

November 24th, 2011

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

Dear Sir,

**A consultation on the detailed policy design of the regulatory and commercial framework for DCC**

Please find First Utility's responses below. First Utility wishes to participate in the National Smart Meter programme and encourage early roll out and adoption so that it can continue its practice of deploying smart energy to our customers. Wherever possible we would recommend the simplification of the technical and operational requirements of the programme so that maximum consumer value can be delivered as soon as possible into the marketplace. Onerous technical and operational demands risk "progress over perfection" and are therefore less likely to deliver value at a reasonable cost or time frame to the consumer.

*Q1. 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.*

This seems like a suitable way to proceed. We would suggest the wording of the prohibition explicitly bars DCC from engaging in any other licensable activities other than those expressly set out in the DCC licence.

*Q2. Do you think there will be any persons other than DCC who might inadvertently be captured by a definition structured this way?*

No.

*Q3. Do you have any other comments on the form of the licensable activity?*

The licensable activity for DCC should be defined as overseeing the communications system relating to all compliant UK smart meters and dealing with the transmission of data resulting from this.

*Q4. 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.*

These seem appropriate.

*Q5. Do you agree with the proposal to have a single document with a single set of licence conditions that apply to both licences?*

It seems appropriate for all parties involved to have a single document to refer to as this should reduce the scope for confusion and misinterpretation.

*Q6. Do you agree with, and have any comments on, the proposed approach to establish all of the DCC licence conditions as “special” conditions?*

Yes, as these will only apply to one party and one licence.

*Q7. Do you have any comments on the scope and nature of the consequential licence changes that we propose to make?*

These seem appropriate.

*Q8. Are there any other consequential licence changes that you consider might be necessary as a result of the creation of new licensable activity?*

We are unable to think of any at this time.

*Q9. Please provide any comments on the proposed approach in relation to geographic scope of the DCC licence and provisions relating to its duration.*

We agree that initially setting the geographic scope as Great Britain is appropriate due to the different market and regulatory structure in Northern Ireland. It is also appropriate that there be scope for this to be revised later if required. Defining a duration for the licence is also appropriate.

*Q10. Do you agree with the proposed general objectives of DCC set out above?*

These seem appropriate.

*Q11. Do you think it is necessary to include any statutory duties on DCC in the Gas and Electricity Acts or is it appropriate to address these issues in the DCC licence alone?*

We feel that including these in the DCC licence will be sufficient.

*Q12. 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?*

Yes, we do not believe that this is a priority issue for DCC to address at this time.

*Q13. Do you agree with the approach proposed in relation to the protection of consumers’ interests?*

Yes.

*Q14. Do you think DCC should have a separate objective to promote (or facilitate) energy efficiency?*

We do not believe that DCC should be required to promote energy efficiency as this is separate from its main function. This is better left up to suppliers and ESCOs.

*Q15. Do you agree that the 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?*

It would seem appropriate to make provision for the SEC licence condition to be updated in future as required.

*Q16. What are your views on the SEC Applicable Objectives set out above?*

These seem appropriate.

*Q17. Do you agree that the SEC should be designed to take into account consumers' interests by meeting its applicable objectives, rather than having an explicit objective related to the protection of the interests of consumers?*

We agree that SEC meeting its applicable objectives should in itself protect consumers' interests.

*Q18. Should there be a SEC objective related to promoting (or facilitating) efficiency of energy networks?*

It really depends on how the objective is framed. If the intention is to use the information resulting from the widespread usage of smart metering for network planning purposes, thus leading to more efficient investment decisions, then we believe that an objective of this type would be appropriate.

*Q19. Do you think the SEC should have a separate objective of promoting (or facilitating) energy efficiency?*

Yes.

*Q20. Do you agree with the definitions of the services that DCC should be required or permitted to provide?*

These seem appropriate. We also agree that services additional to core services should be provided on an elective user pays basis.

*Q21. In relation to which non-compliant metering systems should DCC be required to offer services?*

We believe that DCC should be required to offer core services to non compliant smart metering systems where the metering system is associated with a supply to a consumer premises. The non compliant smart metering system can then be replaced with a compliant smart metering system at the end of the national rollout.

*Q22. In relation to which non-compliant metering systems associated with energy supply at consumer premises should DCC be permitted to offer services?*

Please see our answer to Question 21 above.

*Q23. What information should be available to all users about:*

- Elective services;
- Value added services?

*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?*

Detailed information should be made available in relation to the price of these services as well as the terms and conditions related to them in order to allow prospective users to make a fully informed choice.

*Q24. 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?*

Perhaps an ancillary document to the SEC would be appropriate as this could then be more easily amended as the related terms and conditions change.

*Q25. Are there any other matters that we have not addressed related to the nature of services provided by DCC?*

We are unable to think of any at this time.

*Q26. 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?*

Yes. The determination of which services should be externally procured should be done on a cost benefit basis and DCC should be required to prove material benefit in line with this.

*Q27. Do you agree with the procurement objectives for DCC identified above?*

These seem appropriate.

*Q28. Do you agree that DCC should be required to produce a procurement and contract management approach document?*

Yes. This document should be publicly available and reviewed on a regular basis.

*Q29. 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.*

We believe that approval from the Authority would be desirable.

*Q30. Is the scope of the proposed prohibition on discrimination, which is limited to undue discrimination between users or classes of users, adequate?*

This seems appropriate but we believe a prohibition on non discrimination for value added services may also be required.

*Q31. 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?

A separate provision in the DCC licence specifically prohibiting discrimination between customers of any particular type may be required, unless DCC is able to provide firm proof that such discrimination is appropriate. In this case the grounds on which DCC feels that discrimination is appropriate should be made publicly available.

*Q32. Do you agree that DCC should be independent of service providers? Do you agree that a de minimis level of affiliation between DCC and service providers should be permissible?*

DCC should be independent from all parties to which it provides services. A de minimis level of affiliation with service providers could be considered appropriate if this is necessary for DCC to properly perform its function in relation to these parties.

*Q33. 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?*

No service provider should have a shareholding of more than 50 percent, therefore no service provider should have a controlling interest in DCC. For a non regulated business, we agree that this should be limited to 20 percent.

*Q34. 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?*

These proposals seem appropriate.

*Q35. Do you agree that it is not necessary to explicitly require business separation between DCC users and DCC service providers?*

An explicit requirement for business separation may be appropriate to allay fears of any one party having undue influence over DCC's activities.

*Q36. 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?*

Yes, confidential information should only be used by DCC in order to carry out its functions. The requirement to protect confidential information should form part of the contracts between DCC and the relevant service providers.

*Q37. 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?*

Given the importance of the role that DCC will perform and the chaos that would result should it cease operation, we believe financial ring fencing arrangements are required.

*Q38. 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?*

Sufficient financial security should be required to give DCC shareholders an incentive to ensure that DCC performs its function to the expected level. However, we agree that there is a difficult balance to be struck between ensuring that required financial security is sufficient to achieve this aim while not deterring the required investment.

*Q39. What are your views on whether it would be appropriate to require DCC to pay for a proportion of the 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?*

In the case that DCC's licence is revoked early, this seems appropriate. This potential liability should be taken into consideration as part of both the financial security and ring fencing arrangements.

*Q40. Are there any other conditions that you consider should be imposed in DCC's licence to ensure its continued financial viability?*

We are unable to think of any at this time.

*Q41. Would it be appropriate for a special administration scheme to apply to DCC?*

Yes, please see our answer to question 37.

*Q42. Do you agree 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?*

Yes.

*Q43. 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?*

Yes.

*Q44. Do you agree that it is appropriate to grant the initial DCC licence for a ten year period?*

This seems appropriate for the initial DCC licence in order to attract the required level of interest. However, we would suggest that the ten year timeframe be reviewed at the expiry of the first ten year period in light of experiences up to that time.

*Q45. 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?*

Yes, although we would suggest industry wide consultation on this near the end of the initial ten year period.

*Q46. Do you agree with the approach described for the treatment of DCC internal costs for any extension period?*

Yes.

*Q47. Do you agree that DCC should be required to ensure that any critical services can be transferred to a successor?*

Yes.

*Q48. What scope of matters governing the handover to a successor do you think need to be included in DCC's licence?*

Provision for novation of service providers' contracts to the incoming DCC; novation of non core services contracts with DCC customers and arrangements for the necessary financial settlement relating to any outstanding over or under recovery at the time of the licence transfer.

*Q49. 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?*

Yes, this is of great importance, particularly as the licence will initially be awarded for a ten year period.

*Q50. 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?*

Yes, we believe that these issues can be addressed in a more detailed manner within the SEC itself.

*Q51. 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?*

Yes, although widespread industry consultation should be required before this licence condition becomes active.

*Q52. 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?*

Yes, as long as the licence also contains provision for these services to be provided by another party should DCC cease to perform this function.

*Q53. 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?*

Yes, although this will presumably also be "switched off" to begin with and should not be activated prior to widespread industry consultation being held.

*Q54. What dispute mechanism would be appropriate to apply to disputes involving DCC and who should be enabled to determine such disputes?*

We believe the Authority is the best party to rule on such disputes. However, we would also suggest that provision should be made for Authority decisions in regard to this area to be appealable to a third party, perhaps the Competition Commission.

*Q55. 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?*

Yes.

*Q56. Do you have views on the additional conditions discussed above?*

No.

*Q57. Are there any additional concerns that you would wish to see included?*

No.

*Q58. 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?*

Yes, the powers of the Secretary of State in respect to the DCC licence should be commensurate with those over other licences.

*Q59. 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?*

As the proposed licence condition relating to meter point/supplier registration will initially be "switched off" it would seem more appropriate to include a specific reopener for this rather than include it in initial cost provision so as not to deter potential interest.

*Q60. 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?*

We believe that the volume drivers option is more likely than the cost pass through option to properly incentivise efficient allocation of resources by DCC.

*Q61. Do you have a view on the appropriate materiality threshold (trigger) for the revenue reopener?*

Revenue reopeners pose a considerable threat to market participants from a risk and planning point of view as they are likely to happen without warning. In light of this we would suggest that a threshold of internal costs arising from the revenue adjusting event being in excess of 20 percent of DCC's annual revenue allowance would be appropriate for a revenue reopener to be considered. In addition DCC should be required in these circumstances to demonstrate that these costs were unforeseeable or beyond its control.

*Q62. Do you consider that any other cost areas may require mechanisms to deal with uncertainty?*



The concept of a revenue reopener as discussed should be sufficient to deal with any situations arising and we do not feel that it would be appropriate to build in any mechanisms beyond this.

*Q63. 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?*

Yes, as this is directly linked to the service that DCC will provide.

*Q64. Do you have a view on whether suppliers of only larger non domestic customers should be charged a proportion of DCC internal costs?*

It is our understanding that firms who supply purely customers of this nature will have a choice as to whether or not to make use of DCC. If so, then it is appropriate that they should bear costs for use of this service.

*Q65. 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.*

We believe that costs deriving to network operators pre DCC go live should be deferred until the network operators are in a position to net these costs off with charges for service provision to DCC following go live.

*Q66. Do you agree that DCC should only begin to charge users for communication service providers’ costs from “go live”?*

Yes, as users will be unable to make use of these services prior to go live.

*Q67. 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”?*

We agree that data service providers will, unlike communication service providers, be providing full services from go live. It therefore seems appropriate for data service providers to recover their amortised fixed costs evenly over the life of their contracts.

*Q68. 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 allocating costs during rollout be improved? If not, what is your preferred option and why?*

This seems appropriate although, as smaller suppliers are not required to provide a rollout plan, we assume that their costs will be determined on the basis of actual smart meters installed. This would seem appropriate as the growth in a smaller supplier’s customer base is not easily predictable.

*Q69. 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)?*

We believe that additional costs resulting from this should be averaged across all users based on the number of eligible meter points supplied by each user. Otherwise, a supplier incurring direct costs as a result of exceeding its rollout plan could act as a strong disincentive to install smart metering technology as quickly as possible.

*Q70. Do you agree that network operators should be charged in line with their market share?*

This seems appropriate, particularly as suppliers will be charged on the same basis.

*Q71. 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?*

Potentially, although it is important that the standing charge be set at a level where it does not negatively impact both smaller players and competition. In addition, it is imperative that charges be cost reflective on the basis of marginal costs as any other approach would negatively affect incentives in relation to competition and innovation.

*Q72. Do you agree that a proportion of service providers' fixed operating expenditure should be converted to volumetric charges?*

Yes, it seems appropriate that this charge vary dependent on the volume of services provided to each user. However, we would like to make the point that converting fixed charges to volumetric charges often leads to price volatility and further analysis may be required to avoid this, particularly in the early stages following DCC go live.

*Q73. Do you agree that the proposal for postage stamp charging is consistent with the objectives of the smart metering programme?*

Yes, charges for the same core services should be equal for all consumers as any arrangement contrary to this could jeopardise both competition and the smart metering roll out itself.

*Q74. Should postage stamp charging apply to all users including network operators?*

Yes.

*Q75. Do you agree with the proposed charging principles?*

We would like to reiterate the point previously made in our answer to Question 71, namely that charges be cost reflective on the basis of marginal costs in order to avoid impacts on both competition and innovation.

*Q76. Do you consider that an objective for the charging methodology should be to promote innovation in the supply of energy, provision of energy related services and energy distribution?*

It would be useful to receive further detail on how the Government feels that these aims could best be incentivised by means of the charging methodology.

*Q77. 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?*

This seems appropriate, with charging being done on the basis of the number of smart meters installed by each supplier.

*Q78. 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?*

If non core services are to be offered on a user pays basis then this seems the most appropriate way to achieve this. We feel it would be appropriate for other elective services to be treated in a similar manner in line with the principle that only those who make use of non core services pay for them.

*Q79. Do you agree that a “second comer principle” can be applied?*

Yes, otherwise the first user to make use of a particular service might end up bearing all of the development costs which would then potentially result in latecomers getting a “free ride”.

*Q80. 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 these message flows in the aggregate Minimum Core Service Requirements.*

First Utility would group the supplier messages outlined in Table 6.1 into 3 categories as follows:

Critical

- Electricity Meter read (scheduled)
- Gas / Water Meter read (scheduled)
- Electricity Meter read (on demand)
- Diagnostics (high priority)

Moderate

- Dynamic tariff - real-time pricing
- Remote dis/enabling of supply (on demand)

Peripheral

- Reduce all non-essential loads
- Switch on / off EV chargers
- Switch on / off heat pumps
- Switch on / off immersion heaters

If we interpret the table correctly the minimum core service requirement is 6 x 48 half hourly reads per electricity meter per day of 544 bytes (total of 3.2kB per meter per day). Today our current smart meter systems obtain a single set of 48 hourly reads per meter per day in two messages at less than 140 bytes per message (total of 280B per meter per day or 1/12<sup>th</sup> of the above minimum – single register configuration). However although our existing pre-SMTS smart solution delivers the same data granularity (48 half hourly readings) it delivers this less frequently i.e. only a single update per day. We do this in practice today at small scale with well in excess of 10,000 households. For the avoidance of doubt we strongly advise that under no circumstances should suppliers receive less than a daily profile of a minimum of 48 half hourly readings per register.

Allowing for richer transport protocol overhead the minimum WAN requirements for scheduled readings could be conservatively one third of those minimums proposed in the table.

We would argue that this same minimum be applied to both the gas and electricity meters on the basis that the cost of gas for a dual fuel household is usually a larger proportion of spend and the insight into consumption is equally important. We envisage that more frequent, near real-time access to consumption data would be provided via a back channel through the HAN avoiding the WAN channel entirely albeit on a subset (where alternative IP-WAN channel is available e.g. home broadband connection) of the installed meter base.

*Q81. 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.*

The following statement is based on the assumption that near real-time understanding of a household’s energy consumption can be met either by the IHD or via an IP back channel via a HAN gateway.

On this basis we can see little or no benefit in read frequencies or response rates beyond the minimums described in Table 6.1 in the early phases of the project. However there remains the potential that in later stages as the back office systems mature that real time pricing could benefit from more immediate and therefore frequent consumption data. Nevertheless, we would recommend that these be considered for a subsequent delivery phase.

*Q82. Please provide views on whether the Service Requirements described in the above table represent in 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.*

We believe the service requirements are sufficient for our purposes as a smart energy supplier.

*Q83. Please provide comments on the incentive regime proposed for DCC.*

Agreement of KPIs against which DCC’s performance will be assessed seems the most suitable manner in which to incentivise DCC. We agree that any penalties for non performance should only be applied to DCC’s profit margin in order to ensure that it is always able to cover its costs.

*Q84. Do you consider it appropriate and feasible for the SEC panel and DCC to negotiate KPI targets?*

This seems both appropriate and perfectly feasible and proposed KPIs should be part of the assessment criteria against which DCC is selected.

*Q85. Do you have views on the use of an independent audit of DCC performance? Should this be on a regular and/or ad hoc basis?*

Independent audit of DCC performance seems appropriate. We would suggest that, to minimise related costs, this be carried out on ad hoc basis although with no more than two occurrences in a five year period.

*Q86. Do you consider that a sharing mechanism should be in place for DCC internal costs? Should a sharing mechanism be included in the contracts with the service providers?*

We agree that DCC should be incentivised to seek efficiencies in its agreements with service providers by allowing it to share savings achieved with users.

*Q87. Do you consider that it is appropriate to invite DCC licence applicants to propose KPIs?*

Yes, please see our answer to Question 84 above.

*Q88. Are the criteria for adoption of contracts discussed in paragraphs 8.8 and 8.9 appropriate? Are there any additional criteria that should be included? Can quantitative thresholds for any or all of the criteria be defined and, if so, how?*

It is the view of First Utility that all communications contracts relating to existing compliant smart meters should automatically be adopted by DCC. Any other approach is likely to deter early rollout and negatively affect competition. We are particularly disturbed by the Government's view that "the communication contract should be of sufficient scale to warrant adoption". This seems arbitrary as no estimate is given of the size of contract that the Government would consider to be of "sufficient scale" and is likely to increase uncertainty for smaller players. In addition, the DCC Service Standards and Requirements are not yet known which adds to this uncertainty. We are also of the view that the fact that Government states that DCC will need to take other factors into consideration at the time of the actual contract adoption, as mentioned in paragraph 8.10, compounds this uncertainty still further.

*Q89. Do you agree with our approach to identifying the guaranteed adoption volume of Foundation Stage smart metering systems? Are the factors we have identified the appropriate ones? What are your views as to the appropriate values of the various parameters identified in Table 8.1?*

We are unable to follow some of the logic contained within Table 8.1. For instance, the Government claims that high communication equipment / WAN module costs would reduce the net cost benefit of Foundation Stage adoption and thus reduce the adoption volume. However, it seems much more likely to us that guaranteeing adopting of communications contracts relating to compliant Foundation Stage smart meter installations would be likely to incentivise early technology rollout in greater numbers and thus a corresponding drop in the unit costs of communication equipment / WAN modules. This should then assist in raising the adoption volume.

*Q90. Do you agree that DCC should be able to decide to adopt communication contracts associated with Foundation Stage smart metering systems in excess of the guaranteed adoption volume providing there is a net benefit to doing so? If so, does DCC need to be provided with additional obligations and incentives to encourage DCC to actively pursue such contracts and what factors should DCC take into account in making its assessments? Should we specifically provide for suppliers to compensate DCC directly for any costs incurred by DCC or its service providers in the adoption of additional contracts?*

Again, First Utility believes that DCC should be required to adopt all communications contracts for existing compliant smart meters. With such a requirement, we do not believe there needs to be any additional incentives or obligations. In addition, should certain communications contracts not be adopted owing to technical incompatibility issues, DCC should bear the cost of provision of suitable replacement WAN modules.

*Q91. What in your view is the most appropriate option for allocating the guaranteed adoption volume across energy suppliers and on the mechanism, including timing and frequency, by which any allocation unused by one supplier should be redistributed to other suppliers?*

Option 5, the adoption of communications contracts on the basis of market share within each region and the number of compliant smart metering systems installed, would seem to be the most appropriate approach. This should take place within 6 months of DCC go live and unused allocations should first be provided to those suppliers who have rolled out the most compliant smart meters in relation to the number of eligible supply points within their portfolio. We agree strongly with the Government's conclusion that special arrangements may be required for smaller suppliers in order to encourage competition and prevent this becoming a barrier to entry.

*Q92. Do you have views as to when Foundation Stage communication contracts should be adopted?*

Foundation Stage communications contracts should be adopted within 6 months of DCC go live. Q93.

*Do you agree that a four stage process as outlined in paragraph 9.10 is appropriate for appointment of DCC?*

This seems appropriate.

*Q94. Do you consider that applicants should commit to lodge a form of financial security at the invitation to apply stage that would take effect if the licence was granted to the applicant?*

Yes, as this will provide early indication of their financial ability to assume the role if awarded.

*Q95. Do you agree with the proposals for dealing with changes to consortia including allowing changes up to but not beyond submission of responses to the ITA?*

Yes.

*Q96. Do you agree with the proposal for one overarching confidentiality agreement for each applicant group rather than individual confidentiality agreements for each member of an applicant group?*

Individual confidentiality agreements might be more appropriate to provide for the situation where the make up of a consortium might change and those members leaving might not then consider themselves bound by the confidentiality agreement.

*Q97. Do you have any comments on the approach to clarifications and dialogue with prospective applicants?*

This seems appropriate.

*Q98. Do you agree with the proposed approach to the pre-qualification stage including the timescale, the information required and the assessment methodology and criteria?*

Yes.

*Q99. Do you have any comment on the documentation to be provided by applicants for the DCC licence? Is there any other information that you think should be made available to applicants?*

We are unable to think of any at this time.

*Q100. Do you agree with the proposed approach to the Invitation to Apply stage including the timescales, the assessment criteria and their weightings?*

Yes.

*Q101. Do you agree with the proposals for appointing one or more preferred applicants as well as one or more reserve applicants to ensure that there are alternatives in the event that a preferred applicant withdraws or is disqualified?*

Yes.

*Q102. Do you agree with the proposal for an optional best and final offer stage in the event that two or more applicants have similar positions?*

Yes.

*Q103. Are there any other specific issues that you think should be considered before grant of the licence?*

We are unable to think of any at this time.

*Q104. Do you agree that in the event of DCC losing its licence the Authority should have the power to fast track the appointment of a temporary DCC? If so, is eighteen months an appropriate maximum time period for the temporary DCC to hold a licence before a new DCC can be appointed via a full competitive process? Which elements of the licence application process could be accelerated or eliminated to ensure rapid appointment of a temporary DCC?*

Yes. We feel that eighteen months would be an appropriate maximum time period in this case. We would suggest that, in this situation, the pre-qualification stage could be eliminated in order to expedite temporary DCC appointment.

Please do not hesitate to contact me if you have any questions or would like any further information.