

Competition and Markets Authority
‘Energy market investigation:
Updated issues statement’
Response of Smart DCC Ltd

27th March 2015

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1 Introduction

1. Smart DCC Ltd, known as the Data and Communications Company or DCC, welcomes the opportunity to respond to the consultation 'Energy market investigation: Updated issues statement', released on 18th February 2015.
2. In the background section we introduce DCC and cover the relevance of smart metering and DCC to the investigation. We then move on to discuss 'Updated theory of harm 4', focussing on paragraphs 142 and 143 which cover smart metering systems and their benefits. We conclude by expressing our desire to learn from any conclusions the report may draw.

2 Background

3. DCC was awarded the Smart Meter Communication Licence ('the Licence') on 23rd September 2013 to implement and manage the smart metering communications infrastructure in Great Britain.
4. The infrastructure will connect smart meters to the business systems of energy suppliers, network operators and other authorised third parties. It will offer a secure, consistent service across energy suppliers and avoids the complexity and duplicated costs of energy suppliers installing their own networks. This consistent approach for communicating with devices avoids the sort of complexity associated with the current interim foundation market, characterised by multiple Smart Meter System Operators (SMSOs), a lack of interoperability, stranded assets and different costs for different suppliers.
5. The DCC model also has the benefit of avoiding the inherent risk that existing SMETS1¹ meters 'go dumb' on the consumer changing supplier, militating against their long-term consumer benefits or necessitating a costly refitting exercise.
6. The Smart Energy Code ('the SEC') is a multi-Party agreement which defines the rights and obligations of energy suppliers, network operators and other relevant parties involved in the end-to-end management of smart metering in Great Britain.
7. Under its Licence, DCC is required to run its business in an economical and efficient manner. Each year, Ofgem assesses DCC's costs, revenue and performance against incentives on an ex-post basis. It then makes a determination as to whether costs incurred were economical and efficient. DCC is strongly incentivised to ensure value for money for the energy consumer.
8. Since the award of the Licence, DCC has made significant progress, including:
 - a) building the Smart Metering Wide Area Network (SMWAN), the national telecommunications infrastructure that will connect properties
 - b) procurement of Smart Meter Key Infrastructure (SMKI), the system that provides security across the infrastructure, and Parse and Correlate, a software application to enable DCC service users to translate network messages
 - c) awarding contracts for Communications Hubs (which will link smart meters to the SMWAN) and production of prototypes
 - d) build of systems and fit out of data centres
 - e) transition into live operations – initial services to support prospective Users
9. In addition to this we have been working with DECC, the energy industry, meter manufacturers, service providers and other stakeholders to finalise the requirements

¹ Smart Metering Equipment Technical Specifications – see www.gov.uk/government/publications/smart-metering-implementation-programme-technical-specifications

and technical specifications upon which the DCC service will be implemented and operated.

10. As these requirements and technical specifications have reached a degree of stability, DCC has recently consulted on a new DCC delivery plan. On 5th March 2015 the Secretary of State for Energy and Climate Change approved the adoption of this new plan².
11. As it is vital that DCC delivers to a plan in which all parties have confidence, the Secretary of State has made available up to a maximum of six months of contingency which will be governed by DECC.
12. The re-setting of the programme moves DCC to a more resilient and sustainable plan in which industry can have confidence and one which will ensure consumers receive the best possible experience.

²Written Ministerial Statements, Smart Metering:
<http://www.publications.parliament.uk/pa/cm201415/cmhansrd/cm150305/wmstext/150305m0001.htm#15030533000017>

3 Response

13. In paragraph 143 of the Updated issues statement, CMA states that it would: “welcome further views and evidence on the likely size of these benefits [from smart metering] and on any regulatory or other barriers”.
14. DCC believes in the transformational benefits of smart metering for the GB energy sector. In DECC’s latest benefits’ analysis report, published in December 2014, the benefits of the Smart Metering Implementation Programme are stated as expected to deliver £17.1 billion of benefits at a cost of £10.9 billion, giving a net gain of over £6 billion³. This assessment assumes a supplier-led roll-out with a completion date in December 2020 enabled by a centralised DCC.
15. The quantification of the benefits of smart metering with a centralised DCC is supported by tangible benefits to consumers and GB’s transition to a low-carbon economy; including:
 - a) providing consumers with real-time information on their energy consumption to help them control and manage their energy use, saving money and reducing emissions
 - b) providing consumers with more accurate meter reading; bringing an end to estimated billing
 - c) supporting GB’s transition to a low-carbon economy and helping to meet some of the long-term challenges faced in ensuring an affordable, secure and sustainable energy supply
 - d) enabling a demand-side transformation in the energy industry by giving consumers access to information to make informed purchasing decisions
 - e) reducing the barriers to switching between energy suppliers
16. These macro-economic benefits are supported by DCC taking all steps to minimise barriers to engaging with DCC and accessing DCC Services; with a special focus on smaller suppliers and new entrants.
17. DCC has a proactive programme of engagement with smaller suppliers, tasking a dedicated member of the team to meet them where they are based, understand their issues and reflect them back to DCC at a senior management level.
18. DCC has run a significant number of detailed design forums covering a wide range of topics in which industry participants have actively engaged allowing for the collaborative development of DCC services.
19. DCC has consulted extensively on each of its design documents, including design forums, notifications, updates, and production of explanatory consultation

³ DECC, ‘Third annual progress report on the roll-out of Smart Meters’, December 2014, p.6.
www.gov.uk/government/publications/third-annual-progress-report-on-the-roll-out-of-smart-meters

documents. These consultation documents allow those that have not been extensively involved in the design forum stages to 'catch-up', by explaining the documents' purpose and context; again in an effort to limit any barriers to engaging with DCC.

20. In addition, for all DCC consultations on design documents we have endeavoured to contact all respondents that disagreed with the proposals. This has been to clear up any uncertainty and in an effort to reach a mutually acceptable conclusion. Whilst it has not always been appropriate for us to take into account respondents' comments in the final drafts of the design documents (without jeopardising the overall purpose of the document set down in the Licence or the SEC) we have consistently endeavoured to operate and develop our design in an open and consensual way.
21. In response to stakeholders' comments in some consultation responses, DCC is improving the user guidance it is providing. Stakeholders have asked for more design context and worked examples, in addition to the legal certainty and unambiguous rights and obligations delivered by the current and evolving document set. To facilitate this, DCC held a dedicated workshop in early March 2015 to understand further the information that users want. DCC will follow this up with an 'invitation to comment' (a short, informal consultation) to ensure it receives a wide range of views before developing the guidance we have been asked to produce.
22. DCC also recognises that this kind of guidance will be valuable for new entrants, who have will not have had the opportunity to have the context granted by being involved in the development of the regulatory document set.
23. DCC recognises that the security controls aspects vital to ensuring the benefits of smart metering are delivered securely to consumers can be perceived as challenging; especially aspects of Smart Metering Key Infrastructure (SMKI) for smaller suppliers. DCC aims to ensure that the barriers for engagement are as low as possible. To this end DCC has developed a 'SMKI via the Internet' solution allowing SEC Parties that are not DCC Users (typically smaller suppliers or networks in the early days of the rollout) to obtain SMKI Certificates in a light touch and lower cost manner.

4 Conclusions

24. DCC is obliged to operate in accordance with the Licence and the SEC.
25. DCC is committed to ensuring that the benefits of smart metering are realised in practice and is further committed to keeping regulatory and other barriers (real or perceived) which might affect the successful delivery of the Smart Metering Implementation Programme as low as possible.
26. DCC would be grateful if CMA would share any conclusions it draws from responses to its questions about regulatory and other barriers to ensure that DCC retains its focus on this important issue and considers and acts on any learnings that such conclusions might offer.