

Department of Energy & Climate Change (DECC)
Smart Metering Implementation Programme

Response to DECC Consultation
on DCC Licence Conditions

1st June 2012

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Background

Introduction

Response to Consultation

Question 2: Do you agree with the proposed list of licence revocation events, in particular do you agree with the inclusion of revocation triggers linked to:

- i) A failure of the DCC to comply with an enforcement notice issued under Section 40 of the Data Protection Act;
- ii) A contravention of the licence condition or statutory requirement in a manner so serious as to make it inappropriate for the licensee to continue to hold the licence;
- iii) A contravention of the independence Condition 9; and
- iv) The licensee no longer being, or never having been, a fit and proper person to carry out the Authorised Activity?

Response:

agrees with the principle of ability to revoke the DCC licence in these conditions. However DECC needs to ensure that:

- the operation of the DCC continues during the period when a new permanent Licensee is being commissioned;
- a smooth transition of services to the new Licensee occurs;
- impacts on Service Users are minimised, even if a Fast Path process for an interim Licensee is put in place.

Question 3: Do you agree that the DCC licence should be issued for a fixed-term only?

Response:

agrees that the DCC licence should be issued for a fixed term. Further consideration to the DSP and CSP contract end-dates is required: they should not be coterminous with the DCC licensee contract end-date. A coterminous scenario could potentially cause considerable disruption of Smart Metering services and consumer experience.

Question 9: Do you have any comments on Chapter 6 of the licence conditions, in particular do you have any comments on :

- v) The scope of the SEC as set out in the SEC condition and the SEC objectives;
- vi) Whether the DCC should have a licence obligation to maintain and keep in force the SEC;
- vii) The proposal to allow the Secretary of State to block SEC modifications in the period up to 31October 2018; and
- viii) The way in which interoperability should be addressed through the SEC objectives?

Response:

- v) agrees with the scope of the SEC as set out in the SEC condition and the SEC objectives. This is in conjunction with Box 12A: The Powers and Function of the SEC Panel and Box 12B: Proposed objectives of the SEC Panel of Chapter 12 of the Smart

Energy Code Consultation Document, for its enablement. In support of this management and administration of the SEC a Governance Framework is needed.

Giving consideration to both the scope of the SEC and the enablement requirements,

does not agree with Paragraph 4.152 bullet point that objectives (a) and (b) should be merged - a) The efficient discharge by the DCC of the obligations imposed by its licence is about ensuring licence conditions are met, the focus is what needs to be done and b) the efficient, economic and coordinated provision of DCC services is the how, it is the enablement and quality requirements.

agrees that objective (c) should read "gas and/or electricity".

Objective (d) wording should refer to both the implementation of as well as the administration of the SEC. This will provide for promoting efficiency through its initial implementation, through change as well as ongoing administration.

Objective (f) should be an objective in promoting and/or facilitating competition in energy efficiency, metering services, supply of data and communication services to the DCC and other energy related services.

It is noted that objective (g) may duplicate provisions of the Data Protection Act. considers objective (g) to be essential both from a security and data protection perspective in ensuring ongoing consumer confidence.

Paragraph 4.153 first bullet point states "that all parties should facilitate overall integration of the system". position regarding integration of the system has two components:

- All parties have a responsibility for the overall integration of the system
- A single party should have the overall accountability to facilitate and govern the integration of the system

vi) agrees that the DCC should have a licence obligation to maintain and keep in force the SEC

vii) has considered the importance of SEC modifications which may be inconsistent with the wider implementation of the smart metering programme and agrees with the proposal to allow the Secretary of State to block SEC modifications in the period up to 31st October 2018. However, it is important that such actions are supported by appropriate consultations.

viii) Interoperability has a number of facets to it at both the technical and operational levels. This incorporates:

- Alignment to SMETS Compliance
- having the appropriate licence conditions in place
- operational enablement including process and data

Objective (c) promoting effective competition in the supply of gas and/or electricity could be extended to "promoting effective competition in the supply of gas and/or electricity and proactively support interoperability requirements".

In opinion interoperability should be addressed through the SEC objectives. It is clear that the success of interoperability across all elements is dependent on all stakeholders that enable the SEC.

Question 10: Do you have particular comments on how best to ensure the consumer interest is met in the SEC Objectives, in particular:

iii) Can you identify any potential scenarios where a modification might be proposed which would be in the interests of consumers but which would not be supported by the objectives set out for the code; and

iv) If you think the objectives could be set out to better capture the interests of consumers, as opposed to the proposed approach for SEC objectives to be balanced in the round with due regard for energy consumers' interests, how do you think this could be done?

Response:

(iv) – Consumer Interests.

The proposed SEC objectives cover a wide range of matters that are of relevance to consumers, including security, privacy, competition, provision, installation and maintenance of smart metering equipment, and innovation – however they do not explicitly capture the consumer interest concern. Key to this are considerations both of choice (of suppliers and tariffs), and also fairness in the provisioning of “Smart services” to the consumer.

suggests that the following SEC objectives could be added:

- To ensure that timely, accurate and relevant energy consumption information is provided to consumers (this is in line with the consumer's right to opt in or opt out of meter reading at various frequencies);
- A wider objective to ensure that consumers are provided with information on all matters related to smart energy that are of consumer interest - including security; privacy; competition; provision, installation and maintenance of smart metering equipment; and innovation;
- A more general objective to ensure that consumer interests are protected (this could capture any unforeseen conflicts with consumer interests not already addressed by the other objectives).

As noted in response to Question 9 v) above objective (g) is essential both from a security and data protection perspective in ensuring ongoing consumer confidence

We note that the SEC is one of several levers to ensure that consumers' interests are protected – notably, Ofgem, under the governance of GEMA, has that as its role. What is important is that the interests of consumers are consistently set out in the SEC and in Ofgem's own charter to consumers. Ofgem's Consumer First Panel could play a key role in ensuring this.

Question 12: Do you have any comments on Chapter 7 of the licence conditions, in particular do you have any comments on:

i) The proposals in relation to financial security, in particular the requirement to provide a performance bond in addition to financial security?

Response:

We agree with these proposals in relation to financial security and to the "performance bond" consideration. The requirement to provide a performance bond is an appropriate mechanism to ensuring the effective operation of the services provided under the licence. Having financial security alone is little recompense if the licence conditions are not being met. Meeting licence conditions and achievement of service quality under those licence conditions are as important as financial security. For example, the DCC has to have the ability to substitute a failing service provider such as a CSP or the DSP.