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Smart Metering Implementation Programme  
DCC Licensing Team  
Department of Energy and Climate Change  
3 Whitehall Place  
London  
SW1A 2AW

*Our ref*

*Your ref*

*Date*

24 November 2011

Dear Sirs

**Smart Metering Implementation Programme: a consultation on the detailed policy design of the regulatory and commercial framework for DCC (September 2011)**

I am writing on behalf of Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc, Western Power Distribution (East Midlands) plc and Western Power Distribution (West Midlands) plc in response to your letter of 27th October asking for our plans to improve the service and information that DG customers receive.

We welcome the opportunity to provide comments on the above consultation.

Please find enclosed our completed questionnaire together with an excel spreadsheet named ENA DCC Response to Tables 6 2 and 6 3 which is referenced in our response to questions 80 and 82.

We were also asked to comment on certain questions raised in the DECC presentation accompanying the issue of this consultation. Where we have been able to do so, these comments have been incorporated in to our responses to questions in the main questionnaire.

Smart metering data has the potential to enhance the way that electricity networks are planned and managed today, while creating a data infrastructure to support future operations. While all the benefits may not be immediately delivered, we believe the DCC should be created in a flexible manner that allows for the development of a smarter network as the need emerges. The use of this additional data can broadly be split into two main categories;

- Enhancement of existing day to day network operations
- Facilitation of new network operating methods and services

Our core business activities focus on maintaining and building a safe and reliable electricity network, and smart metering data has the potential to impact these activities as soon as dense deployments of smart meters emerge. For example last gasp messaging and the ability to remote check the status of supplies could provide a valuable tool in restoring electricity following unplanned power cuts. More informed decisions can be made in planning the low voltage network with accurate and detailed consumption data. In addition smart metering has the potential to replace the existing radio teleswitch service currently provided by the BBC and soon to be decommissioned.

Due to the nature of these activities, it is unlikely that they will drive major cost savings within the business; especially as additional IT services will be required to facilitate data collection and processing. However these initial changes will ultimately form the back bone of future network developments.

Looking further ahead, smart metering data will play a vital role in understanding and managing future networks, particularly as new challenges arise on low voltage (LV) networks. While it is recognised that the introduction of low carbon technologies such as solar panels, electric heating and transportation will have a direct and potentially significant impact on the LV network, the timeline associated with mass deployment is uncertain. As is currently true, pockets of network constraints will appear and will need managing accordingly.

Smart metering data then has the potential to both inform and support new network operations. Monitoring will aid the identification of network problems and provide solutions through new services such as Demand Side Management. It is in this area that potential savings can be made, as alternative smart grid solutions are developed and network reinforcement potentially offset.

At Western Power Distribution we have continued to input into the work undertaken by the ENA including cost benefit analysis with Imperial College, the development of a suite of smart metering use case and data traffic analysis. We have therefore concluded that the DCC forms part of a vital tool for DNOs both with immediate network operations and future developments. It is therefore important that the DCC provides a suitable and flexible service that meets the evolving needs of the UK's electricity networks.

Consultation 2883 - Smart Metering Implementation Programme: a consultation on the detailed policy design of the regulatory and commercial framework for DCC

No.	Question	Response
Chapter 2 Proposed Regulatory Approach to DCC		
1	<b>Please provide views on the approach to basing the prohibition upon contracting with all licensed suppliers in respect of all domestic smart meters, and on the way in which the specific wording of the prohibition should be developed</b>	It is understood that DCC will not communicate with domestic generation metering at DCC go-live. As some of these meters are likely to meet the smart specification, this will arguably prevent licensed suppliers communicating with generation metering via other means, should they wish to do so. It would therefore be preferable to limit the prohibition to "all domestic smart meters installed at network boundary points"
2	<b>Do you think there will be any persons other than DCC who might inadvertently be captured by a definition structured in this way?</b>	The wording that gives universal cover "all" and "every" should avoid this.
3	Do you have any other comments on the form of the licensable activity?	No
4	<b>Please provide comments on the proposed changes to legislation identified in Table 2.1 and Table 2.2 and any other possible changes that you consider might be appropriate.</b>	
5	<b>Do you agree with the proposal to have a single document with a single set of licence conditions that apply to both licences?</b>	We agree with this approach.
6	<b>Do you agree with, and have any comments on, the proposed approach to establish all of the DCC licence conditions as "special" conditions?</b>	
7	<b>Do you have any comments on the scope and nature of the consequential licence changes that we propose to make?</b>	
8	<b>Are there any other consequential licence changes that you consider might be necessary as a result of the creation of the new licensable activity?</b>	
9	<b>Please provide any comments on</b>	

	<b>the proposed approach in relation to geographic scope of the DCC licence and provisions relating to its duration.</b>	
Chapter 3 DCC License Conditions		
10	<b>Do you agree with the proposed general objectives of DCC set out above?</b>	We agree with the proposed general objectives.
11	<b>Do you think it is necessary to include any statutory duties on DCC in the Gas and Electricity Acts or is it appropriate address these issues in the DCC licence alone? Please provide the rational for your views.</b>	We see no need to include any statutory duties on DCC in the Gas and Electricity Acts provided those duties are specified correctly in the DCC license. We see no benefit in placing legislation in multiple places.
12	<b>Do you agree that any obligation to facilitate competition in the area of distribution should be considered as part of the implementation of any future smart grids related arrangements?</b>	At this point it is unclear how DCC could facilitate competition in the implementation of smart grids so we agree this should be considered as part of any future smart grid arrangements. However it would be helpful to include a duty to facilitate the development or implementation of smart grids.
13	<b>Do you agree with the approach proposed in relation to the protection of consumers interests?</b>	We agree with the proposed approach.
14	<b>Do you think DCC should have a separate objective to promote (or facilitate) energy efficiency?</b>	No. DCC should focus on its main business which is to provide efficient communications to and from smart meters. Promotion of energy efficiency should be a matter for the SEC.
15	<b>Do you agree that SEC licence condition should be drafted so as to provide flexibility over the future scope of the SEC, i.e. that the scope of the SEC in the DCC licence condition should be drafted in a permissive manner?</b>	We agree with this approach. It is likely that the scope of the SEC will need to change to meet what are currently unforeseen requirements and it will be important to provide such flexibility.
16	<b>What are your views on the SEC Applicable Objectives set out above?</b>	We generally agree with these applicable objectives although the inclusion of an obligation on data privacy in objective(g) repeats existing Data Protection Act requirements and may not be necessary.
17	<b>Do you agree that the SEC should be designed to take into account consumers" interests by meeting its applicable objectives, rather than having a explicit objective related to</b>	We agree with the proposed approach.

	<b>the protection of the interests of consumers?</b>	
18	<b>Should there be a SEC objective related to promoting (or facilitating) efficiency of energy networks?</b>	Yes. The SEC should include objectives relating to energy network efficiency. This would ensure that network efficiency could be considered when any changes to the SEC are proposed
19	<b>Do you think the SEC should have a separate objective of promoting (or facilitating) energy efficiency?</b>	Yes. It is anticipated that smart meter rollout will deliver improvements in energy efficiency so this should be a specific objective of the SEC.
20	<b>Do you agree with the definitions of the services that DCC should be required or permitted to provide?</b>	We agree this is a suitable starting point whilst recognising that services currently viewed as elective may become core as the industry evolves to take full advantage of the capabilities of smart metering systems.
21	<b>In relation to which non-compliant metering systems should DCC be required to offer services?</b>	
22	<b>In relation to which non-compliant metering systems associated with energy supply at consumer premises should DCC be permitted to offer services?</b>	
23	<b>What information should be made available to all users about:</b> <ul style="list-style-type: none"> <li>• elective services;</li> <li>• value-added services?</li> </ul> <b>Should information be restricted to that required to assess the impact on other users of DCC services or should there be full transparency? Should DCC be required to make available the detailed commercial terms and conditions of such services?</b>	
24	<b>Do you think the detailed terms and conditions for elective and value-added services should be set out in the SEC or included in bilateral agreements between DCC and persons to whom it is providing services?</b>	

25	<b>Are there any other matters that we have not addressed related to the nature of services provided by DCC? (Note that provisions addressing independence and non-discrimination in the provision of DCC services are covered in paragraphs 3.119 to 3.120).</b>	
26	<b>Do you agree that DCC should be required to externally procure specific services and have principles that determine what other services it should externally procure?</b>	
27	<b>Do you agree with the procurement objectives for DCC identified above?</b>	
28	<b>Do you agree that DCC should be required to produce a procurement and contract management approach document?</b>	
29	<b>We seek your views as to whether the procurement and contract management approach document should be required to be submitted for approval by the Authority and/or the Secretary of State.</b>	
30	<b>Is the scope of the proposed prohibition on discrimination, which is limited to undue discrimination between uses or classes of users, adequate?</b>	
31	<b>Are any specific provisions needed which require DCC not to discriminate between service providers? Or is it sufficient to rely on obligations on DCC to maintain and develop an economic system and, in the procurement of DCC services, to promote competition in the provision of such services?</b>	
32	<b>Do you agree that DCC should be independent of service providers? Do you agree that a de minimis level</b>	

	<b>of affiliation between DCC and service providers should be permissible?</b>	
33	<b>What level of affiliation do you consider should be set for the maximum level of shareholding or control of any individual service provider may have in DCC?</b>	
34	<b>Do you agree with the business separation between DCC and users that is proposed? More specifically, do you agree that no DCC user that operates in a competitive environment should be permitted to have more than a 20% shareholding or control in DCC, and that DCC and its subsidiaries should not be permitted to have any shareholdings in users or service providers?</b>	
35	<b>Do you agree that it is not necessary to explicitly require business separation between DCC users and DCC service providers?</b>	
36	<b>Should DCC be prohibited from using confidential information for any purpose other than the licensed DCC activity? Should DCC be obliged to impose this restriction on service providers contractually?</b>	The issue of data privacy should be considered.
37	<b>To what extent do you believe that the existing financial ring fencing provisions (and those proposed by Ofgem in its recent consultation on this issue) should be included in DCC's licence?</b>	There would be merit in considering this level of protection.
38	<b>Do you agree that a flexible approach to financial security should be adopted and, if a financial security is required, what level of financial security should be provided?</b>	
39	<b>What are your views on whether it would be appropriate to require DCC to pay for a proportion of the</b>	

	<b>costs of appointing a new DCC in the event of an early licence revocation? Do you think that this potential liability should be reflected in the level of financial security required from DCC?</b>	
40	<b>Are there any other conditions that you consider should be imposed in DCC's licence to ensure its continued financial viability?</b>	
41	<b>Would it be appropriate for a special administration scheme to apply to DCC?</b>	Yes.
42	<b>Do you agree with that DCC should be required to ensure business continuity of service providers and should monitor the provisions that they have in place to deliver business continuity?</b>	Yes
43	<b>Do you believe that DCC needs to include in its service provider contracts any further protections which help to secure against, or mitigate the consequences of, a financial failure of a major service provider? Please provide examples of any additional protections you consider suitable.</b>	
44	<b>Do you agree that it is appropriate to grant the initial DCC licence for a ten year period?</b>	
45	<b>Do you agree that flexibility for the Authority to decide to extend the initial DCC's licence by up to 5 years would be desirable?</b>	
46	<b>Do you agree with the approach described for the treatment of DCC internal costs for any extension period?</b>	
47	<b>Do you agree that DCC should be required to ensure that any critical services can be transferred to a successor?</b>	



48	<b>What scope of matters governing the handover to a successor do you think need to be included in DCC's licence?</b>	
49	<b>Do you agree that DCC's licence should be capable of being revoked in the event of a repeated or material failure to meet service levels?</b>	We would expect the licence revocation conditions to be similar to other licences including failure to remedy an enforced breach.
50	<b>Do you agree that the DCC licence should contain a condition which gives it a high-level obligation in relation to foundation and subsequent rollout, activities and that the detailed obligations can be dealt with as part of the development of the SEC?</b>	Yes. Licenses should contain high level obligations only. Detailed obligations should be specified in the SEC.
51	<b>Do you agree that DCC should have a high-level obligation, albeit initially "switched off", relating to the provision of meter point/supplier registration services?</b>	It is currently intended that registration services will transfer to DCC so we agree that provision should be made for this. However, any obligation should be specific as to what elements of the current registration activities (data processing, supplier help desk, customer help desk, data transfer, provision of internet enquiry service etc) the DCC needs to provide.
52	<b>Do you agree that conditions should be introduced in other licences providing the ability to release other licensees from the requirement to provide meter point/supplier registration services at some point in the future?</b>	It is currently intended that registration services will transfer to DCC so we agree that provision should be made for this. However, any obligation should be specific as to what elements of the current registration activities (data processing, supplier help desk, customer help desk, data transfer, provision of internet enquiry service etc) the DCC needs to provide.
53	<b>Do you agree that DCC and other relevant licensees should be subject to an obligation requiring the licensee to take steps to facilitate the transfer of meter point/supplier registration activities to DCC?</b>	No, we do not believe this is required. We believe industry is committed to making these changes and we would expect changes to SEC and other codes to facilitate the changes, rather than a license obligation.
54	<b>What dispute mechanism would be appropriate to apply to disputes involving DCC and who should be</b>	

	<b>enabled to determine such disputes ?</b>	
55	<b>Do you believe that DCC should be required to operate its business in a way that ensures it does not restrict, prevent or distort competition in gas shipping, the generation of electricity and participation in the operation of an interconnector?</b>	Not sure why this is relevant.
56	<b>Do you have views on the additional conditions discussed above?</b>	
57	<b>Are there any additional conditions that you would wish to see included?</b>	
Chapter 4 Revenue requirements		
58	<b>Is it appropriate to consider extending the Secretary of State's powers to provide equivalent powers to modify DCC's licence conditions as it does for other energy licences for the purposes of implementing smart metering?</b>	Yes, it would be appropriate to align the Secretary of State's powers so that conditions in all appropriate license can be modified in the same manner.
59	<b>Do you consider that it is practicable for DCC licence applicants to provide costs for undertaking meter point/supplier registration? Or is it more appropriate to include a specific reopener for DCC's costs of undertaking meter point/supplier registration?</b>	It should be included as a reopener. The scope and cost of DCC registration services are unknown at this stage and there is a risk that DCC license applicants will overstate their costs if required to provide them before the full requirements are known.
60	<b>Do you have views on the relative benefits of the two options (cost pass through and volume drivers) for recovery of DCC internal costs associated with SEC modifications?</b>	
61	<b>Do you have a view on the appropriate materiality threshold (trigger) for the revenue reopener?</b>	
62	<b>Do you consider that any other cost areas may require mechanisms to deal with uncertainty?</b>	

63	<b>Do you agree that market share should be based on MPANs and MPRNs that are mandated to receive smart metering systems, rather than all MPANs and MPRNs?</b>	Yes. Costs should be allocated based on the use of DCC services and metering points that are not mandated to use them should be excluded from market share.
64	<b>Do you have a view on whether suppliers of only larger non-domestic customers should be charged a proportion of DCC internal costs?</b>	They should not be charged. This would add costs to large non domestic customers for services they would not receive.
65	<b>We welcome views from stakeholders in regards to charges on network operators for DCC internal costs pre-“go-live” and whether they should charge DCC for services provided to DCC.</b>	<p>Network operators should not be charged for DCC internal costs pre-“go-live” unless they can recover those charges.</p> <p>Network operators will incur costs making changes to legacy systems to support smart meter operations. Costs will also be incurred sending registration data to DCC following DCC go-live. No allowance for these costs was made in the current price control period. All such costs should be recharged to the DCC unless they can be carried forward to the next price review.</p>
66	<b>Do you agree that DCC should only begin to charge users for communication service providers” costs from “go-live”? Please provide reasons as to why this is or is not appropriate.</b>	Yes we agree charges should only apply from go-live. This will incentivise the communication service providers to start providing services on time and to match their service provision to the expected data volumes.
67	<b>Do you have a view on whether the data service provider(s) should be treated differently from communication service providers and be allowed to recover its fixed costs evenly over the length of its contract from “go-live”? Please provide reasons why this is or is not appropriate.</b>	They should be treated differently and be able to recover their fixed costs evenly for the reasons stated in the consultation document. Volumes will not be as significant a factor for a data services provider and the full “go live” system requirements will need to be delivered from day one.
68	<b>Is it appropriate that the allocation of costs on suppliers during rollout be based on the suppliers” rollout plan for the year plus actual smart meters installed in preceding years? If so, how can this option for</b>	

	<b>allocating costs during rollout be improved? If not, what is your preferred option and why?</b>	
69	<b>Do you have a view on how any additional costs resulting from suppliers exceeding their rollout plans should be allocated? Should DCC be able to pass through to the relevant supplier any higher costs resulting from this (or should such costs be averaged across all users)?</b>	
70	<b>Do you agree that network operators should be charged in line with their market share?</b>	This seems the most straightforward approach.
<b>Chapter 5 Charging Methodology</b>		
71	<b>Do you agree that a standing charge should cover the service providers' fixed costs for providing core services, DCC's internal costs and the SEC management funding requirements?</b>	Yes. This is a common charging methodology for the type of service the DCC will be providing.
72	<b>Do you agree that a proportion of service providers' fixed operating expenditure should be converted to volumetric charges?</b>	We believe there is a benefit in basing some charges on volumes. This should be limited to areas where the volume acts a cost driver to the DCC.
73	<b>Do you agree that the proposal for postage stamp charging is consistent with the objectives of the smart metering programme?</b>	Yes, this will have the fairest impact on the end customer.
74	<b>Should postage stamp charging apply to all users including network operators?</b>	Without indicative costs it is difficult to answer this question but, in principle, we see no reason to apply postage stamp charges to one class of user and not others.  To charge network operators on a different, volumetric basis would arguably place DCC in breach of its proposed obligation not to discriminate between classes of users.
75	<b>Do you agree with the proposed charging principles?</b>	Yes we agree with the proposed principles.
76	<b>Do you consider that an objective</b>	No. Businesses will innovate to reduce

	<b>for the charging methodology should be to promote innovation in the supply of energy, provision of energy related services and energy distribution?</b>	its charges where possible irrespective of whether there is such an obligation or not.
77	<b>Do stakeholders have views on whether DCC's internal costs should be allocated across the different types to users on the same basis as service provider fixed costs?</b>	We see no reason to adopt a different approach to DCC internal costs.
78	<b>Do you agree with the proposals to charge users for extensive assessment and design work in relation to AMRs? Should a similar approach be adopted for other elective services offered by DCC, regardless of the user accepting the service?</b>	
79	<b>Do you agree that "a second comer principle" can be applied?</b>	
Chapter 6 Core services WAN requirements		
80	<b>Please indicate whether the Minimum Core Service Requirements (i.e. message size, frequency, response time and coverage) for each of the message flows in the above tables can be modified to reduce the potential impact on the WAN cost without compromising the corresponding benefits. Please quantify the additional Programme benefit that could be realised by including each of this message flows in the aggregate Minimum Core Service Requirements.</b>	<p>Table 6.2 Smart Grid Message Flows To ensure potential DCC service providers correctly dimension their WAN systems some clarity needs to be made around the Coverage (% meters) term. While 100% of meters should have the capability of providing all message types, it is likely that, in a the majority of examples, only a relatively small subset will be carry out that functionality.</p> <p>Enclosed is an amended version of table 6.2 that has been developed in consultation with other DNOs and represents a revised view of our data requirements.</p> <p>In terms of uptake of core services, there are a number of items identified as day 1 (2014). While we will want these services available, their usefulness in many circumstances will be directly proportional to the density of smart meters in one area. For example electricity quality reads could be used to support planning activity once a</p>

		<p>statistically representative sample of properties can be made on a substation.</p> <p>Some message types will be required later on in the rollout as new network constraints become apparent. This will be primarily driven through the emergence of widespread deployments of low carbon technologies, also leading to increased frequencies of other message types.</p>
81	<p><b>Please quantify the additional benefit, if any, that could be realised by using the „User Target“ rather than the „Minimum Core Service Requirement“ in table 6.1. as basis for the procurement of DCC communication services.</b></p>	
82	<p><b>Please provide views on whether the Service Requirements described in the above table represent the Minimum Core Service Requirements. Please also indicate whether in your view there are any additional Minimum Core Service Requirements not identified in the above table, and for any such requirement please quantify the additional benefits, if any, that could be realised.</b></p>	<p>Please see the amended table 6.3 developed in conjunction with other ENA members.</p>
Chapter 7 Performance Incentives - we have no comments on this section.		
Chapter 8 Adoption of Foundation Stage communication contracts – we have no comments on this section.		
Competitive license application process – we have no comments on this section.		