

**Smart Metering Implementation Programme:
Consultation on the Smart Energy Code April
2012.**

Consultation Reference: URN: 12D/034

Arqiva Response

17 May 2012

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The information in this response is submitted by Arqiva, who are supported by the SmartReach consortium (see www.smartreach.com) and by partners consisting of BT, BAE Systems, Dectra and Sensus. This group brings together significant expertise and resources in the delivery of nationwide communications systems, technology and leading edge security solutions.

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Chapter 3: Participation in the SEC

- 1. Please provide any comments that you have on the classification of party categories under the SEC.**

No comment.

Chapter 4: Involvement of the Meter Services Community

- 2. Are the requirements of both meter asset providers and meter operators for access to smart metering systems adequately captured in this consultation paper?
If not, please provide additional details of the requirements and why they are required.**

No comment.

- 3. Do you support the Government's preferred solution to implement a simple variant of Option B whereby the registration of a meter operator in the existing electricity and gas registration systems would be deemed to constitute a nomination by the supplier of that meter operator to act as its agent to perform a specific set of commands?**

No comment.

- 4. Should meter operators be given limited participation rights in SEC governance under Options B or C, and if so what rights would be appropriate?**

No comment.

- 5. Would you support the tracking of assets being included within the future system requirements for the new registration systems, which are proposed to be provided by the DCC?**

No comment.

Chapter 5: Accession to the SEC

- 6. Do you agree with the process proposed for accession and the accession time limit?**

No comment.

7. Do you agree that once acceded, any SEC Party should be able to participate in the governance of the SEC prior to undertaking any further entry processes?

No comment.

8. Do you have any views on the company, legal and financial information that should be provided as part of the SEC accession process?

No comment.

Chapter 6: Establishing readiness to receive the DCC's communication services

9. Do you agree that Government should not mandate a specific solution for the DCC User Gateway and that Data Service Provider (DSP) bidders should be invited to propose the solution which they consider to be the most effective (such proposals could include the option of extending an existing industry network)?

No comment.

10. Do you have any other comments on the Government's proposals for the DCC User Gateway?

No comment.

11. Do you agree with the proposed DCC user entry processes?

No comment.

Chapter 7: Consultation questions: enrolling smart metering systems

12. Do you agree with the proposed rights and obligations relating to smart metering system enrolment set out in this chapter? Please provide your views.

No comment.

13. Do you agree that the SEC should require, as a condition of enrolment, that the supplier grants the right to the DCC to access its smart metering system for specified purposes?

No comment.

14. Do you agree with the proposed rights and obligations relating to smart metering system withdrawal and replacement of devices?

No comment.

Chapter 8: Core and elective communication services

15. Do you agree with the three different types of eligibility to receive core communication services that have been proposed?

No comment.

16. Are you aware of situations where there are two or more importing suppliers in relation to a single smart metering system and if so, where do such situations exist, how many exist and what metering arrangements have been made?

No comment.

17. Do you agree that amendments to the set of core communication services should be subject to the standard SEC modification process?

Yes, we agree that amendments to the core communications services should be subject to the standard SEC modification process.

18. Do you agree that SEC Parties should be able to request elective communication services from DCC on either a bilateral or multilateral basis?

No comment.

19. Do you agree that the following SEC requirements associated with the provision of core communication services should also apply to elective service provision: DCC user entry processes, technical security requirements, data privacy requirements, financial security requirements and dispute arrangements.

No comment.

20. Do you agree that the SEC should set out mandatory procedures for the provision of an offer of terms for elective communication services by the DCC and with the mandatory procedures proposed? Do you consider that any additional procedures should apply? What do you consider are the appropriate timescales within which an offer of terms should remain open?

Yes, we agree that the SEC should set out mandatory procedures for the provision of an offer of terms for elective communication services by the DCC and with the mandatory procedures proposed.

21. Do you agree that commercially sensitive terms and conditions associated with elective service provision, which might include the type of

communication service that is being provided, performance standards associated with the provision of that service and the price associated with that service, should be confidential between the DCC and the party or parties receiving the service unless the party or parties receiving the service consent or unless requested by the Authority pursuant to the DCC Licence?

Yes, we agree that commercially sensitive terms and conditions associated with elective service provision should be confidential between the DCC and the party that receives the service.

22. Do you agree that the SEC should contain provisions requiring that the DCC notifies SEC Parties of the timing of the implementation of changes to its systems?

No comment.

23. Do you agree that the DCC should only be required to offer terms for elective communication services from a specified date, and if so, what do you consider that date should be?

To encourage the take up of the DCC services, we believe that the DCC should be able to offer terms for certain elective communication services from the DCC Go Live Date. These include more frequent meter reads and provision of communications to advanced or smart meter type services.

Chapter 9: DCC charges

24. Do you think that the proposed approach for DCC charging is reasonable?

We agree with the proposed charging principles and objectives. We would like to understand the charging methodology to turn this into practice in more detail. DCC has a variety of costs with different cost profiles and differing by region. These costs need to be matched with a wide range of tariffs for services to each category of user with a universal postage stamp obligation in certain cases.

25. Do you consider that the "pay now dispute later" approach is consistent with the envisaged DCC regime? If you disagree please set out the reasons for your preferred approach.

Yes, we agree that the "pay now dispute later" approach is consistent with the envisaged DCC regime.

26. Do you accept that bad debt should be socialised explicitly within the current charging period across all DCC service users? If you disagree please set out the reasons for your preferred approach.

No comment.

Chapter 12: The SEC Panel

27. Do you agree with the proposed functions, powers and objectives of the SEC Panel, as set out in Boxes 12A and 12B?

No comment.

28. Do you think that a fully independent panel is the appropriate model for the SEC? Please give reasons for your answer.

No comment.

29. Do you agree that the proposed SEC Panel composition set out in Box 12C is appropriate? Please give reasons for your answer. Alternative proposals for the panel composition are welcome.

No comment.

30. Do you agree with the proposed division of voting and non-voting members, and in particular do you believe that the DCC should be a non-voting member in respect of any or all aspects of panel business?

No comment.

31. Do you agree that the proposals for the independence, appointment and term of office of the panel chair are appropriate? Please give reasons for your answer.

No comment.

32. Do you agree with the proposed arrangements for panel member elections and appointments?

No comment.

33. Do you agree with the proposed rules in respect of proceedings and decision making at SEC Panel meetings?

No comment.

**34. Which of the two options for remuneration of panel members do you prefer, and why?
In particular which of these options do you believe would be most aligned with each of the options for the panel to be either an independent or a representative body as a whole?**

No comment.

Chapter 13: Code Administrator & Secretariat

35. Do you think the Code Administrator and Secretariat chosen by the SEC Panel should be contracted through the DCC or through a SECCo?

No comment.

36. If a SECCo was established what should its funding arrangements, legal structure, ownership and constitutional arrangements be?

No comment.

Chapter 14: Modification process

37. Do you have any views on the proposals regarding which parties should be entitled to raise SEC modification proposals?

No comment.

38. Do you have any comments on the proposed standard progression paths for different categories of modification?

No comment.

39. Do you have any comments on proposed criteria that the panel would apply to judge whether a proposal is non-material and so to determine which path should be followed?

No comment.

40. Do you think it is for the panel or for the Authority to decide whether a modification proposal should be considered urgent and determine its timetable?

No comment.

41. Do you have any views on whether any non-standard modification rules and procedures should apply to any particular parts of the SEC?

No comment.

42. Do you agree with the proposal that responsibility for making final decisions or recommendations on SEC modification proposals should always rest with the SEC Panel and that this power should not be capable of delegation?

No comment.

43. Are there any further matters relating to the modification process which you would like to comment on?

We propose that changes to the SEC that impact non SEC parties e.g. terms that flow down to the CSP, should not be agreed without consulting and involving that party.

Chapter 15: Reporting

44. Do you agree that that the SEC should place certain obligations on the SEC Panel and, possibly, SEC Parties with regard to the production, provision and publication of certain information and reports? If so, what do you believe these should be?

No comment.

Chapter 16: Compliance and assurance

45. Are there any particular areas of risk that you believe should be addressed by appropriate compliance/assurance techniques under the SEC?

No comment.

46. Do you have any views on the most appropriate governance arrangements for any compliance/assurance framework under the SEC?

No comment.

Chapter 17: Liabilities between the DCC and DCC service users

47. Do you have views on the options for the creation and enforcement of liabilities between the DCC and service users described in this chapter?

Yes, we propose that a party should retain the right to take action through the courts once all other dispute resolution processes have been used.

48. Do you agree that there should be a cap on liability for specific types of breach between the DCC and service users (including security breaches and physical damage). If so, what do you believe the appropriate level of these caps to be?

We agree with the proposed approach of the DCC having a limited set of categories of liability - with a cap for each. We have some comments on each of the proposed specific types of liability identified in the Consultation document (Chapter 17) which are set out below.

Liability arising in relation to DCC service provision

We agree that the user should only be entitled to recompense if DCC fails to achieve agreed service levels. We would propose that the aggregate liability in the event of such failures be capped. Our view is that a cap of 10% of revenue received (per user) on an annual basis would be appropriate.

Payment liability

We agree that the user payment obligations should not be subject to any limits on liability.

Assurance liability

We will review carefully the Programme's further work on assurance. At this stage our understanding is that most of the assurance activities and processes would be completed before widespread delivery of live service. On that basis we question whether any separate category of liability to users around assurance is required. We would expect that if there was a failure in an assurance process that would either be picked up and resolved at the time before progressing to live service; or in the unlikely event it was not picked up it would result in a service failure which would be picked up by the liability in relation to service provision category referred to above.

Data liability

We agree that the sanctions under the DCC Licence (and Data Protection Act to the extent applicable) would be a sufficient deterrent / control on the DCC and that accordingly there should not be a need for a separate category of liability for this.

Security liability

We agree that it could be appropriate to have a separate category of liability for system security and data corruption resulting from a breach of these obligations. We also agree with the comments elsewhere in the Consultation document that SEC Parties can reasonably be expected to have in place their own risk management procedures for such events. Our view is that two main factors should be considered in setting the level of cap for this category: (i) what the DCC can afford in the light of its revenues and the other liabilities it proposes to accept; (ii) what remedy steps and measures would need to be taken in the event of such a breach and what proportion of the costs of such measures it is appropriate for the DCC to contribute towards - in the light of procedures DCC could reasonably expect SEC Parties to have in place. We would not expect DCC to accept any liability for reputational damage or for any alleged knock-on impacts on the businesses of SEC Parties. In the light of these considerations, we would expect that a cap in the range of 5-10% of revenues per annum by user would be appropriate.

Physical damage liability

We anticipate that DCC would seek to cover with insurance any liability for physical

damage it proposes to accept - and that the premiums would be charged back ultimately to the SEC Parties. If that is the case we would question whether this is ultimately best value for money - and that it might make more sense for such damage to be insured by the users and/or householders, as is presumably the position today. If the DCC is still minded to accept some level of liability for physical damage then we would expect that the cap would be structured with two "levels": a per event cap; and an aggregate cap for all claims per year. We would expect these levels to be set in line with the level of insurance DCC can secure on reasonable terms as to premiums, deductibles etc. Based on our experience we would expect that a cap of £1m per event and a cap of £5m in aggregate for all events per annum would be appropriate.

49. Are there any other specific types of liability between the DCC and service users that should be addressed in the SEC? If so, how should these be treated?

No comment.

50. Do you have views on the options for the creation and enforcement of obligations and liabilities between SEC Parties (excluding the DCC) described in this chapter?

No comment.

51. In your view, do any of the potential matters between parties described in this chapter (or any other such matters that you are aware of) merit the inclusion of obligations or liabilities that are directly enforceable between parties under the SEC?

No comment.

52. Do you agree that it would generally be preferable to enforce party obligations "centrally", for example through an appropriate compliance or assurance framework under the SEC?

No comment.

53. Are there any scenarios where you believe that it would be appropriate to allow for cost recovery between parties under the SEC? If so, what form should these arrangements take?

No comment.

Chapter 18: Disputes

54. What types of dispute do you believe might arise under the SEC?

No comment.

55. Do you agree with the proposed framework for resolving various different categories of dispute, as outlined in this chapter?

No comment.

Chapter 19: Default

56. Do you have any views on the suggested framework for dealing with defaults under the SEC, including the events, consequences and procedures described? In particular, do you agree with the proposed role for the SEC Panel and have any view on what SEC rights or services it would be appropriate to suspend in the event of a default?

No comment.

Chapter 20: Ceasing to be a party to the SEC

57. Do you agree with the proposed rules and procedures governing withdrawal and expulsion from the SEC described in this chapter?

No comment.

Chapter 21: Intellectual property rights

58. In addition to the proposals above relating to the suggested intellectual property provisions to be included in the SEC, are there any other intellectual property provisions which should be considered for inclusion within the SEC?

No comment.

Chapter 22: Confidentiality

59. What information should be classified as confidential under the SEC?

No comment.

60. How should a balance be struck between transparency and data publication under the SEC, whilst maintaining confidentiality?

No comment.

Chapter 23: Unforeseen events

61. Please detail those events which you believe would warrant the force majeure provisions being exercised and indicate who should declare a force majeure event.

We propose that specific events that would warrant the force majeure provisions being exercised should include the following;

Adverse weather conditions, including strong winds. Health and safety precautions prevent riggers from climbing mast and towers to repair antenna or antenna feeder faults. The responsibility for declaring the force majeure event should reside with the DCC, via its CSP.

Inability to access unmanned sites. If as a consequence of an event, engineers cannot gain access to an unmanned site. This can occur for the events such as adverse weather, order or movement restrictions by a competent authority, strikes, riots, war, fire, or Act of God. The responsibility for declaring the force majeure event should reside with the DCC, via its CSP.

Major Power Outage. The event of a major power outage to a geographical area which is not rectified within a 2-hour period could lead to loss of connectivity across a communications network. The responsibility for declaring the force majeure event should reside with the DCC, via its CSP.

62. Please provide your thoughts on the proposal that the SEC should define a set of contingency business process arrangements and associated service levels/obligations which will apply in the event of a major service failure.

No comment.

Chapter 24: Transfer of the DCC Licence

63. Please provide your comments on the proposals outlined for the DCC transfer and whether there are any other specific provisions that you suggest need to be covered within the SEC, in addition to the proposed novation agreement for the SEC.

No comment.