



Smart Metering Implementation Programme - Regulation
Department of Energy & Climate Change
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29th November 2013

ICoSS Response regarding the 2nd Tranche of the legal text for the Smart Energy Code

The Industrial and Commercial Shippers and Suppliers (ICoSS) group represents all the major non-domestic industrial and commercial (I&C) suppliers in the GB energy market, supplying 70% of the gas needs of the non-domestic sector; a number of our members also supply electricity to their customers¹.

We are responding to provide our views on certain aspects on the Smart Energy Code as currently drafted, including comments on new sections of the code, as well as comments on previously published sections (tranche 1) which are now pertinent in light of development since the initial consultation.

Non-domestic parties in the Smart Energy Code

Government statistics using data gathered from larger suppliers estimate that there are over 500,000 AMR devices in the market². We believe this to be a significant under-estimation considering the majority of the gas market (and a significant proportion of the power market) is supplied by independent suppliers that have been actively rolling out AMR meters for a number of years and are not focusing on a Smart Meter solution. The majority of independent non-domestic suppliers will therefore, at least in the period up to 2020, have meter portfolios made up mainly of AMR devices, with Smart Meters being a distinct minority. In such circumstances these suppliers are likely to opt-out of using the DCC services. Such suppliers will therefore only have a transient interaction with the DCC or a very small Smart Metering portfolio with only occasional interaction with the central system.

Despite this minimal involvement with the DCC, the licence is very clear that all suppliers of relevant premises (irrespective of its metering status) must be a party to the Smart Energy

¹ Current Membership: Corona Energy, ENI, First Utility (associate), Hudson Energy (associate), Gazprom Energy, GDF Suez Energy UK, Statoil UK, Total Gas & Power, Wingas UK.

² Statistical release: Smart meters, Great Britain, quarter 2 2013

Code.³ Even supplier organisations that specifically supply very large businesses are likely to have at least one such premises (though that is likely to be using an AMR meter) in their portfolio that meets the criteria. Current licence requirements mean therefore that a number of suppliers are required to be a party with the Smart Energy Code and be bound by its provisions, even if they will never use the DCC's services.

Now that the SEC has been formally designated, it is clear that the current drafting does not adequately cater for this type of supply business with a number of significant negative impacts on suppliers who fit in this category, which are set out below.

User Entry

We appreciate that the DCC will not be aware of each organisation's strategy and that provision must be made to allow such organisations to use its services, but there is no flexibility in how or when a supplier can initiate the entry process and so the SEC current requires that all suppliers must go through this process at accession.

With that in mind, little detail has been provided on what is expected to demonstrate full accreditation, but no provision seems to have been made for organisations that will have (and wish to have) limited or no engagement with the DCC. It seems unnecessary that suppliers will be required to implement and maintain full capability to communicate with the DCC for limited purposes and it represents an additional cost for both the DCC and the supplier. Consideration must therefore be given to what a suitable level of engagement should be, that avoids the inefficiencies the current process requires.

Default Processes

Section M8.1 (a) states that an "Event of Default" shall have occurred if *"(a) the Defaulting Party has not, during any period of six consecutive months, taken any or all of an Enrolment Service, a Core Communication Service or a Local Command Service, and/or made a request for a formal offer for a proposed Elective Communication Service"*. In light of the information provided above it is very likely that some active non-domestic suppliers will not use the DCC for such services for a considerable a period of time and so will consistently go into Default. The use of the word Default in this context is misleading as the organisations are not obliged to use the DCC

³ SLC42.1 (Gas)/SLC 48.1 (Electricity): The licensee must: (a) by no later than the Commencement Date, be a party to the Smart Energy Code; and (b) thereafter remain a party to and comply with the Smart Energy Code.

Commencement Date means "... (b) the date on which the licensee first starts to supply gas/electricity to any Domestic Premises or Designated Premises..."

services, but are obliged by their licence to be a party to the SEC; they are not failing in their obligations. It is also a very emotive word and may cause concern inside supplier organisations if they are consistently being placed in Default for no real reason.

We appreciate that Default does not necessarily mean expulsion but it seems laborious and inefficient for the Panel to be constantly ruling on such technical Defaults and so consideration must be given to a light-touch process and possible deferred entry for such suppliers who are compelled to sign the SEC, but who will have little or no interaction with the DCC

Security issues

ICoSS agrees that the Smart Energy Code needs to lay out the requirements of the Gas and Electricity Supplier licences regarding security arrangements, in particular the need for suppliers to have processes complying with ISO27001:2005

As currently drafted however Section G of the Smart Energy Code goes much further than the current licence condition and several new obligations have been inserted. One such new obligation includes the requirement to vet all staff, who are have *"access to resources, or Data held, on its User Systems and which are capable of Compromising the DCC Total System, any User Systems, any RDP Systems or any Device"*⁴ to BS 7858:2012. This obligation effectively requires all staff that have any access to any registration data to be vetted, even if it is not connected to a Smart Meter system or the DCC and is only handling RDP data (i.e information held by Elexon, MRA or Xoserve).

Other new standards are a requirement to implement a risk management system in accordance with ISO27005:2011, and an incident management system in accordance with ISO27035:2011. In addition there is a requirement to include the requirement to develop a User Data Retention Policy and an Information Security Management System.

It is not clear why such standards are considered necessary in the Smart Energy Code, but not in the Supplier license and why such onerous provisions are now being placed effectively upon all activities undertaken by non-domestic energy suppliers. In the case of BS 7858: 2012, significant retrospective vetting of staff will be required. In some cases they may have been accessing current RDP systems since privatisation despite not having any concerns over their past behaviour. Such retroactive vetting, may have a significant impact on the morale of such employees and will be very disruptive.

⁴ G4.1

In addition to being potentially disruptive to all aspects of current activities, the cost of such obligations is relatively fixed, irrespective of the size of a company's customer portfolio. Such costs will therefore be a disproportionate burden on smaller suppliers and for those organisations with a handful of smaller non-domestic customers this will make active interaction with Smart Meter customers less attractive.

It is also difficult to understand the need for such stringent obligations outside of interaction with the DCC, considering the limited impact non-domestic suppliers can have on smart metering systems. Specifically in the non-domestic gas market there is no mandatory provision for remote disconnection or load limiting and so the risk of unintended remote disconnection does not exist. The main threat seems to be data theft which will have limited consequences for non-domestic customers. It is notable that the non-domestic market has had AMR devices in place for many years and no substantial concerns regarding misuse of data has been raised.

In summary the provisions as currently drafted do not seem to be proportionate to the needs of the customer or the market and will load significant cost onto customers and suppliers; ultimately damage the competitiveness of the market.

Charging timescales

It is important that Suppliers are expected to pay promptly for use of the DCC. In the case of non-domestic suppliers the charges may be negligible and the bank charges to undertake the transaction may exceed the actual amount due. It therefore seems appropriate that some form of minimum payment requirement is incorporated, or any ability to group payments for small amounts is allowed.

Change Board Representation

Non-domestic suppliers will be obliged to sign up to the Smart Energy Code as currently drafted and so will expect representation on the Change Board. The small supplier category represents a broad range of suppliers (from small domestic to large I&C only suppliers) and no one body represents their interests. It therefore seems necessary for the secretariat to have a formal role in determining who sits in this group, with an annual election process, as anticipated for the board members.

Summary and Next Steps

In summary we have concerns over the impact that the Smart Energy Code, as currently drafted, will have on independent non-domestic suppliers. The drafting is focused on those organisations that will have a consistent engagement with the DCC and who will be using its



services for a significant Smart Portfolio. It therefore in practice does not seem to deliver for non-domestic suppliers the proportionate and flexible approach that we believe the Government intends, as stated in previous government consultations regarding the Smart Energy Code⁵.

As a next step, the following needs to be developed and explicitly incorporated into the Smart Energy Code:

- Security requirements that are truly proportionate to the risks presented by AMR focused non-domestic suppliers. In particular the sheer number of standards and their reach into business activities peripheral to Smart Metering needs to be reconsidered and scaled down.
- A mechanism that allows Users to accede to the Smart Energy Code, but not be required to undertake full accession and system entry for processes that may never be used.
- Development of the process that allows non-Users to de-appoint smart meters.
- Recognition under the default regime that some licence holders will have limited or no engagement with the DCC.
- A charging regime that allows minor payments to be aggregated.

Without these changes we see significant negative impacts on the energy markets due to the Smart Energy Code as it place unnecessary burdens on those who will have a peripheral involvement in the DCC in the short- to medium term and who represent the only significant source of competition to the larger suppliers in the energy markets.

It may take some time for the above changes to be implemented and it has only recently become apparent that all suppliers will now be compelled to engage with the DCC, so there is merit in a limited deferment of accession by smaller and/or non-domestic suppliers. As the Smart Energy Code is currently initialising there will be little direct impact on the Smart Metering programme and such deferment will allow the full impact of the proposed changes to be assessed and addressed by both Government and non-domestic suppliers.

Please feel free to contact me if you wish to discuss this in any further detail.

Yours sincerely

⁵ Smart Metering Implementation Programme: Stage 1 of the Smart Energy Code – a Government response and a consultation on draft legal text, November 8 2013.

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