Attachment

EDF Energy's Response to DECC's consultation on the detailed policy design of the regulatory and commercial framework for DCC

November 2011

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Chapter 2: Proposed regulatory approach to DCC		
CH2 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.	EDF Energy agrees with the approach to identify the licensable activities of the DCC based around the services it will provide to users. This assumes that the DCC can communicate with 100% of domestic smart meters. EDF Energy believes that all Smart meters should be subject to the provisions of the Prohibition Order, and only in exceptional circumstances should Smart Meters be operated outside of the order, and then only after legal derogation. We consider that the prohibition order should be consistent with other existing prohibitions set out within the Electricity Act 1989 and Gas Act 1986.
CH2 Q2.	Do you think there will be any persons other than DCC who might inadvertently be captured by a definition structured in this way?	Based on the information provided to date, we consider it is unlikely that the licensed activities described would capture any other persons in this definition. In particular, reference to a service that relates to all smart meters at every premises should avoid inadvertently capturing 3rd party service providers, being used for smart metering trials or the providers of services to meters that have not been adopted by the DCC. However, we would need to have sight of the finalised drafting of the Prohibition Order in order to provide a definitive view on this question. EDF Energy would expect that all DCC compliant domestic smart meters would be subject to the Prohibition Order, and that following DCC go-live all unadopted Advanced Domestic Meters (ADMs) would be subject to compliance with the Prohibition Order by the roll-out end date.
CH2	Do you have any other comments on the	Based on the information provided to date, we have not identified any further issues with

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Q3.	form of the licensable activity?	respect to the form of the licensable activity.
CH2 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.	Our understanding is that the proposed consequential changes to legislation refer to the DCC activities only. We are not aware of any significant consequential changes that have been omitted with regard to the DCC from tables 2.1 and 2.2. However, we consider that it would be useful to have the opportunity to revisit these issues at a later date, in particular in respect of points of interaction between the DCC and other aspects of the Smart Metering Programme, which may necessitate additional consequential changes that have not yet been identified.
CH2 Q5.	Do you agree with the proposal to have a single document with a single set of licence conditions that apply to both licences?	We agree with the proposal to have a single document that applies to both gas and electricity licenses. However, there may be occasions when changes need to be made for either electricity or gas licenses separately (e.g. demand side management). We would welcome further clarity as to the governance procedures (e.g., voting rights) that would apply to such changes, and any consequential amendments that would be required to implement these procedures. We consider that the limitation of a person holding both a DCC license and other types of license could more usefully sit in legislation than in the license (given that this will have implications for the granting of the license itself).
CH2 Q6.	Do you agree with, and have any comments on, the proposed approach to establish all of the DCC licence conditions as "special" conditions?	We agree with the proposal to treat DCC Licence conditions as "special" conditions, since this would allow for a more expeditious commencement of the DCC procurement process.
CH2 Q7.	Do you have any comments on the scope and nature of the consequential licence changes that we propose to make?	We consider that the consequential changes proposed do not include sufficient protection for Suppliers in the event that DCC fails to meet its license obligation. In our view, Suppliers should not be liable for any failure to comply with any aspect of their supply licence obligations, which arise as a result of the DCC's failure. This should be reflected in the

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		consequential license changes.
CH2 Q8.	Are there any other consequential licence changes that you consider might be necessary as a result of the creation of the new licensable activity?	Aside from the issue highlighted in the response to the previous question, we have not identified any further consequential changes to any of the Licences. However, this assessment relies on our current understanding of DCC requirements and we suggest that DECC seeks legal advice for all other consequential changes.
CH2 Q9.	Please provide any comments on the proposed approach in relation to geographic scope of the DCC licence and provisions relating to its duration.	EDF Energy considers that Government should retain some measure of flexibility with regard to the definition of the geographical scope of the DCC. However, we would expect provisions to be put in place to ensure that Government is required to consult on any major changes.
Chapter 3: DCC licence conditions		
CH3 Q10.	Do you agree with the proposed general objectives of DCC set out above?	We agree with the proposals for DCC objectives in 3.16, except for the following remarks: • We disagree with the statement in Paragraph 3.7 that smart grids should not be included in the DCC Licence at this stage. There are significant potential benefits from the development of smart grids, as recognised in the Impact Assessment. Setting up the regulations and mechanics of Demand Side Management for Suppliers and Demand Response for Networks will take a considerable period of time and needs to start as part of the SEC development to ensure these benefits are achieved. • We disagree with the statement in Paragraph 3.14 that the obligation on roll-out in accordance with Government policy should be transitional, as there will be subsequent roll-outs following the mass rollout of 2014-19. For example, innovations in metering and comms technology will occur within a few years. At a minimum, we would wish to see an objective that extends to replacement of smart meters or future rollout of next generation technology.

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		• Similarly, we consider that DCC should have an obligation to undertake Design, Development, Testing, Proving and Piloting in accordance with best practice, since this will equally be applicable both to the current and future rollouts. • The second objective should be modified to read "a requirement for DCC to develop **in a timely manner**, maintain and operate an efficient, coordinated and economical data and communications system"; • The third objective should be modified to refer to ‘‘effective competition”, as anything less than effective competition would not be sufficient, and also to provide consistency with the SEC applicable objectives and other industry codes and licences. • We consider that the following additional objective (which has been used by Ofcom) should be included: “Cost minimisation: the mechanism for cost recovery should ensure that there are strong incentives to minimise costs.” • An obligation on DCC should be included that requires DCC to comply with the initial Service Level Aagreements (SLAs), whilst leaving scope for those SLAs to be amended by the SEC panel as the DCC’s services develop.
CH3 Q11.	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.	Provided that the relevant issues are dealt with consistently in both the license and the SEC, we agree with the suggestion in 3.15 that DCC objectives should be dealt with in the DCC Licence rather than further statutory duties as the licence is better able to handle any evolving duties over time. The 2008 Energy Act gives authority for the DCC Licence creation, and as stated in paragraphs 1.20 and 2.1 it is necessary to define a new licensable activity in both gas and electricity legislation.

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CH3 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 agree that the development of competition in the area of distribution needs further consideration and this is likely to form part of any future smart grids related arrangements.
CH3 Q13.	Do you agree with the approach proposed in relation to the protection of consumers' interests?	EDF Energy generally agrees with the approach that the DCC's compliance with its general objectives under the licence is sufficient to promote consumer interests, as DCC does not have a direct consumer relationship.
CH3 Q14.	Do you think DCC should have a separate objective to promote (or facilitate) energy efficiency?	EDF Energy does not believe a separate objective in relation to energy efficiency is required, as we consider that this is captured by the objective to promote or facilitate competition in energy efficiency services.
CH3 Q15.	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?	EDF Energy agrees that the DCC Licence should set out a non-exhaustive list of contents for the SEC which allows it to develop over time. This development should be guided by a robust governance process that should be developed by the SEC panel as one of its first tasks. Ofgem should have a strong involvement in development of this process; however, following this early involvement, it should only be considered as the ultimate referral mechanism from the SEC. Previous experience has shown that there is likely to be a large number of modifications and changes from the start. Examples of areas that need to be specified in the SEC licence condition include the following: • The role of DCC needs to be clearly defined, with clear delineations between core services and non-core (namely, elective and value-added) services. This is vital for the

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		procurement process, for charging mechanisms and for clarity of governance scope. • The scope of DCC needs to include registration from the start, and hence the governance within the SEC needs to include registration. As the transfer of registration from networks to the scope of the DCC will be an essential but complex process, it is important that it is started as soon as possible in order to achieve the expected benefits and improvements to the change of supplier process. We consider that a SEC working group should be established from the start to manage this transition. • The licence should specify that SMETS should be owned by the SEC, and that the SEC panel should be held accountable rather than by Ofgem. Ofgem should only intervene in the SMETS change control process as a point of escalation, if there is significant unresolved disagreement between SEC parties in the opinion of the Panel chairman. We note that Paragraph 3.24 suggests that the SEC could cover interoperability, but only refers to the "interoperability of smart metering equipment". We are strongly of the view that Commercial interoperability is also vital, for example in relation to the necessary standardisation of Supplier contracts around smart metering equipment such as those with the meter asset manager and the meter asset provider, and consider that this should also be reflected in the SEC licence condition. Paragraph 3.28 refers to a proposal for Government to reserve a power to directly alter the SEC in relation to data access and security, requiring some element of "bespoke governance arrangements". We would suggest that such arrangements might not be necessary or desirable, given that Ofgem will have final signoff on all changes to the SEC.
CH3	What are your views on the SEC Applicable	EDF Energy considers that the scope of the SEC extends beyond the DCC and its Licensable

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Q16.	Objectives set out above?	activities. Where the SEC and the DCC Licence overlap, the wording of the objectives should be identical to avoid confusion and potential legal challenge. In this regard, we note that the equivalent of the applicable objectives of the UNC directly reference the objectives in the Gas Transportation licence. We consider that some of the objectives set out in Paragraph 3.45 may conflict with the objectives set out in the DCC Licence (for example, Paragraph 3.16 refers to promoting or facilitating effective competition in the supply of gas and electricity, whereas Paragraph 3.45 refers only ~~to "promot~~ing competition"). We would also draw attention to the amendments we have proposed to the DCC Licence in response to Q10. For the avoidance of doubt, we consider that the DCC licence objectives (with the amendments we have proposed) should be transposed into the SEC applicable objectives, not vice versa. Where the SEC contains additional objectives (i.e., separate from those set out in the DCC Licence), these must clearly relate to the additional activities that the SEC is expected to govern. For example, we agree with objective d), but consider that this should be amended to read "promoting efficiency in the implementation **and** administration of the SEC".
CH3 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?	EDF Energy agrees that there should not be an explicit objective related to the protection of the interests of consumers. The SEC should be designed to take consumer interests into account, but we consider that this goal would be best served by SEC meeting its applicable objectives. In any case, the position in relation to consumers' interests adopted in the SEC must be consistent with that adopted in the DCC's license.
CH3	Should there be a SEC objective related to promoting (or facilitating) efficiency of	EDF Energy considers that there should not be an explicit objective related to promoting or facilitating the efficiency of energy networks. The SEC should be designed to take efficiency

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Q18.	energy networks?	of energy networks into account, but we consider that this goal would be best served by SEC meeting its applicable objectives.
CH3 Q19.	Do you think the SEC should have a separate objective of promoting (or facilitating) energy efficiency?	EDF Energy notes that the proposed DCC licence objectives include the promotion or facilitation of competition in energy efficiency services. However, the SEC applicable objectives do not. As noted in our response to Q16, we consider that SEC applicable objectives in areas relating to the DCC should exactly mirror the DCC licence objectives. Hence, we consider the SEC applicable objectives should include the promotion or facilitation of competition in energy efficiency services, and we consider that this should be sufficient to promote or facilitate energy efficiency.
CH3 Q20.	Do you agree with the definitions of the services that DCC should be required or permitted to provide?	On the assumption that this question relates to the services set out in Table 3.1, EDF Energy agrees with these definitions. This notwithstanding, we would make the following additional remarks: • All DCC services should be defined precisely in the SEC. • The statement made in Paragraph 3.64 d) with regard to non-compliant metering systems needs to be defined more precisely. It is not sufficient to refer to AMR as an example when it is the only case available.
CH3 Q21.	In relation to which non-compliant metering systems should DCC be required to offer services?	EDF Energy considers that the DCC should be neither required nor permitted to offer core or elective services to non-compliant metering systems, with the sole exception of AMR, for which we consider DCC should be permitted but not required to offer services.
	In relation to which non-compliant metering systems associated with energy supply at consumer premises should DCC be permitted to offer services?	The requirement for an interoperable metering system on change of supply is paramount. Therefore there should be strict restrictions on the connection of any non-compliant equipment to the DCC. Failure to do so could result in additional costs, extra visits to customer premises, negative consumer experience and the failure to achieve the DECC

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		Impact Assessment benefits. DCC should not be required to adopt non-compliant metering systems as part of its 'core services', as this could lead to placing an unacceptable cost burden on those parties funding DCC but not responsible for the deployment of 'non-compliant metering systems'. DCC adoption of non-compliant metering systems would put the end-to-end coherence and integrity of the smart metering system at risk, particularly in respect to security and availability of the full suite of functionality and associated SLA's. We believe that if the DCC were to accept non-compliant metering systems, this would lead to significant problems relating to asset management, version control, software updates, technical interoperability and effective governance. EDF Energy believes that if non-compliant metering systems were accepted, then this would lead to all Suppliers to expect any non-compliant meter to be accepted by DCC, as DCC would not be allowed to discriminate. This would result in DCC becoming driven by the technical challenges presented by accommodating these non-compliant metering systems and not focussing on its core obligations related to 'compliant smart metering systems. Considering the experiences from other markets, it will be difficult enough to manage technical, operational, consumer and governance challenges around the 'core services' without adding the further complexity and risk that 'non-compliant' components will bring. EDF Energy would also advise against allowing DCC to provide optional services to 'non-compliant meter systems' as this will still lead to distraction from delivery of DCC core services, and make DCC accountable for failings at the Consumer premise where full functionality cannot be provided. In addition if, as a consequence of DCC choosing to support a 'non-compliant smart metering system', security was breached, this could result in massive repercussions on the entire programme and bring into disrepute the principle of the

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		'market model' and Government and Industry ability to effect a successful roll-out.
CH3 Q23.	What information should be made 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?	DCC should ensure that full information is made available to all users about both elective and value-added services to encourage innovation and full transparency where appropriate, with the exception of a pre-specified set of commercially sensitive information (e.g., pricing) that should only be made available to those users that have declared an interest in procuring the service. Sufficient information must also be made available to all users, in their capacity as members of the governance panel to enable them to assess whether provision of the elective services would meet the following criteria: 1. Is not cross-subsidised by core services; 2. Does not impact the operation of the core services; 3. Does not compromise the performance of the core services; 4. Does not lead to discrimination across users whereby 'elective services' limit the opportunity of other users to introduce similar services or where the specific elective service prevents other elective services from being introduced; 5. Does not impact the security and privacy of users. 6. [Does not compromise potential future capacity requirements for core services] Some elective services will develop into core services over time as more users adopt them (subject to the approval of the governance panel). At this point, full transparency on these services would need to provided through the SEC. Ofgem should publish suitable transparency criteria for different elective and value-added

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		services.
CH3 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?	We believe that there should be a set of rules against which elective and value-added services are evaluated set out in the SEC. However, the detailed terms and conditions should be subject to bilateral/bespoke negotiations, as well as review by the governance panel.
CH3 Q25.	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).	Elective and value-added services should be monitored to ensure that core services continue to be protected. In the event that a breach of this requirement is discovered, this should be referred to the governance panel for remediation. EDF Energy would reiterate that we strongly believe that core services should be paramount and their provision should be thoroughly ring-fenced and protected. This in turn requires that provision of non-core services be subject to a guarantee by DCC (and enforceable by the governance panel) that core services will not be in any way compromised or disrupted.
CH3 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?	EDF Energy considers that DCC should have the option to externally procure or provide in-house Data Services, as these services will form a critical link in the continuity of service delivery and compliance with the SLA's and will form the hub for all of the other service providers. It may be appropriate for DCC to undertake this aspect of the service itself in order to maintain the required level of performance and manage the interdependencies between multiple sub-contracted service providers.

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		DCC should be free to determine whether or not to externally procure support services such as legal and HR services. There should be principles agreed by SEC for these services. Provided that a specific obligation is levied on DCC preventing it from discriminating between Service Providers (see response to Q30), DCC should arguably be able to procure communications services internally, should it wish to do so. However, we acknowledge that the DCC procurement process is based on the assumption that DCC will procure most services externally, which might justify a requirement to externally procure all other major services such as communications and other infrastructure services. We consider that it essential for DCC to assume overall responsibility for the delivery of the end-to-end solution for enabling communications with all SMSs, in order to ensure that a joined-up and coordinated system emerges. In an ideal case, this solution would be delivered based on the sequential procurement of DCC followed by the appointment of its Service Providers, as this would allow DCC to mitigate risk through its control of the contract procurement process. Notwithstanding this consideration, Government has chosen to adopt a parallel procurement approach in order to ensure that the DCC services are available in a timely manner to support the mass rollout. Given that DCC will have to bear overall responsibility for the delivery of the end-to-end solution, we feel that this approach brings with it certain risks, since prospective bidders to the DCC will face risks associated with contracts that they will not have been able to influence. However, given that an "expedited" approach to appointing DCC and its Service Providers has been adopted via parallel procurement, we would emphasise that there is therefore no need to commence large-scale rollout prior to DCC go live. We would also note that further assurance of timely delivery could be provided by allowing DCC to procure data services internally, since we consider that this would allow for a more expeditious appointment of the

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		DCC.
CH3 Q27.	Do you agree with the procurement objectives for DCC identified above?	EDF Energy generally agrees with the procurement objectives identified. However, we consider that our comments in relation to the overall procurement process raised in the response to Q26 continue to apply. We also do not support the term 'where relevant' in the objective around industry best practice as this should apply in all cases.
CH3 Q28.	Do you agree that DCC should be required to produce a procurement and contract management approach document?	It is sensible that the DCC produces a procurement and contract management approach document so that procurement best practice can apply at all times. However, there needs to be some form of control or audit to establish that all procurement activity, whatever the size of the contract, has followed the correct procurement approach transparently.
CH3 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.	The procurement and contract management approach document should be prepared by DCC and should be approved by Ofgem, not DECC. The document should also be reviewed by the SEC Panel if it is established in time.
CH3 Q30.	Is the scope of the proposed prohibition on discrimination, which is limited to undue discrimination between uses or classes of users, adequate?	The proposal is adequate subject to the requirement to deliver core services. However, when value-added services become available, DCC must respect the commercial confidentiality of those requesting such services.
CH3	Are any specific provisions needed which require DCC not to discriminate between service providers? Or is it sufficient to rely	While it is likely that the proposed obligations on DCC should be sufficient to prevent discrimination between service providers, it might also be prudent to include a specific obligation on DCC not to discriminate between Service Providers, in order to provide

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Q31.	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?	absolute certainty in this regard.
CH3 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?	EDF Energy agrees that where services are required to be procured externally, the Service Providers should be independent of the DCC. Where services are internally procured (see response to Q26), further consideration may need to be given to internal independence requirements (e.g., Chinese walls); however, clearly full independence (e.g., arms-length separation) would not be feasible in these instances. We agree that a de minimis level of affiliation between DCC and service providers should be permissible.
CH3 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?	DCC affiliation with the Data Services provider is permissible provided that: i) no third party can exercise control over the DCC's operations; and ii) 'regulated services' are not prevented from being transparent and auditable in accordance with the requirements for operating a regulated activity.
CH3 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	DCC affiliation with users is permissible provided that: i) no third party can exercise control over the DCC's operations; and ii) 'regulated services' are not prevented from being transparent and auditable in accordance with the requirements for operating a regulated activity.

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	should not be permitted to have any shareholdings in users or service providers?	
CH3 Q35.	Do you agree that it is not necessary to explicitly require business separation between DCC users and DCC service providers?	EDF Energy does not agree with this proposition, and believes that there should be business separation (for clarity, we interpret business separation as defined in [TBC]) between service providers and users (beyond de minimis association), in order to prevent a conflict of interest from arising.
CH3 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?	The DCC should be prohibited from using confidential information for any purpose other than the licensed DCC activity. However the existing provision for notifying police and security services should still apply. We consider it appropriate for DCC to impose a restriction on its service providers. This would be normal practice.
CH3 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?	EDF Energy considers that all of the existing ring fencing conditions currently applied to network operators should be applied to the DCC, with the exception of the requirement to maintain an investment grade credit rating. We consider that provision of financial security should be accepted in lieu of maintaining an interest grade credit rating. We consider that these conditions would serve to ensure that users of core services would not be required to cross-subsidise non-core functions, as well as ensuring that the assets of the DCC could not be sold piecemeal in the event of financial distress. We agree that all of the new conditions proposed by Ofgem in its recent consultation ("Review of the 'Ring Fence' Conditions in Network Operator Licence") should also be

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		applied to the DCC. We would note however, that several of the ring fencing conditions will need to be reviewed and calibrated so that they are applicable in the context of the DCC. For example, under the current proposals (with which we concur), DCC will not have an issuer credit rating; hence, alternative triggers for cash lock-up will need to be considered. See responses to Qs 40, 41 and 43 for further discussion.
CH3 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?	EDF Energy agrees that a flexible approach towards financial security might be appropriate in this instance, given the specific nature of the DCC. In particular, we agree that provision of financial security should be accepted in lieu of maintaining an investment grade credit rating. We consider that the offshore transmission approach referred to in the consultation is a useful precedent. We note that the amount of security in the case of offshore transmission operators must be no less than six months cash operating costs and asset replacement costs. A similar level of financial security might therefore be appropriate in the case of DCC. We would also draw attention to the restrictions on the form of the financial security that is permitted under the offshore transmission regime. We consider that the security would either need to be a cash-in-escrow account or a bond or letter of credit backed by an entity with a strong investment grade credit rating (e.g., A- from S&P).
CH3 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	EDF Energy considers that the circumstances under which the licence is revoked should be an important determinant of whether DCC should pay for the costs of transition to a new DCC. For example, where the licence is revoked as a direct result of a failure by DCC to meet its licence requirements, DCC should fund all costs associated with the transition to a new

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	should be reflected in the level of financial security required from DCC?	DCC. Where external factors are responsible for the revocation, there should be some level of cost sharing between DCC and its users based on the responsibility attributed to each party for the revocation. We consider that any obligation that could lead to a financial exposure on the part of DCC should be reflected in the level of required security; this should include the liability associated with transfer to a new DCC. To the extent that this and other exposures are perceived to be material by the capital markets, this will create a requirement for a greater financial buffer (potentially calling into question the workability of a strictly "thin" DCC).
CH3 Q40.	Are there any other conditions that you consider should be imposed in DCC's licence to ensure its continued financial viability?	EDF Energy considers that in light of i) the unique nature of the DCC and ii) the current proposals (with which we concur) to avoid requiring DCC to procure an investment grade credit rating, additional financial monitoring and reporting mechanisms will be required on top of those specified in the networks' licenses. These could include triggers related to cost overruns, major operational failures (e.g., failure of a service provider), breach of other licence conditions, breach of a contract by DCC or by Service Providers, or failure to meet mandated service levels. We also consider that careful consideration will need to be given to the calibration of the key financial restrictions and triggers imported from the networks' licenses, given the unique nature of the DCC. For example, further analysis is required to establish the level of restrictions on indebtedness. Furthermore, clarity will need to be provided as to the consequences of breaching particular thresholds. For example, separate triggers could be envisaged for i) mandatory provision of information to the SEC panel/Ofgem; ii) cash lock-up; iii) submission of a remedial plan; iv) triggering of a reopener (note: this is also discussed in the response to Q61); and v) Special

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		Administration. Clearly, the Special Administration Regime (SAR) would need to be triggered prior to breach of any financing covenants. More generally, there will need to clear provisions determining which parties would be charged with monitoring the above indicators, what information would need to be disclosed by DCC, and which parties would assume responsibility for taking corrective action. We acknowledge that the detailed specifications of some of these provisions could be set out in the SEC; however, the key provisions should, at a minimum, be referred to in the licence.
CH3 Q41.	Would it be appropriate for a special administration scheme to apply to DCC?	EDF Energy considers that it would be appropriate for a Special Administration Regime (SAR) to apply to DCC. We note that SARs are appropriate where: i) there are significant costs associated with service interruptions; ii) there is no feasible alternative service provider; iii) there are positive externalities (spill-over effects); and iv) there are economies of scale; We consider that all of the above apply to some extent in this instance. Where these apply, allowing creditors to foreclose/liquidate can destroy considerable value for other stakeholders. All of these conditions seem to apply in this instance, so we would support applying a SAR to DCC. This notwithstanding, all parties should be aware that imposing an SAR will most likely

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		increase the cost of finance for DCC, and this should be taken into account when forecasting required revenues. As discussed in the response to previous questions, further analysis is required to determine the level and type of the threshold that would trigger the imposition of an SAR (clearly, this would need to happen before a breach of a financing covenant).
CH3 Q42.	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?	EDF Energy considers that it will be essential for service providers to provide business continuity and disaster recovery plans, given the potential costs associated with service interruption. We therefore believe that DCC should be required to mandate the provision of tested and proven business continuity and disaster recovery plans in their contracts with services providers, to monitor these plans and, where necessary, take action to ensure business continuity. We would support a requirement for DCC to provide (in its SP contracts) for step-in rights in the event of a major SP failure that would allow for smooth transition of operations to a new service provider. This should also allow for DCC to have access to all required information about the SP's operations that would allow it to engage in a re-contracting exercise. In particular, with respect to the data services provider, we note that this will represent a single point of failure. As such, we would strongly recommend that DCC is required to put in place adequate protection of this service.
CH3 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	As discussed above, EDF Energy considers that DCC will need to have access to all information that it requires in order to monitor and where necessary act upon its service provider business continuity plans. This will inevitably involve mandatory periodic reporting (both from service providers to DCC, and from DCC to the SEC panel), as well as appropriately specified triggers for further action, including step-in rights (examples of such

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	failure of a major service provider? Please provide examples of any additional protections you consider suitable.	triggers are provided in those specified in the response to Q40). Hence, we consider that DCC should be required to ensure that these provisions are specified in their service provider contracts. However, we would draw attention to our observations regarding the implications of Government's procurement strategy on the ability of DCC to implement these provisions. We do not believe further protections or restrictions are required.
CH3 Q44.	Do you agree that it is appropriate to grant the initial DCC licence for a ten year period?	The licence period needs to provide sufficient flexibility for the incoming DCC (i.e. either the current incumbent or the successful replacement, depending on the outcome of the application process) to have control and accountability over the Service Provider procurement process. We consider that a ten year licence period seems reasonable, provided that the re-tendering exercise takes place sufficiently far in advance of the end of the contract to ensure that a seamless transition takes place. In particular, this would allow sufficient time for registration and data processing to be incorporated within the scope of the DCC. In addition, this will ensure any changes to service provider and metering technology can be incorporated.
CH3 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?	
CH3 Q46.	Do you agree with the approach described for the treatment of DCC internal costs for any extension period?	EDF Energy agrees that DCC applicants should submit cost forecasts covering any extension period. Any disputes due to unknown material changes should be referred to the governance panel for arbitration.
CH3 Q47.	Do you agree that DCC should be required to ensure that any critical services can be transferred to a successor?	For continuity purposes, EDF Energy agrees that the DCC should ensure that any critical services are passed over to a new DCC. We consider that this should be formalised in accordance with an agreed exit management/transitional plan with the governance panel. These arrangements need not apply to internally procured services and contracts (for

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		example, HR, legal, finance etc).
CH3 Q48.	What scope of matters governing the handover to a successor do you think need to be included in DCC's licence?	All those described in the Paragraph 3.167, as well as the following: • A successful conclusion to transition testing to ensure a fully operational platform is proven together with business continuity with pre-defined go – no go criteria. Any modifications in progress during the transition would need to be carefully managed or frozen (with the exception of any that the Authority wishes to fast track). • We believe that a compliance officer should declare any compliance issues or concerns to the new party. • There is a potential for the industry and the role of the DCC to be completely different in 2024. The DCC could in this period be concerned with Smart Grids, Electric vehicles, Green Deal, Ofgem's Smarter Markets initiatives, Settlements review, incumbent codes assimilation, new technology and innovation. These potential major changes need to be catered for and therefore there needs to be some flexibility in the governance. • We consider that DCC should be required to put in place provisions to limit or eliminate any foreseeable costs associated with transition (for example, TUPE), such that the successor is not deterred from assuming the role of the DCC.
CH3 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?	EDF Energy believes that the DCC licence should be capable of being revoked in the event of repeated or material failure. However, there needs to be caution as the reason for the failure needs to be fully understood and as such revocation should not be automatic under these circumstances. If the failures are down to inadequate service provider contracts then a new DCC is unlikely to be able to manage the contracts any better. Therefore the costs involved in the transition may not lead

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		to any material improvements. There is a question as to how a transition would be managed in the case of repeated or material failure to meet service levels. Clearly, where there is a breach of the relevant operating or financial early warning indicators, the Special Administration regime would be the logical transition mechanism. However, further consideration should be given as to the appropriate mechanism in the absence of such a breach. The process needs to be subject to review by the SEC performance sub group.
CH3 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?	EDF Energy strongly opposes imposing a licence condition in relation to supporting Foundation Stage rollout. We consider that large-scale Foundation Stage rollout (i.e. before the DCC is ready) would result in complex and expensive interim processes, and risk significant problems caused by poor design, non-interoperability, inadequate privacy and security provisions and poor customer experience. We fully support DECC's assertions that Suppliers who rollout smart meters early do so at their own commercial risk. We recognise that the DCC will need to undertake trialling, testing and accreditation of all systems and processes (potentially including metering systems) prior to go live. However, as these activities will be transitional, EDF Energy believes that the corresponding obligations on the DCC should be covered in subsidiary documents, and not in the licence.
CH3 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?	EDF Energy believes that the DCC licence should contain the requirement for the DCC to provide registrations services in the future, and to provide for this in its planning processes. We also believe that the DCC applicants should be required to provide indicative costs for provision of this service in the current application process (See question 59). We agree that the detail of the registration requirements have not yet been determined, but

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		at a high level, these must be adequately described. EDF Energy believes that this approach should also apply to Data Processing and Data Aggregation services, and also to Half Hourly settlement.
CH3 Q52.	Do you agree that conditions should be introduced in other licences providing the ability to release other licencees from the requirement to provide meter point/supplier registration services at some point in the future?	EDF Energy agrees that if the scope of the DCC is to include registration or other licensed services, then the equivalent services should be removed from other corresponding licences (distribution, and transportation) at the point when the DCC assumes responsibility. Otherwise the same obligation will be the responsibility of two parties.
CH3 Q53.	Do you agree that DCC and other relevant licencees should be subject to an obligation requiring the licencee to take steps to facilitate the transfer of meter point/supplier registration activities to DCC?	EDF Energy believes that registration services should be brought within the scope of the DCC as soon as possible. Ideally registration services should be included from the start of the DCC services. However, if registration services were not included from the start, we consider that the DCC and other relevant licencees will need to be obliged to facilitate this change in order to ensure it does happen.
CH3 Q54.	What dispute mechanism would be appropriate to apply to disputes involving DCC and who should be enabled to determine such disputes?	EDF Energy believes that a fair and transparent disputes process should exist between DCC and SEC Parties. The Authority should be able to make determinations binding, even to unlicensed parties, as we do not think that such a dispute could be appropriately arbitrated by an SEC disputes committee. Such a dispute could be of a sensitive nature and require demonstrable independence on the part of the arbiter. The DCC Licence should specifically determine mechanisms for dispute management when considering the transfer from one DCC to a successor.

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CH3 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?	EDF Energy notes that the proposed licence objectives for DCC include an obligation to promote or facilitate competition in the supply of gas and electricity. 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. In our view, it is not clear why there would need to be a separate and differently worded obligation regarding competition in shipping, generation and interconnection than that proposed for the supply of gas and electricity.
CH3 Q56.	Do you have views on the additional conditions discussed above?	EDF Energy consider that DCC should be subject to two additional general obligations: • DCC should not be permitted to cross-subsidise non-core services with revenues from core services; and • DCC should ensure that the operation and performance of core services is not in any way disrupted by the provision of non-core services.
CH3 Q57.	Are there any additional conditions that you would wish to see included?	EDF Energy considers that the licence should require the DCC to adhere to a benchmarking approach for its Service Providers, stipulated in advance by the governance panel. This will ensure that DCC follows a robust approach to scrutinising its Service Providers' cost and operating efficiency and performance.
CH3 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	It is appropriate in exceptional circumstances to allow the Secretary of State to make modifications to the DCC licence conditions. We feel that there is a need to be cautious about providing the DCC with open-ended support without reference to the SEC. No licence conditions should be introduced or modified by the Secretary of State without proper and full

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	licences for the purposes of implementing smart metering?	consultation and impact assessment.
Chapter 4: Revenue requirements		
CH4 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?	EDF Energy acknowledges that there may be practical difficulties associated with providing data on costs for undertaking meter point/supplier registration upfront. However, we would consider that provision of this data would be a useful preparatory exercise in and of itself, and hence would be in favour of requiring applicants to provide this data. A reopener could be included to allow these cost estimates to be updated at a later point in time.
CH4 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?	EDF Energy supports a pass-through approach to efficiently incurred internal costs associated with SEC modifications, providing that requirements are put in place that ensure full cost transparency. We believe that it falls within the remit of the SEC panel to oversee the costs and benefits of modifications, including internal costs incurred by DCC. Hence, the panel should be able to adequately monitor and scrutinise these costs. We do not believe that a rate card approach would be sufficiently granular to capture the variation in cost across potential modifications and may expose DCC to excessive levels of cost risk.
CH4 Q61.	Do you have a view on the appropriate materiality threshold (trigger) for the revenue reopener?	EDF Energy considers that any such threshold would need to be significantly above the baseline level. For example, we note that in the context of DPCR5, reopeners were only permitted once the relevant costs exceeded a 20% threshold (i.e., are 20% above baseline). Further considerations related to reopeners are discussed in the response to Q40.
CH4 Q62.	Do you consider that any other cost areas may require mechanisms to deal with uncertainty?	No. EDF Energy considers the existing mechanisms will adequately deal with uncertainty, and further mechanisms are likely to lead to unnecessary complexity and may provide scope for

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		gaming behaviour on the part of DCC.
CH4 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?	In our view, before considering the question of how market share should be measured, it is necessary to address two prior questions: Firstly (on the assumption that this question relates to the allocation of internal costs across users), there is a question of whether market share is an appropriate basis for recovery of internal costs. EDF Energy would emphasise that we do not support an allocation of internal costs by market share. We consider that these costs should be allocated on a consistent basis with communication services costs (namely, on a "cumulative forecast" basis - i.e., forecast rollout updated for actual numbers of smart meters rolled out to date), for the reasons set out in the response to Q68 below. Secondly, there is a question of whether internal costs should be recovered prior to DCC Go Live. As a matter of principle, we oppose any levying of DCC charges prior to Go Live. In our view, if DCC were to be permitted to levy any charges prior to go live, this would act as a disincentive to ensure that all required services and facilities are put in place in a timely manner. In light of our position on these two issues, we consider the question of how to measure market share to be moot.
CH4 Q64.	Do you have a view on whether suppliers of only larger non-domestic customers should be charged a proportion of DCC internal costs?	EDF Energy agrees with the statement made in Paragraph 4.28 that suppliers of larger non domestic customers may benefit from the DCC activities. Accordingly, in our view, suppliers of larger non domestic customers should contribute to the internal costs of the DCC, in direct proportion to the scale of benefits that are expected to accrue to them. We therefore propose that DCC internal costs should be apportioned across all user groups based on these groups' share of expected benefits. Recovery of internal costs from suppliers

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		of larger non domestic customers can then be facilitated either via a direct charge, or through a higher transactional charge.
CH4 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.	EDF Energy believes that Network operators should pay a fair share of DCC set up costs. At the same time, we are conscious that networks will need to recover the cost of services that they will provide to DCC. Hence, we consider that DCC could levy a "net" charge on networks (equivalent to networks' share of set up costs less the expected cost of network services to be provided for DCC).
CH4 Q66.	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.	EDF Energy agrees that the DCC should only be able to charge users for communication service providers cost from 'Go Live' as the DCC is not expected to incur any significant communications service provider costs prior to 'Go Live'. It will also incentivise the Service Providers to ensure full and effective operation at Go Live in compliance with the requirements and test specifications, and also to maximise their endeavours to meet the Go Live date.
CH4 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"? Please provide reasons why this is or is not appropriate.	For the reasons set out in response to Q68, EDF Energy does not believe that the data service providers should be treated differently to communication service providers.
CH4 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	EDF Energy considers the cumulative forecast approach to be an appropriate charging basis. However, we are concerned with the principles underpinning the proposed approach towards allocation of costs across users as set out in Paragraph 4.43. In particular, we do not consider that the choice of allocation method should be made based on the objective that

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	allocating costs during rollout be improved? If not, what is your preferred option and why?	"there should be no disincentive for suppliers to rollout smart meters early". We also consider that this principle is likely to be inconsistent with the other principles stated in this Paragraph. We are particularly concerned that the third proposed objective of cost-reflective charging is only proposed to be applicable 'to the extent practicable'. More generally, we do not consider that DCC charges are an appropriate instrument to influence the timing of the smart meter rollout. Rather, these charges should be targeted at allowing DCC to recover the costs it incurs in providing/procuring communications and data services for meters to the appropriate standard and technical specification, and in a manner that leads to fair and consistent treatment of users. We consider that the proposed objective that there should be no disincentive to rollout smart meters early represents a clear deviation from the primary objectives of DCC charging (to encourage efficiency and cost-reflective charging), as well as a clear deviation from the agreed principle that early rollout should occur at Suppliers' own commercial risk. We further note that this charging principle has not been discussed or agreed upon in the DCC working groups, despite considerable attention being paid to charging principles as a whole. With regard to communication service provider costs, we agree with the proposal to recover the costs based on cumulative forecast rollout. With regard to data service provider costs, we disagree with the proposal to recover these costs based on market share. We consider that the proposed approach is inconsistent with the charging principle of cost-reflectivity. In particular, market share approach will result in higher data costs per smart meter served by DCC for Suppliers who roll out later and lower data costs per smart meter served by DCC for Suppliers who roll out later.

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		In addition, we consider that this approach would be wholly inconsistent with the principle set out in Paragraph 4.38, in that recovery of data costs by market share would result in 'consumers [ultimately paying] for services they do not receive at the time of cost recovery'.
CH4 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)?	EDF Energy considers that DCC should be able to support a tolerance of +/- 10% in relation to the geographic rollout profile, without imposing higher per unit costs. DCC should also be required to demonstrate that additional costs were incurred as a direct result of any volume overrun (and not as a result of DCC's/Service Providers' own inefficiency) before any cost increases could be passed through to users. Provided that this condition is met, we consider that the additional costs (incurred beyond the tolerance band) should be allocated among Suppliers in proportion to the extent that each Supplier overshoots its forecast. If a Supplier meets its forecasts, we consider that it should not be penalised for any additional costs associated with other Suppliers' overrun. We agree with the proposal set out in Paragraph 4.50 that if a Supplier is able to use spare capacity resulting from another Supplier not meeting its target, the latter would not be charged for this capacity. We note that the Government may request Suppliers to provide regional rollout forecasts to facilitate the regional tendering of communications service provider contracts. Hence, variations against forecasts at the regional level may need to be considered.
CH4 Q70.	Do you agree that network operators should be charged in line with their market share?	EDF Energy does not agree that network operators should be charged in line with market share. We consider that network operator costs should be allocated on a consistent basis with communication service costs (namely, on a cumulative forecast basis), for the reasons set out in the response to Q68.

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Chapter 5: Charging methodology		
CH5 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?	Yes, provided that the standing charge was levied on WAN connections served by DCC only
CH5 Q72.	Do you agree that a proportion of service providers' fixed operating expenditure should be converted to volumetric charges?	No. EDF Energy considers that service providers' fixed operating expenditure should not be converted to volumetric charges. On the assumption that DCC has limited or no control over the structure of charges from its service providers, we consider that DCC volumetric charges should recover costs that relate to variable charges from its service providers; by contrast, DCC standing charges should recover costs that relate to fixed charges from its service providers. In other words, where DCC cannot exercise control over the structure of service provider charges, the underlying nature of the service provider costs are not relevant in setting DCC charges to users (i.e., only the service providers' charges to the DCC are relevant). We note that other users such as networks could utilise the DCC and its SPs more intensively in certain geographic areas, and hence we would expect these users to pay standing charges as their contribution towards DCC's / SP's fixed costs.
CH5 Q73.	Do you agree that the proposal for postage stamp charging is consistent with the objectives of the smart metering programme?	Yes. EDF Energy considers that the uniform charging proposal best meets the objectives of the smart metering programme, given the universal, nationwide nature of the programme. We agree that customers should not be penalised for the technological requirements to provide identical communications services. The principle of uniform, flat charging can only have the intended effect if the DCC has responsibility for undertaking all the necessary

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		activities to provide end-to-end communication services to Smart Metering Systems, regardless of location. This would include provision of additional infrastructure where the Comms Hub is located outside of the customer's premises. Further consideration of ensuring connectivity to difficult meter sites is provided in Annex 2 to our response.
CH5 Q74.	Should postage stamp charging apply to all users including network operators?	Yes; EDF Energy believes that the charging principles for network operators should be consistent with those applied to Suppliers.
CH5 Q75.	Do you agree with the proposed charging principles?	EDF Energy strongly disagrees with the proposed principle f) that charges should not disincentivise early rollout of smart meters. DCC charges are not an appropriate instrument for influencing Suppliers' commercial decisions regarding the timing of smart meter rollout. The charging principles should be focussed on allowing DCC to recover the costs it incurs in providing/procuring communications and data services for meters to the appropriate standard and technical specification, and in a manner that leads to fair and consistent treatment of users. We consider that principle f) represents a clear deviation from this objective. It also represents a clear deviation from the agreed principle that early rollout should occur at Suppliers' own commercial risk. We also consider that principle f) would discriminate against those Suppliers who will fully comply with the mandate, but are not able to implement early roll-out. We consider that large-scale Foundation Stage rollout (i.e., before the DCC is ready) would result in complex and expensive interim processes, and risk significant problems caused by poor design, non-interoperability, inadequate privacy and security provisions and poor customer experience. We fully support DECC's assertions that Suppliers who rollout smart

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		meters early do so at their own commercial risk. We consider that were principle f) to be implemented, it would likely lead to higher communications and data costs, as well as higher costs for the SMIP as a whole. For example, any cross-subsidisation of early rollout via DCC charges could reduce incentives on Suppliers to plan the timing of rollout in a manner that minimises costs (e.g., costs of migration to enduring communications arrangements). We further note that this charging objective has not been discussed or agreed upon in the DCC working groups, despite considerable attention being paid to charging principles as a whole. We agree with all other proposed charging principles. We consider that, among other applications, principle g) should apply to the provision of core and elective services, as indicated in Paragraph 5.43, such that core services do not cross-subsidise elective or value-added services.
CH5 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?	EDF Energy considers that promoting innovation does not constitute a core objective of the DCC. As such, if any such requirement is to be included, this should at a minimum be subject to value for money/commercial viability considerations. We further note that as a commercial entity, DCC will already have an incentive to innovate where this is expected to be commercially valuable. EDF Energy considers that DCC must provide a non-discriminatory service under its regulated licence obligations, and care must be taken to ensure that any additional services do not lead to a breach of its licence. DCC will operate in a monopoly role, and it must not exploit its dominant market position if any additional service can be provided by other parties.

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Q77.</td><td>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?</td><td>EDF Energy notes that the current proposal is for communication service provider costs to be allocated based on a cumulative forecast approach, whilst data service provider costs are to be allocated based on a market share approach. The current proposals are summarised below:

<table><tr><td></td><td>Timing of recovery</td><td>Allocation across users</td></tr><tr><td>DCC internal costs</td><td>From award of licence</td><td>Market share approach</td></tr><tr><td>DCC SP - Comms</td><td>From Go-Live</td><td>Cumulative forecast approach</td></tr><tr><td>DCC SP - Data</td><td>From Go-Live</td><td>Market share approach</td></tr></table>
As stated in the response to Q68, we consider that all service provider costs (both communications and data) should be based on a cumulative forecast approach. In our view, DCC internal costs should also be allocated on this basis from DCC Go Live.</td></tr>
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Q78.</td><td>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</td><td>EDF Energy agrees with the proposals, and considers that a similar approach should be adopted for other elective and value added services.</td></tr>
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	user accepting the service?	
CH5 Q79.	Do you agree that ‘‘a second comer principle” can be applied?	EDF Energy agrees that the “second comer” principle can be applied.
Chapter 6: Core services – WAN requirements		
CH6 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 this message flows in the aggregate Minimum Core Service Requirements.	It has been assumed there will be 48 half hourly reads in one message flow. Any reduction to the Minimum Core requirements may impact the future supplier service level to consumers. We believe a number of the Minimum Core requirements could be reduced without seriously impacting the current business model e.g. • Electricity Scheduled (6 per day to 1) • Electricity (Demand) – 1 per year with 10 sec response.
CH6 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.	Using Target service requirements for electricity and gas scheduled meter readings will provide more accurate data for billing and other data related services. Additionally, for Electricity (Demand) reads it will provide improved consumer response times and assist customer experience. With regards to Remote Dis/enablement (Demand) a faster control response time will greatly reduce potential safety risks. . The ability for users to interrogate the meter remotely and on demand (e.g. the ability to identify faults or resolve queries) would also benefit the consumer experience. In additional,

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		real time pricing could be made more dynamic, more accurate and more competitive.

CH6
 	
Q82.
	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.	Table 6.3 frequency column is assumed to be per year and not per day. It would have been better if Table 6.3 was set out for frequency for different time periods e.g. 2014 – 2016, 2017 -2019.
		
		EDF Energy suggests the minimum core requirements should reflect the following changes:
		
		• IHD s/w Upgrade (2 per year to 12)
		• Battery Status (365 per year to 12)
		• Diagnosis – routine (6 per year to 4)
		• FIT - Demand (52 per year to 12)
		• FIT Scheduled (52 per year to 12)
		• Gas CV demand (12 per year to 4)
		• Gas CV scheduled (365 per year to 4) – This flow does not add any value as it is retrospective
		• Leak alarm (365 per year to 52)
		• PAYG: Remote Top up Payment (365 per year to 104)
		  - Is this 30% of our portfolio or just p/p customers?
		• PAYG: Remote Config of non disc periods (6 per year to 2)
		  - Is this 30% of our portfolio or just p/p customers?
		• PAYG: REMOTE Config of settings – scheduled (4 per year to 2)
		  - Is this 30% of our portfolio or just p/p customers?
		• PAYG: REMOTE Config of settings – scheduled (36 per year to 24)
		  - Is this 30% of our portfolio or just p/p customers?
		• Tamper Alarm triggered (365 per year to 52)
		• Tariff Update 100 per year to 4 (quarterly)

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Chapter 7: Performance incentives		
CH7 Q83.	Please provide comments on the incentive regime proposed for DCC.	EDF Energy agrees in principle with the proposed incentive regime outlined in the consultation. In particular, we agree that it is appropriate to structure incentives around the three groups of KPIs set out in Paragraph 7. However, further detail would be required about the specific KPIs and incentives in order to adopt a position on the finalised regime. It is clear that further definition will be necessary as the DCC functionality develops, and consideration should be given to the appropriate reporting mechanism to ensure that trends and alerts can be used to trigger corrective action. EDF Energy takes the view that anticipation and early recovery is essential to successful operation of the DCC and its Service providers and best practice should be adopted as part of operating 'Critical National Infrastructure. Clearly, we will also expect further clarity to be provided regarding the exact parameters of the incentive regime that is to be applied.
CH7 Q84.	Do you consider it appropriate and feasible for the SEC panel and DCC to negotiate KPI targets?	EDF Energy considers that the feasibility/appropriateness of negotiation between DCC and the SEC panel regarding KPI targets will depend on the composition of the panel. Provided that the SEC panel is appropriately structured, we consider that it would be feasible for the panel and DCC to negotiate KPI targets. With regard to the specific composition of the panel, EDF Energy recognise that the SEC will be the first dual fuel industry code and will involve a wide group stakeholders. The SEC Panel, once convened, must be led by a strong independent chairman who requires the authority, gravitas and the experience of running meetings at this level. Industry experience

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		does not need to be a pre-requisite for the right chairman. EDF Energy considers that the Panel should be made up from representatives of all licensed and un-licensed users including a representative from the Consumer Advisory Group. It is important that SEC only covers the domestic and small SME market and that I&C representation is out of scope. Members should be considered as either voting or non-voting (observers). We suggest the following representation: **Voting** — **Reason** ERA's 6 Suppliers — Suppliers are responsible for and leading the domestic roll out of Smart Meters Networks rep (Gas & Electric) — Single representative from the networks constituency providing single vote Small Suppliers — Single representative from the Small Suppliers constituency providing single vote Energy Services Company — Single representative from the Energy Services Providers constituency providing single vote Consumer Representative — Single representative from the Consumer Advisory Group constituency providing single vote Chairman — Casting vote only

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		Non Voting — **Reason** Ofgem — Appoints chair DCC — Interested Party DECC — Interested Party Ofcom — Interested Party Sub Group Chairs — For reporting and advisory, as determined by the Chairman's Agenda SEC Secretariat — For reporting and advisory, as determined by the Chairman's Agenda Existing Governance Body Chairs — For reporting and advisory, as determined by the Chairman's Agenda Trade/Industry Organisations — Attendance and contributions by Chairman's invite.
CH7 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?	EDF Energy agrees that the Authority ought to have the freedom to commission an independent audit of DCC performance against its licence obligations. We consider that such an audit should be carried out on a regular basis, in order to ensure continuous compliance by DCC with its obligations.

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CH7 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?	Yes. EDF Energy considers that a sharing mechanism consistent with that proposed in Paragraph 7.28 (i.e., with users) would be appropriate. Furthermore, any such sharing mechanism should be included in service provider contracts, as long as this requirement does not present difficulties for the DCC (or DECC) in tendering these contracts. We note that there is a question as to whether DCC would be able to impose particular incentive mechanisms upon its service providers (particularly in conjunction with other potential restrictions on service providers that are proposed, e.g. in Paragraph 5.19).
CH7 Q87.	Do you consider that it is appropriate to invite DCC licence applicants to propose KPIs?	EDF Energy considers that it is appropriate to invite DCC licence applications to propose KPIs. However, any proposals submitted should, at a minimum, be subject to an independent review and assessment by Ofgem.
Chapter 8: Adoption of Foundation Stage communication contracts		
CH8 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 criterion be defined and, if so, how?	EDF Energy considers that the criteria that have been proposed in Paragraphs 8.8 and 8.9 are broadly appropriate, but require some further clarification. In particular, we consider the following refinement to the proposed criteria is required (identified in bold below): • the number of communication contracts should be of sufficient scale to warrant adoption; • the communication contract should be proven to work operationally with compliant meters and DCC service requirements and standards (in particular, all of the SMSs adopted must be compliant with the latest technical specifications) • the communications contract should be proven to be deliverable **without resulting**

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		in any additional costs being incurred that are not matched by additional benefits achieved; and • the communications contract should be equal to, or less in value than the equivalent DCC Comm's contract, including: of price, incentives, duration and a positive service provider and user relationship, or • the communication contract should be commercially acceptable in terms of a business case which should demonstrate a positive NPV over the duration of the period during which it will be in effect. In addition, we consider that the following two further criteria are essential in order to protect customers from cost escalation: • that in order to qualify for adoption, it must be demonstrated that adoption of the contract improves the overall benefits case set out in the Impact Assessment; and • that contracts must be adopted on a non-discriminatory basis (for example, adoption should not lead to a cross-subsidy between Suppliers, even where this improves the overall benefits case). Defining quantitative thresholds may not be appropriate in the absence of robust ranges for potential Foundation and Enduring Stage communications contract costs; however, the threshold could, for example, be set by reference to the average quoted price for comparable Enduring Stage contracts, as at Go-Live. This approach would link prices for adopted Foundation Stage contracts to the price of comparable Enduring Stage contracts, whilst allowing for a degree of flexibility around what would constitute a "reasonable" price for such contracts.
CH8	Do you agree with our approach to identifying the guaranteed adoption volume of Foundation Stage smart	We agree that Table 8.1 sets out a number of relevant costs and benefits of Foundation Stage rollout. We note there are a greater number of factors that will decrease the

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Q89.	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?	guaranteed adoption volume than will increase it. We agree that there is significant continued uncertainty around all parameters needed to determine the appropriate adoption volume. We also agree that Government will have the opportunity to determine the final guaranteed adoption volume once information on the impact of the enduring DCC Service Providers becomes available. Hence, we consider that there are significant risks associated with setting the initial adoption volume too high, particularly given that the initial adoption volume will not be subsequently decreased, and is therefore a guaranteed minimum volume. We note that the central scenario from the Impact Assessment assumes four million SMSs will need installing or replacing during the Foundation Stage. We also note that Government has assumed that 50% of SMSs installed prior to the technical specification will not be compliant. We also consider that it is very unlikely that all the compliant SMSs that will be installed during the Foundation Stage will, taken on an individual basis, improve the overall net present value of the programme and hence qualify for adoption. Therefore, we consider that the initial guaranteed adoption volume (that will be set before uncertainty around the key parameters can be resolved) should be based upon 50% of the four million SMSs expected to be rolled out during the Foundation Stage – namely, two million SMSs. In addition, we would only support a initial guaranteed adoption volume of two million SMSs subject to the following conditions being met: • DCC shall make available a beta testing environment into which Foundation Stage installations can be undertaken, in accordance with the Government's test strategy;

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		• For all Foundation Stage SMSs, Suppliers must be able to provide an alternative arrangement in the event that DCC testing environment fails; • All Foundation Stage SMSs must be fully compliant with the minimum requirements; • All of the SMSs must meet the criteria outlined in our response to Q88 above; and • Suppliers have confirmed their overall readiness to undertake the required rollout volumes in the controlled market start-up phase. If the initial guaranteed adoption volume is subsequently found to have been set below that which should be adopted (i.e. which would improve the overall benefits case on a non-discriminatory basis), then the DCC will have the discretion to adopt a greater volume (see response to Q90). However, if the initial guaranteed volume is set too high, the DCC will be compelled to adopt SMSs that either worsen the overall benefits case and/or are discriminatory between users of the DCC. Consumers will ultimately bear these costs through higher DCC charges levied on Suppliers and other users.
CH8 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	We 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 and can be adopted on a non-discriminatory basis. We consider that there should be no further obligations placed on the DCC beyond the initial adoption requirement. Any further requirements may lead to a deviation from the optimal level of adoption

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	contracts and what factors should DCC take into account in making its assessments? Should we specifically provide for suppliers to compensate directly DCC for any costs incurred by DCC or its service providers in the adoption of additional contracts?	volumes. We consider that DCC will be best placed to assess the overall benefits case for adoption beyond the initial requirement. We agree that provision should be made for Suppliers to compensate DCC directly for any costs incurred by DCC or its service providers in the adoption of additional contracts. We consider that such costs are likely to be partly or entirely within the control of the Suppliers that initiate the contract(s), and hence a recharging mechanism would place appropriate incentives on Suppliers to control these costs (a "polluter pays" approach).
CH8 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?	EDF Energy considers that Option 3 – on the basis of market share within each region – is the most appropriate option, as this provides the most transparent and non-discriminatory approach to adoption allocations. We also agree with the observation in Paragraph 8.29 that this option would provide certainty to Suppliers and allow them to manage and plan their rollout in an efficient manner. We consider that unused allocations should be transferable, but that Suppliers should be able to negotiate compensation for unused allocations. In our view, this will allow for efficient redistribution of slots, whilst also incentivising Suppliers to adhere to their own rollout projections (thereby providing certainty to DCC and its service providers). For a discussion of timing of adoption, please see our Response to Question 92.
CH8 Q92.	Do you have views as to when Foundation Stage communication contracts should be adopted?	DCC will be best placed to make a commercial judgement regarding the timing of Foundation Stage contract adoption that will lead to an optimal balance between costs and benefits, although we consider that the SEC panel should be charged with monitoring this process (DCC should report regularly to SEC on progress). We consider that any constraints placed on DCC with regard to timing would need to be supported by evidence that the operational costs of these constraints are likely to be

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		outweighed by the benefits. Clearly, all SMSs covered by the adopted contracts would need to meet the aforementioned criteria irrespective of when they are adopted.
Chapter 9: Competitive licence application process		
CH9 Q93.	Do you agree that a four stage process as outlined in paragraph 9.10 is appropriate for appointment of DCC?	See response to Qs 97-100.
CH9 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?	As discussed in the response to Qs 37-39, EDF Energy considers that the successful applicant should be permitted to submit a financial security in lieu of an investment grade credit rating as a precondition for appointment to the DCC. We therefore consider that the applicant should, as part of the ITA process, be required to commit to either lodging a financial security or procuring an investment grade credit rating from an appropriate rating agency (at the applicant's discretion), in the event that the applicant's bid is successful. This would most logically take place within Part 2 of the process. We would draw attention to the restrictions on the form of the financial security proposed in the response to Q38. We view the above as being consistent with the proposal set out in Paragraph 9.33 that applicants should be required to demonstrate financial standing, including the financial requirements imposed on DCC under its licence. The aim of this requirement should be to provide Government with confidence that the bidder has adequate financial resources available to undertake the role of the DCC.

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CH9 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?	Regardless of the nature of the bidder, all bidders will need to present a single entity that will carry out the operations of the DCC within the regulatory ring-fence under the proposed business plan. We would be concerned if a Key Consortium Member (defined as a company with considerable influence and financial commitment to the Consortium) were to change, and would, at a minimum, require that the bidder's application should be reviewed from the pre-qualification stage to ensure it is still fully meets all criteria.
CH9 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?	EDF Energy supports the proposal to have one overarching confidentiality agreement signed by all members of the consortia which ensures they are individually liable for any breach.
CH9 Q97.	Do you have any comments on the approach to clarifications and dialogue with prospective applicants?	EDF Energy considers that the proposed approach is "robust" in the sense that it forms an adequate basis for a competitive bidding process, providing that i) the tender is "bankable" from the perspective of prospective bidders; and ii) that a broad and varied selection of entities might reasonably be expected to submit a bid. We note in this regard that the OFTO process was designed for a tender process covering assets with a value in excess of £1bn, and hence is likely to comprehensively cover all key contingencies.
CH9 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?	
CH9 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	

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	made available to applicants?	
CH9 Q100.	Do you agree with the proposed approach to the Invitation to Apply stage including the timescales, the assessment criteria and their weightings?	
CH9 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?	EDF Energy considers that it will be important to acknowledge the possibility that few or no bidders will either i) meet all of the criteria applied at each stage of the process; or ii) submit bids at all. We would expect Government to exercise its judgement when implementing the proposed process to assess whether all stages of the process are actually required and will allow bidders to reach the final stage. Ultimately, given the considerations set out in the response to Q97-100, we would favour a pragmatic approach that allows for an expeditious appointment of the DCC, over a prescriptive approach that risks alienating prospective bidders (providing that certain baseline criteria are met – including adequacy of financial resources).
CH9 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?	EDF Energy supports the proposed approach.
CH9 Q103.	Are there any other specific issues that you think should be considered before grant of the licence?	Government should be prepared for tentative responses from prospective applicants regarding their acceptance of particular incentivisation schemes, given the likely uncertainty on the part of applicants in relation to exposure under the SP contracts. It is highly likely that the responses will be subject to the completion of a due diligence process.

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		We also consider that prospective applicants should be requested to provide contingency plans, for example in relation to operational failure by a service provider or subcontractor. We would also like Government to confirm that the prospective applicant is committed to delivering the required scope of services within the specified timescales (in particular, in order to ensure that DCC services go live on schedule).
CH9 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?	EDF Energy considers that the imposition of a separate fast-track process is both unnecessary and cumbersome. The Special Administration Regime is the logical vehicle for managing transition in the event that the DCC loses its licence. The Special Administrator will be charged with both managing the transitional operations and facilitating transfer to a new permanent entity. Appointing a temporary DCC would simply (and inefficiently) duplicate this mechanism, and generate confusion regarding whether the SAR or fast-track regimes would apply in the event of a licence revocation.