and high energy spend should be able to choose between an advanced meter and a smart meter solution for their sites covered by the smart metering mandate. The consultation¹² published alongside this Government response sets out these proposals in further detail.
28. Based on the evidence from the majority of consultation responses, the Government's view remains that SMETS2 meters operated via the DCC will deliver the full suite of smart benefits to non-domestic consumers, which include robust interoperability on change of supplier, a key Programme aim. Removing the DCC opt-out will help ensure that small businesses have greater access to smart benefits. The CMA has found low levels of microbusiness engagement in the energy supply market; enabling easier switching will

¹¹ See: [Smart meters, Smart Data, Smart Growth](#) and [Smart Meters and Demand Side Response](#)

¹² <https://www.gov.uk/government/consultations/non-domestic-smart-metering-policy-proposals-and-draft-legal-text>

help remove barriers to customer engagement and enhance energy supply competition for the benefit of the consumer.

Government response to the questions in Part B of the further consultation on the DCC opt-out – Changes to the regulatory framework to remove DCC opt-out

Consultation Question		10 responses
4.	Do you have any comments on the Government’s proposal that, if it decides to remove the DCC opt-out, this should be done by extending the Enrolment and User mandates to cover non-domestic premises? Please provide a detailed explanation if you disagree with the proposal.	
Consultation Question		12 responses
5.	Do you agree that the supply licence conditions, the SEC and DCC licence conditions would need to be amended as described in paragraphs 24 to 27 above (<i>noting these paragraph numbers reference the April 2016 further consultation</i>)? If not, please provide a detailed explanation for your views.	

Summary of issue under consideration

The consultation set out the proposed actions that would need to be taken in order to remove the DCC opt-out. Our proposal was that this would be done by extending the domestic Enrolment and User mandates in the supply licence conditions to non-domestic suppliers. In the case of the Enrolment mandate, all SMETS2 meters would need to be commissioned with the DCC once installed at non-domestic premises. The User mandate would apply to all suppliers who supply a site in electricity profile classes 1 – 4 and/or a site where the annual gas consumption is less than 732MWh.

In addition, consequential amendments would need to be made to the DCC licence conditions, supply licence conditions and the SEC to implement any decision to remove the opt-out.

Summary of responses

Enrolment Mandate and User Mandate (question 4)

29. Of the ten responses to this question - from seven large suppliers, one independent supplier, Ofgem and a consumer group - nine agreed that extending the Enrolment mandate and User mandate to suppliers of non-domestic premises was the most appropriate way to implement the removal of the DCC opt-out. One respondent (a large supplier) did not disagree with the DCC offering enrolment options to the non-domestic sector, but they were of the view that the enrolment of meters was not dependent on the DCC holding a monopoly, rather it is another area of service the DCC can extend to its customers.

Amendments to the supply licence conditions, the SEC and DCC licence conditions (question 5)

30. There were eleven responses in total to this question, from seven large suppliers, an independent supplier, a meter asset manager, Ofgem and the DCC. Ten of these respondents were supportive of the proposed amendments to the supply licence conditions, SEC and DCC licence conditions. One large supplier noted that while the proposals appeared reasonable, they would need to see the draft legal text before giving their agreement to the proposed changes. Another large supplier noted that references to service requests SR8.5 and SR8.6 (withdrawal of services) would be redundant and should also be removed from the legal text. One respondent, a large supplier, did not address the question directly, but took the opportunity to reiterate that while they did not disagree that changes would be needed should the opt-out be removed, they did not support the Government's minded-to position. The DCC noted that, should the Government decide to remove the DCC opt-out, changes would be required to the DCC solution.

Government response

31. All bar one of the views expressed in the responses to this consultation support the Government's proposal that the most appropriate way to remove the opt-out is to introduce a User mandate and an Enrolment mandate to the non-domestic sector within the supply licence conditions. One respondent did not directly answer the questions, but it was clear that the focus of its response was not about whether the proposals supported the removal of the opt-out, but about the issues considered in Part A of the consultation.

32. The original intention was to align the non-domestic User mandate date with the domestic User mandate date (currently 25 November 2017). However, the Government recognises that it has taken longer than expected to conclude on removing the opt-out and suppliers will need time to prepare to become DCC Users. Therefore, it is proposed that the non-domestic User mandate date is set at 12 months after the date of this publication or such later date as determined by the Secretary of State. The Government expects that this will give a reasonable timeframe for non-domestic suppliers to take the necessary steps to meet this new regulatory obligation, such as systems testing and security and privacy audits.

33. Although not specifically raised in responses to the consultation, our subsequent engagement with stakeholders indicates that there may be a case to exempt some small non-domestic only suppliers from the User mandate on the grounds that these suppliers may only operate advanced meters in the short to medium term. The Government has considered the arguments put forward and agrees that it may be reasonable to exempt some suppliers, if they meet qualifying criteria. This proposal is set out in more detail in the separate consultation published alongside this Government Response, which also includes a section seeking views on the draft legal text to implement the removal of the opt-out.

34. On the consequential amendments to the licence conditions, respondents expressed some reservations on giving final views before seeing the draft legal text. This can now be viewed in the accompanying consultation referred to above.

35. The Government has noted the point raised by one respondent that references to the concept of withdrawal should be removed from the legal text. The Government proposes to amend the SEC to make clear that DCC opt-out functionality cannot be used, but at the

same time avoiding the requirement for the DCC to make immediate system changes, which may divert resources from focussing on current system development priorities. Please see the consultation on the draft legal text for further details.

Measures the Government would take to protect consumers of the DCC’s services

Consultation Question		9 responses
7 ¹³ .	Do you agree that the controls currently in place in the DCC licence to prevent the DCC from abusing its monopoly position are sufficient in the event that the Government extends the DCC’s monopoly to cover the non-domestic market? If not, please identify specific areas of concern.	
Consultation Question		10 responses
8.	Do you agree that, in the event of the Government removing the DCC opt-out, the Government should extend uniform fixed pricing to non-domestic premises? If not, please identify specific areas of concern.	

Summary of issue under consideration

The Government’s proposed changes to the regulatory framework would mean that the DCC’s monopoly in respect of the provision of the smart meter communications service for domestic consumers would be extended to the non-domestic sector, so that all suppliers subject to the smart metering roll-out obligation would be required to use the DCC for communications with their SMETS2 meters. This carries the potential risk of the DCC abusing its monopoly position, or demanding higher prices for services. Following a review of the protections in place for Users of the DCC’s services for meters installed at domestic premises, the consultation sought views on our provisional conclusion that these would be sufficient for non-domestic consumers.

We also proposed that if the DCC opt-out were removed, the DCC charging regime would be simplified by extending uniform pricing to non-domestic as well as domestic Users of the DCC. This includes uniform pricing for fixed monthly communications hub charges as well as monthly fixed charges per meters. This amendment is considered appropriate as the removal of the opt-out removes the potential risk of the domestic sector cross-subsidising the non-domestic sector. Under the opt-out scenario, non-domestic suppliers would have been incentivised to choose to use the DCC’s services in locations that were more expensive to serve than the DCC charges, and alternative services in locations that were less expensive to serve.

Summary of responses

Controls currently in place in the DCC licence to prevent the DCC from abusing its

¹³ There was no Question 6 in the Consultation.

monopoly position (question 7)

36. Eight of the nine respondents to question 7, including six large suppliers, Ofgem and a consumer group, generally agreed that the existing controls should be robust enough to protect non-domestic Users of the DCC's services. One of the large suppliers recommended that the controls are kept under review to ensure that consumers' interests are appropriately protected. Another supplier noted that decisions made by Ofgem following its consultation on the DCC Operational Performance Regime might allow for even more optimal controls to be developed with regard to how the DCC's service performance is managed after DCC Live. One respondent did not give a direct response on whether the controls were sufficient, but argued that removing the opt-out could create market foreclosure and that future potential abuse of market power issues would merit further investigation by the CMA. Their view is that these concerns would be ameliorated by retaining the opt-out or by further extending the Advanced Meter Exception (AME). As part of subsequent stakeholder engagement, this respondent set out their concerns about perceived issues with having control over the quality of the service they could deliver if they are unable to choose which metering solution or data provider to use. This issue is considered in paragraphs 24 – 27 above.

Uniform fixed pricing (question 8)

37. Ten responses were received to question 8 and all agreed that uniform fixed pricing should be extended to non-domestic premises. However, two respondents aired concerns. One large supplier was keen to see confirmation of the uniform pricing as soon as possible to enable them to assess the impact of any change. A Meter Asset Manager noted that if the DCC opt-out were removed the only differentiation in costs should be between meter types, and that there should be no cross-subsidisation between domestic and non-domestic suppliers. In its response the DCC highlighted that, should changes be made to its charging regime, they would be required to give three months' notice of changes to Ofgem (given the existing licence provision), unless Ofgem agreed less notice was sufficient. Furthermore, the DCC indicated a preference for revisions to the charging regime to be aligned to the start of a Regulatory Year, i.e. on 1 April, in which case they would need confirmation of changes three months prior to this date (i.e. by December of the year prior to making the change).

Government response

38. In line with the responses above, the Government is satisfied that the protections in place for domestic consumers of the DCC's services are appropriate for non-domestic consumers of their services, and envisage that the same charging regime would be implemented within the SEC across non-domestic and domestic premises. For Other Users of the DCC's services that are concerned about the level of its service provision, there are Code Performance Measures within the SEC that set out the required performance of the DCC and an obligation on the DCC to report against these requirements (including in relation to Service Requests to retrieve data from the meter). The Government encourages all stakeholders to engage further with the DCC to better understand the implications of these performance measures, noting that parties to the SEC have powers to request modifications to these, should issues be identified. Further, Ofgem has regulatory oversight and enforcement powers should evidence emerge that the DCC is not complying with the requirements laid down in the DCC licence conditions and the SEC.

39. The responses on uniform pricing were clear and it will be introduced. Proposed changes to the legal text to implement uniform pricing can be viewed in the accompanying consultation. In relation to implementation, the Government has noted that the DCC can amend the charging statement with less than three months' notice as long as Ofgem consents to the change, although the Government will endeavour to provide reasonable notice on confirmation of changes.

Next Steps

40. In light of the views and evidence provided in the consultation responses the Government will take the necessary steps to remove the DCC opt-out.

41. The consultation on 'non-domestic smart metering proposals and draft legal text' published alongside this Government response seeks views on the draft legal text required to implement the removal of the DCC opt-out. It also seeks views on two further policy proposals that are noted in paragraph 12. This consultation closes on 19 October 2017.

42. The Government expects to lay the legal text to implement the removal of the opt-out following conclusion of this consultation.

Annex A: Responses Received

British Gas	National Grid Metering
Citizens Advice	Npower
DCC	Ofgem
EDF Energy	Opus Energy
E.On	Scottish Power
ESTA	SSE
FSB	Utilita
	One confidential response

