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Smart Meter Implementation Team – Regulation Team
Department of Energy and Climate Change
3 Whitehall Place
London
SW1A 2AW

01 June 2012

Dear Sirs,

Re. Smart Metering Implementation Programme: Consultation on the Smart Energy Code (05 April 2012). Reference: URN: 12D/034.

ElectraLink welcomes the opportunity to respond to DECC's consultation on the Smart Energy Code. As the central provider of regulated data transfer services to the retail electricity market and a provider of code administration services to both the gas and electricity industries, ElectraLink has focussed its response on those areas we believe will be most important to DECC in determining the optimal structure and content of the SEC and the options for the DCC Gateway.

DCC User Gateway

ElectraLink supports the approach in the SEC Consultation for the procurement of the DCC User Gateway considering it consistent with the overall procurement strategy for the DCC. ElectraLink has previously communicated to DECC the cost, security and risk benefits of using the Data Transfer Network (DTN) to deliver DCC User Gateway services. These benefits have been supported by a report produced by independent consultants analysing the enduring role of the DTN past DCC 'go live'. Our response below outlines a DSP engagement and contract model for DCC User Gateway services which will deliver Option 2 as set out in the consultation.

Our proposed regulated delivery model for the DTN to support DCC Gateway services is for ElectraLink to operate the existing Data Transfer Service ('DTS') and DCC User Gateway services (contracted with the DSP) over a common infrastructure. This approach, supported by the DTS User Group, would realise significant cost savings with clear cost allocation between DTS and DCC users, unambiguous governance and the facilitation of innovation by the DSP. The proposed model has been shared with both Ofgem and DECC.

The delivery of DCC User Gateway services over an existing infrastructure, already funded by industry, and which is required in any event to support the DTS beyond 2014, would deliver to the DCC the most cost effective and secure solution for the DCC User Gateway solution whilst

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reducing implementation and operational risk. ElectraLink would recover directly from the DSP the incremental costs of providing DCC User Gateway services on the common DTN infrastructure. The proposed governance structure would ensure that the DCC User Gateway is governed through the SEC with automatic flow down of change requirements. The mirroring of Core and Elective service options would ensure innovation could be driven and delivered via the DCC User Gateway both from the top down (SEC) and the bottom up (DSP).

In light of this proposed regulated delivery model, ElectraLink's engagement with the DSP bidders will be undertaken on the same regulated basis as the DTS i.e. cost recovery. The DTS User Group has agreed to support ElectraLink's engagement with the DSP bidders during the Invitation to Submit a Detailed Solution (ISDS) phase of the DSP procurement. During ISDS ElectraLink will engage with all DSP bidders on a bilateral basis to outline the capabilities of the DTN, facilitate innovation and provide indicative costs for DCC User Gateway services for inclusion into their bids to DECC.

Should DTN based services be taken forward into the Invitation to Submit Final Tenders (ITSFT) phase of the DSP procurement as part of the DCC User Gateway design, ElectraLink would need to commence a formal procurement process in order to provide the best possible pricing for inclusion into the final DSP bids. The DTS User Group is of the view that any costs incurred by ElectraLink to undertake this formal procurement process in support of ITSFT should not be recovered from current DTS Users, rather they should be recovered from the future users of the DCC. ElectraLink will engage with DECC at the start of ITSFT to consider how ElectraLink's incremental costs for supporting this phase of DSP procurement, should this support be required, are to be dealt with.

SEC Code Administration and Assurance

ElectraLink considers that the role of SEC Code Administrator should encompass three main areas:

- Secretariat support;
- Code administration; and
- Delivery of the assurance framework.

In each instance these should be commensurate with the requirements of the Code Administration Code of Practice.

ElectraLink's Governance Services team already delivers these key components across a broad spectrum of gas and electricity market codes through a number of arms length contracts which are KPI and incentive remunerated.

DCUSA is the newest of the industry codes and reflects best practice in governance including self governance and light touch regulation. SPAA, being a registration code, contains a number of

assurance, compliance and reporting requirements and the introduction of MAMCoP, governing best practice in metering, will further extend the assurance component of that code. The DTSA (the agreement that governs the delivery of ElectraLink's regulated service) reflects the operational and systems requirements for delivery of the DTS in support of competitive electricity supply market.

ElectraLink would envisage for SEC a standard risk management approach to the assurance framework, which would evolve during the phases up to and after rollout completion. This approach would be transparent and logical, and accessible to all parties. There are still a number of delivery options that should be considered, and challenges to address e.g. the availability of information on risk probability and impact (especially before the processes have been performed in a live environment), judging risk appetite of parties and what level of sanction the assurance regime should carry.

It would be prudent for validation and monitoring to be included in system design and automated from the outset as far as possible to avoid ad hoc enhancements having to be developed that may not be consistent with the overall assurance system.

ElectraLink would suggest the Code Administrator should be expert in the SEC and DCC processes to enable the appropriate level of support to be provided to the Panel and parties in analysing the data and identifying trends and the materiality of errors. Additionally this expertise can be utilised to flag where the obligations should be changed to reduce complexity or eliminate error. Our experience has shown that technology can be usefully employed to support an assurance framework and reduce costs as well as mitigating against human error, for example SPAA use online web based tools for compliance reporting.

Education and support (best provided by the code administrator) can be key to mitigating parties' lack of awareness and resources, system constraints and human error. Engagement with parties can also facilitate their input into defining the risks and applying realistic probability/impact scores.

ElectraLink sees advantages in outsourcing delivery of assurance techniques to experts, for example security, but overall responsibility for delivery of the assurance framework should remain with the Code Administrator. It is critical that enough knowledge should be retained "in house" to provide a centre of excellence within industry, and ensure continuity in delivery of the assurance framework as it evolves.

Independence and Conflict

Decision making powers will sit with the Panel and the Authority, with the SEC processes being open and transparent. This openness and oversight, coupled with a clear service delivery role, will ensure that the Code Administrator delivers a service which is independent, subject to continued industry scrutiny through qualitative and quantitative performance reporting and does

not contain the ability to influence the outcome of change. The Code Administrator will provide expert advice on the application of the SEC processes but will neither be able to raise a modification or vote on a modification.

It is right and proper that the Code Administrator should be wholly independent of the DCC Licencee given DCC's reporting obligations to SEC and the SEC assurance framework obligations on the DCC. Equally it could be argued that this independence regime should apply to the DSP and CSP main contractors, although it must be recognised that the DSP and CSP organisations will not be SEC Parties and as such they will have no direct participation in the modification process.

ElectraLink would question what risks, real or perceived, exist which would require the extension of the independence regime to sub contractors of either the DSP or CSP. WE believe that those risks to independence can be wholly mitigated through the processes and structure of the SEC and the service definitions within the Code Administrator's contract. Such an extension of the independence regime would seem unnecessarily restrictive and likely to limit competition. For the same reasons it is ElectraLink's view that there would be no conflict between delivery of the Code Administrator role and delivery of energy support services e.g. data aggregation, to a subset of DCC Users

Panel and Change Process

ElectraLink has provided comment on two key areas with the code: constitution and independence of the Panel and the proposed change process.

ElectraLink considers that there are a number of challenges associated with constituting a truly independent panel and would recommend that further consideration is given to the creation of a "representative" panel. This will ensure that Panel voting is fully open and transparent and that the views of those impacted by the change have a voice and influence in determining whether a modification should progress or not. The representative nature of the DTS User Group has worked efficiently for the last 14 years as has the DCUSA Panel construct since its inception in 2006. Our thoughts on this are set out in our response to question 28.

With regard to the change process, given the specialist and technical nature of much of the SEC, ElectraLink does not believe that the standard modification process as set out in the consultation document is appropriate across all elements of the code. Further consideration needs to be given to options for a separate change/modification process for technical and procedural elements of the SEC that allows the flexibility for proposed amendments to be enhanced, rather than alternatives proposed, as they progress through the change process.



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Equally, the ability for industry to vote on changes, subject to the inclusion of a number of safeguards and controls to ensure there is no dominance by one or a group of parties as well as protection of smaller parties, warrants further exploration. Both SPAA and DCUSA allow for industry voting and include a suite of necessary safeguards including Authority determination. This is supplemented by a willingness in the Authority to exercise its powers to reverse change proposal outcomes where it considers that the outcome does not deliver the objectives of the code.

ElectraLink remains committed to supporting the SMIP and would be happy to discuss any element of this response in more detail with DECC as required.

Yours sincerely

Chief Executive Officer

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Questions and Responses

Questions and Responses

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

The categories of parties identified at the outset seem appropriate. As highlighted, these party categories may need to expand in the future to reflect changes in the scope of SEC e.g. migration of energy registration services, involvement of metering organisations.

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.*

ElectraLink considers that metering organisations are best placed to answer this question.

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?*

ElectraLink considers that metering organisations are best placed to answer this question. However, ElectraLink would highlight that if it is considered that Options B & C deliver the necessary benefits and solutions to the issues identified then commercial arrangements outside of the SEC should not allow for impediment or dilution of such access.

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?*

ElectraLink considers that metering organisations are best placed to answer this question.

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?*

Yes, as highlighted in the consultation this is an existing issue within the market place, more so in the gas market than the electricity market. The increased value of smart assets will only heighten the commercial risks associated with non-trackable assets. Work is under way in the market to seek to address the current deficiencies through changes to legacy arrangements. The centralisation of registration would provide an ideal opportunity for this issue to be resolved through the recognition of the MAP ID within registration systems and the necessary access of MAPs to such registration data. The associated SEC governance regime will need to ensure that the access to the data is not impeded. Equally any governance arrangements will need to ensure it does not inadvertently create conflict in commercial arrangements between metering agents and suppliers nor duplicate responsibilities and liabilities in such arrangements.

If suppliers were to be responsible for communication hubs, including their ownership, then a similar issue of asset tracking will apply for such assets. Suppliers, and their agents, will need to track any movements in such assets and/or retirement of assets. This scenario would not apply where CSP's were made responsible given their regional monopoly status.

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

The proposal is consistent with that adopted by other codes and does not seem overly onerous. Information captured at this stage should be kept to a minimum. Any additional financial information could be captured as part of DCC service entry processes as it at that point financial and service commitments will be entered into.

ElectraLink agrees with the principle of an accession time limit, but when determining an appropriate limit, consideration should be given to the expected time for completion of entry processes both for SEC and other codes that a new licensee would be obliged to complete before gaining customers. Is 6 months long enough to complete entry assessment and begin trading?

As a technique within the assurance framework, entry processes could be treated holistically, with any risks followed through with the new party into ongoing compliance monitoring.

There is precedent in other areas of the industry for related entry processes (e.g. BSC & MRA), but these could be even better co-ordinated between DCC and SEC.

One issue currently experienced in industry, and which might become more prevalent, is consultancies and agencies starting up skeleton companies and taking them through industry qualification processes, then selling them on to new owners who had very little experience of the processes and are therefore vulnerable to failing to be compliant.

The scope of the DCC's and SEC Code Administrator's involvement and obligations to support the "entry processes" will need to be clearly defined. SEC should be responsible for the SEC accession process with DCC responsible for the technical assurance processes to allow take on of DCC services. SEC entry processes should confirm that an entrant has the ability to comply with the regulatory regime while the DCC entry processes should seek to demonstrate the technical and system capability to support market operation and are fit for purpose.

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?

Yes, once acceded, parties will take on the liabilities and obligations within the Code and as such should be able to participate in governance arrangements subject to the following:

- All acceded parties should have the ability to raise modifications but consideration should be given to what happens if, following accession, a party does not become an active participant and is expelled. Should any modifications raised be withdrawn, or the option for another party to take ownership, be provided?
- Further consideration is required on whether it is appropriate for non-active SEC Parties to nominate, vote or hold SEC panel seats or act as alternates. ElectraLink would not consider it appropriate for non active parties to participate in the SEC Panel.

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

Information captured during the accession process should be kept to a minimum with only essential information being captured. ElectraLink, in its role as Code Administrator for DCUSA is required to capture and process the following information during accession:

- Business legal name and contact details e.g. contract manager details;
- Company registration information – company number and registered office address;
- Class of party;
- Market domain ID; and
- Date licence applied for / granted.

The above information would be sufficient for SEC. Any additional financial information, e.g. VAT registration number, billing details, can form part of the formal DCC service entry processes. Information about planned business operations can be useful in identifying any risk a party poses once live and how it might be treated in the assurance framework. As part of the entry process, information regarding a party's reliance on external support to achieve accreditation should be assessed. Equally a party's plan for transitioning this external expertise to in-house expertise should be considered.

There should be no obligation of the acceding party to provide any form of security or deposit when acceding to the SEC. This may however be different with regard to DCC and the receipt of 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)?*

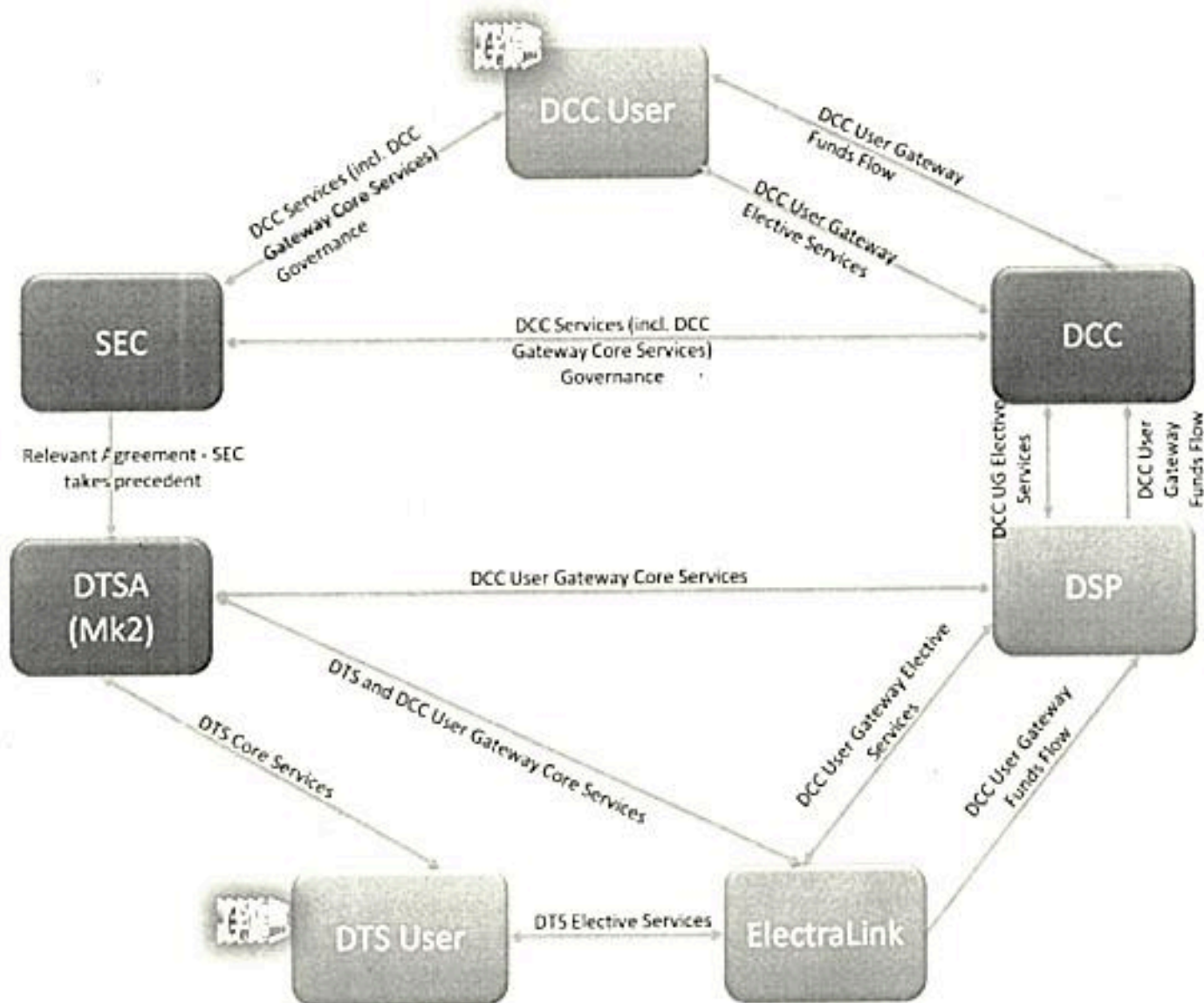
ElectraLink supports the approach in the SEC Consultation for DCC User Gateway considering it consistent with the overall procurement strategy for DCC. We are confident that elements of the DSP's DCC User Gateway requirements can be provided on the same data transfer network (DTN) infrastructure that currently supports the Data Transfer Service (DTS), a service which has been delivering successfully secure and low cost data transfer to the UK electricity industry for the last 14 years. If the DCC User Gateway was to share the DTN with the DTS it would be both cost effective for industry and, by utilising existing interfaces and connection processes, would reduce the overall risk of the SMIP. A report produced by independent external consultants in 2011¹ detailed the rationale for this infrastructure sharing approach for the DCC User Gateway and provides some initial estimates of the incremental costs to industry of ElectraLink enhancing the DTN to provide such services.

ElectraLink has been proactive with the DTS Users (i.e. the funders of the DTN) to assess their appetite for offering this infrastructure to the DSPs for use as the DCC Gateway. In contractual terms we propose a regulated approach which would involve the DSP becoming a party to the

¹ <http://www.electralink.co.uk/upload/News%20Articles/ELNK00075%20-%20Future%20requirements%20of%20the%20DTS%20-%20Final%20Report%20v3.pdf>

Data Transfer Service Agreement (DTSA). This would allow ElectroLink to offer two services over a single infrastructure whilst minimising the risk of cross subsidisation between DTS and DCC users. Furthermore such an approach would allow ElectroLink to recover only its costs. This regulated approach (as the basis for ElectroLink to offer DCC User Gateway services to the DSP bidders) was agreed formally by the DTS User Group, 15th May 2012 and has been shared with both Ofgem and DECC.

Proposed DCC User Gateway contracting, governance and funds flow model



The proposed structure detailed above will deliver the requirements of Option 2 as outlined in the consultation, namely responsibility for DCC User Gateway sitting with the DCC and delivered through the DSP procurement, with governance sitting in SEC and costs flowing via the DSP.

ElectraLink intends to propose to the DSPs bidders that they contract for DCC User Gateway services with an extended Data Transfer Service Agreement ("DTSA Mk2"). This agreement will reflect the continuation of key characteristics within the current DTSA which govern the DTS e.g. user driven governance, Authority oversight, defined charging principles etc. This contracting model will allow regulated DCC gateway services to be supplied to the DSP running in parallel to the DTS over the shared DTN infrastructure.

Although the proposed DSP contracting model will be an evolution of the DTSA, the governance arrangements for the DCC User Gateway, including service definitions and the change control process, will sit in the SEC. The SEC will be recognised as a "Relevant Agreement" in the DTSA Mk2 meaning that any changes made to the DCC User Gateway, agreed by the SEC panel, will automatically flow down to the DTSA without impediment. The DTSA also contains provisions for its parties, including the DSP in this case, to request ElectraLink to undertake bilateral developments on an Elective services basis.

There is significant commonality between the likely DCC Users and the existing users of the DTS and this should ease any potential governance issues between the DTS and DCC User Gateway services provided on the DTN.

The proposed DSP contracting model would therefore allow for the delivery of Core services by the DCC and would also facilitate the DCC's rollout of Elective services. The arrangements will mirror the requirements of the SEC to ensure that top down (DCC User and DCC) and bottom up (DSP) innovation is facilitated.

In light of this proposed regulated delivery model, ElectraLink's engagement with the DSP bidders will be undertaken on the same regulated basis as the DTS i.e. cost recovery. The DTS User Group has agreed to support ElectraLink's engagement with the DSP bidders during the Invitation to Submit a Detailed Solution (ISDS) phase of the DSP procurement. During ISDS ElectraLink will offer to engage with all DSP bidders on a bilateral basis to outline the capabilities of the DTN, facilitate innovation and provide indicative costs for DCC User Gateway services for inclusion into their bids to DECC.

Should DTN based services be taken forward into the Invitation to Submit Final Tenders (ITSFT) phase of the DSP procurement as part of the DCC User Gateway design, ElectraLink would need to commence a formal procurement process in order to provide the best possible pricing for inclusion into the final DSP bids. The DTS User Group is of the view that any costs incurred by ElectraLink to undertake this formal procurement process in support of ITSFT should not be recovered from current DTS Users, rather they should be recovered from the future users of the DCC. ElectraLink will engage with DECC at the start of ITSFT to consider how any incremental costs for supporting this phase of DSP procurement, should this support be required, are to be dealt with.

The high level regulatory, legal and service roadmap for delivering DTN based DCC User Gateway services to the DSP through the DTSA Mk2 would be:

- Gas & Electricity Suppliers, DNO's, GTs will be required by Licence to be a SEC Party as will other non-licensed ATPs.
- SEC will require all SEC Parties, including DCC, who want to transfer data to / from DCC to use the DCC User Gateway.
- DCC User Gateway will have multiple connectivity options to DCC, including potentially the DTN.

- SEC would describe the DCC User Gateway services (data dictionary, processes etc).
- SEC will include the governance arrangements, including change control process, for the DCC User Gateway.
- For the DTN component of the DCC Gateway the SEC would take precedent over the DTSA Mk2 with any changes thereto automatically flowing down without impediment.
- DTSA Mk 2 would include DCC User Gateway operative provisions covering dual fuel service.
- DTSA Mk2 would mirror the arrangements in SEC for provision of Core and Elective services.
- All charges for the use of the DTN for DCC User Gateway would be channelled via the DSP back to DCC Users with no charges being made directly by ElectraLink to the individual users of the DCC.

ElectraLink believes the provision of DTN based services in support of the DCC User Gateway services through an extended DTSA arrangement will deliver best value for industry and will reduce the risk of the SMIP. In summary therefore ElectraLink would propose the following way forward :

- The DSPs will decide what the most effective solution is for DCC User Gateway. ElectraLink will engage with the shortlisted DSPs during the ISDS phase of the DSP procurement in order to allow them to complete this analysis.
- ElectraLink's engagement with DSPs will ensure that the end to end costs of DCC User Gateway options, including industry client side costs, are properly assessed.
- ElectraLink will offer the use of the DTN to the DSPs on a regulated basis – we believe this approach will provide the best outcome for industry;
 - The costs of ElectraLink's provision of services to support the DCC User Gateway using the DTN infrastructure (in so far as they can be separately identified from DTS related costs) will be charged on a cost recovery basis to the DSP for onward charge to the DCC. DECC have confirmed this single party charging structure as a valid assumption.
 - The SEC will become, along with the MRA, BSC etc a "Relevant Agreement" within the DTSA Mk2. Changes to the DCC User Gateway, managed via the SEC change process will automatically flow down without impediment. This will ensure that SEC takes precedence on change and governance of DCC User Gateway matters.
 - DTN based services provided in support of the DCC User Gateway will not be considered an extension of the DTS services provided pursuant to the DNO Licence Condition 37.
- In light of the competition between the DSPs, ElectraLink's engagement with the DSPs during the ISDS phase will be on a bilateral basis. The objective will be to facilitate innovation assisting the DSPs to reduce the overall cost and risk of their detailed solutions.
- The estimated, incremental cost to ElectraLink of supporting the DCC User Gateway component of these DSP solutions will be made available to the relevant DSP for submission to DECC.

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

There are a number of benefits to industry and the SMIP programme of using an existing data transfer network to support the DCC User Gateway. In summary these benefits are:

- The DTN is already connected to 100% of suppliers and network operators trading in the domestic electricity market and 55% of gas suppliers that are expected to require connection to the DCC.
- In 2011, the DTN infrastructure, including all servers, network, applications and databases underwent a full technology refresh, resulting in a modern, robust service capable of supporting the requirements of the DCC User Gateway.
- The DTN uses the latest real time MPLS network technology available in the market and is capable of delivering all the traffic protocol and latency requirements to support smart metering including near real time message transfers.
- There is an enduring requirement for the DTN to support the DTS post DCC 'go live' in 2014 as a consequence of the continuing requirement to support existing industry processes, including those in support of the Green Deal.
- Connectivity to the DTN is based on an established set of processes currently offering three types of connection based on user requirements including a low cost VPN based entry option ideal for use by ATP's.
- The DTN already uses an 'Open Standards' interface to connect to the network.
- The use of an existing data transfer interface will significantly reduce client side risk and cost for industry participants as they will not be forced to redevelop further interfaces to a new 'greenfield' network.
- The use of the DTN's existing data validation functionality in the DCC User Gateway would reduce system testing time for the DCC.

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

We agree with the proposals, provided that when defining the detail of the tests, they are proportional to the potential risks a new party poses to both the DCC and the wider industry, and are therefore not overly onerous or seen as a barrier to entry.

Under a number of existing gas and electricity codes, risks are managed via a combination of entry processes and controlled market entry, which limit the activities of new entrants until systems and processes are proven in a live operational environment. This approach may be appropriate under SEC. It is critical that the respective roles of DCC Licensee and SEC Code Administrator in managing and assuring compliance with the entry processes are clearly defined to ensure there is no overlap or cause for confusion or unnecessary duplication of cost.

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.

ElectraLink agrees with the principles that are detailed within the consultation documentation.

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?

A new licence condition is proposed for suppliers to grant rights of access to their enrolled metering systems to the DCC. It is appropriate that the detail of this obligation, including contractual rights, is drafted in the SEC.

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

ElectraLink agrees with the principles that are detailed within the consultation documentation.

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

ElectraLink agrees in principle with the group classification. However, depending on the decisions taken with regard to provision of access to DCC for meter operators, a further classification may be required. If meter operators are granted access rights to DCC under either of the proposed options B or C and the level of access to be granted is different to that of the supplier a further category will be required. The flexibility to allow 'cut across' different service types in specific instances e.g. alerts is a necessary flexibility.

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?

ElectraLink consider suppliers are best placed to answer this question.

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

The scope of the Smart Energy Code is wide ranging and will include areas such as:

- General obligations and definition of SEC governance arrangements;
- Technical specifications for smart meters, and communication services;
- DCC charging regime set out in the Charging Methodology;
- Business processes for both DCC and service users with regard to communication services; and
- Compliance, assurance and data security regimes.

The drafting for each of these areas will be very different in nature. Some areas will require drafting of legal text, other areas will take the form technical definition documents e.g. file formats, data definitions etc. and in some areas the drafting will require a more descriptive form to define process and procedural steps.

Given the rather specialist and technical nature of much of the SEC, ElectraLink does not believe that the standard modification process as set out in the consultation document is universally appropriate across all elements of the code. At a minimum there should be a separate change/modification process for technical and procedural elements of the SEC that allows the flexibility for proposed amendments to be enhanced, rather than alternatives proposed, as they

progress through the change process. Also, due to the technical nature of such changes, it would be more efficient for decisions regarding these changes to be delegated to a SEC Panel sub-committee of technical experts who would be better placed to review and understand issues and comments raised by parties and consider the impacts of these on proposed amendments prior to voting.

With SPAA, a two tiers and streamlined change process exists to deal with technical changes to Market Domain Data. This process ensures that the appropriate skilled industry experts deal with such technical matters and changes are progressed in a timely, costs effective and efficient manner.

ElectraLink believes that such an alternative change/modification process is required to deal with amendments to the core communication services. The list of services will include technical specifications of each service, along with any procedural requirements. Amendments to the list will require equivalent amendments to these technical definitions and associated business procedures. Using the standard modification process to manage amendments in this area would be unlikely to deliver the most effective solution whilst making efficient use of SEC and SEC Party resources.

The creation of working groups supported and advised by a SEC Code Administrator who is an expert in the SEC processes would deliver the necessary framework to facilitate development of any modifications. These two core resource channels can be supplemented as and when required by expert resource e.g. security experts. The working group would make a recommendation, supported by documented rationale and evidence, to the Panel who would then be charged with decision making, leading ultimately to a recommendation to the Authority.

ElectraLink would also recommend that the change process in codes other than the BSC are considered for the SEC e.g. DCUSA. The DCUSA process allows for material and non material changes with Authority consent required for the former with the latter being determined through self governance. A number of safe guards exist within the voting process including voting caps to stop single party dominance, 2 stage voting hurdles to protect smaller players and referral to the Authority where single party blocking votes are apparent. These safeguards coupled with an Authority willingness to reverse the decision by industry means that the process ensures that the objectives of the code are fully achieved.

It is critical that the Authority clearly defines the quantum and type of data which it must be supplied with to enable it to make a decision as to whether to accept or reject an appeal. There can be no ambiguity in what is required as this will only delay change and likely stifle innovation.

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

Yes, this provides additional flexibility and will deliver innovation and efficiencies. A comparable process exists within ElectraLink's DTSA and commercial contracting environment allowing for DTS Users to contract, individually or as a subset, for service enhancements to the Data Transfer Service in the electricity market or commercial Value Added Services in the gas market. As detailed in Q9, ElectraLink would replicate any Core / Elective service framework within SEC into its contract with the DSP for DCC User Gateway.

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?

Yes, requirements for the provision of DCC communication services should be consistent regardless of whether those services are core or elective.

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?

ElectraLink agrees with the principles that are detailed within the consultation documentation.

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?

ElectraLink agrees with the principles that are detailed within the consultation documentation.

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?

Yes, consideration should be given to the implementation of a standard release schedule and whether this could be aligned with those used under other codes.

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?

The benefits identified in the smart meter business case will only be achieved through the successful roll out of smart meters and the associated management and support systems. This should be the primary focus of DCC and elective services should only be made available once DCC and its service providers have achieved a robust and stable operating platform and a significant proportion of the roll out of meters should have been achieved by suppliers e.g. 25% of expected final enrolment numbers. Metrics can be developed to assess the stability of the platform such as continued delivery of KPI's, no critical bugs or fixes outstanding etc. ElectraLink would envisage this to be sometime in the second full year after Go Live. Added Value services should only be considered once the core services are fully stable and a downturn in Elective Services is forecast. The focus must remain on supporting the smart metering system.

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

ElectraLink supports the proposed charging regime and considers it reflective of the underlying costs structure of providing these services. It is critical that, to eliminate volume and/or price mix

risk within DCC, the structure of DSP and CSP charges is matched with the requirements of the DCC Charging Methodology.

Equally, early resolution and clarity of how DCC will deal with material variances to expected roll out forecast and actual roll outs and the consequential impact on its profitability and cash-flow is needed.

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*

There are benefits to adopting such an approach. The funding principle is that all Parties should contribute to the cost of funding the end smart metering system. Any delay in providing such funding will place a burden on other parties and may, in extremis, threaten the financial stability of the DCC. An alternative approach, normally adopted within commercial contracts is that only the disputed value is withheld with payment in full being made for any undisputed charges however this complicates matters and could lead to unnecessary payment delays.

In both instances it is critical that a clear and expedient disputes procedure is in place with specific arrangements for disputed charges as opposed to general party to party or SEC disputes.

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*

Yes. Bad debt reflects the failure of a party to contribute its share of the overall smart metering system cost. The bad debt will reflect a combination of direct service costs plus an apportionment of the DCC and SEC costs. The DCC charging regime should include incentives to ensure bad debts are minimised but should not penalise the DCC for bad debts where all appropriate steps have been taken.

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

Broadly we agree with the powers and objectives of the SEC Panel. We would recommend consideration should be given to a further objective around management of costs e.g. *That the Panel conducts its business in an efficient manner with due regard to costs.*

One of the SEC objectives contained within the DCC licence does state 'to facilitate efficient provision, installation and operation of Smart Metering Systems.....' but we consider this is meant to reflect obligations around the processes and procedures that the SEC will govern, rather than the operation of the panel itself.

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

The consultation document indicates a preference for a fully independent panel on the belief that such a constitution would lead to a more effective decision making body as all members will be working to a common purpose rather than representing particular interests which, in turn, would lead to fewer deadlocks. It goes on further to suggest that an independent panel is better

suited to discharging its functions, powers and objectives particularly those relating to sanctions and disputes.

In principle an independent panel could deliver the benefits described however, any panel selected and appointed under the proposed terms set out in the consultation document is unlikely to be completely independent. Under the proposed constitution each seat is reserved for a particular category of SEC Party or consumer body. For those seats reserved for SEC party categories, members will be nominated and elected from within their category. Consumer body seats will be reserved for Consumer Focus and a second member appointed by the government.

Clearly, members will have a natural affiliation to either the category of party that elected them or, in the case of consumer representatives, the body whose interests they are appointed to protect. This in itself will bring an element of bias as members will have a greater understanding of the views of, and issues faced by, their party category and this will clearly influence their stance when taking decisions.

A better option would be for the panel to be representative, where members openly represent the view of their constituency. This would allow for a more transparent decision making process with any affiliations made clear rather than implied. It would also allow for members to consult with their constituents in advance of a meeting, as appropriate, in order to reach a consensus view to take to the meeting. Without this step, rather than acting independently or as a representative of a constituency, members are likely to be influenced by the views of their own employer organisations. Consideration should also be given to ensuring that there are no advantages given to large suppliers compared to small suppliers.

If the SEC Panel were to be representative the voting arrangements should be such that no single category of party has undue influence over, or is able to control, panel decisions unless those decisions are only relevant to that category of party. As currently drafted the SEC panel would have 12 voting members plus a casting vote held by the chair. The suggested constitution gives one category of members 4 votes with all other categories holding either 1 or 2 votes. This would seem to provide an appropriate level of assurance, as for any panel decision to be carried it would require the agreement of members from at least 3 member categories.

The consultation envisages that only non material changes will be finally determined by the Panel with all other changes being subject to Authority determination. This is a critical safeguard and the Authority, as is the case in existing codes, can exercise its absolute discretion and independence and not act on the recommendation of the Panel in such instances where it considers the interests of the code and the end consumer would not be best served.

ElectraLink recommends that further consideration is given to the Panel arrangements to cover the transitional arrangements for the period SEC Go Active to SEC Go Live. During this period the scaled down Panel should have responsibility for:

- "populating" the SEC after Go Active;
- managing necessary change due to either policy decisions or fundamental deficiencies identified in the trialling and testing period;
- procuring the Code Administrator and such other necessary support services; and
- implementing the enduring panel construct.

Equally, consideration should also be given as to how the Panel will evolve, and possibly scale down, once a robust and stable smart metering system and SEC is achieved.

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.

The proposed constitution seems appropriate, the allocation of seats is proportionate to the anticipated use of DCC services, and does not give any single group control of, or undue influence over, decisions made by the panel. It is critical that smaller suppliers are not prejudiced in any panel construct.

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?

ElectraLink agrees that, as a service provider, the DCC should not have voting rights at the SEC Panel.

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.

The appointment of an independent chair is consistent with the findings of Authority's Code Governance Review and would bring a degree of independent oversight and impartiality to the panel. Also consistent with the Code Governance Review is the proposal that the chair should hold a casting vote where the decision of the panel would otherwise be tied.

Consideration should be given to the level of previous industry knowledge and experience required of potential candidates for SEC Panel Chair. Whilst a certain level of knowledge would give clear advantages in understanding the detail of the of the SEC Panel agenda, it could bring with it a certain level of historic bias. Any candidate with relevant industry knowledge is likely to have experience of at least one SEC Party category therefore, when directing activities of the panel or exercising voting rights it is possible that there will be a natural tendency for their views to align with those of the category to which they have a historic affiliation. Whilst a generic chair, with no previous industry knowledge, would clearly not have the same level of understanding of many of the issues discussed at the SEC Panel they would also not have the potential bias that previous knowledge could bring. ElectraLink would consider that industry knowledge is vital to this role.

It would seem appropriate that the term of office for the SEC Panel chair should be aligned with the three year business planning cycle, as proposed in the consultation.

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

ElectraLink considers that the arrangements set out in the document are appropriate for a representative panel but would reiterate its concerns whether a truly independent panel can be achieved.