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Smart Metering Implementation Programme - Regulation
Department of Energy & Climate Change
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26th August 2014

Dear Sir / Madam,

British Gas response to DECC's consultation on "New Smart Energy Code Content (Stage4) and consequential / associated changes to licence conditions"

Thank you for the opportunity to respond to DECC's above consultation.

We are in broad agreement with the proposals set out in this consultation but have highlight a small number of concerns which we would be happy to discuss with you further. Most notably, we believe further clarity, thinking, or leadership is needed in the following areas:

1) The timing of the Enrolment & Adoption process

The trigger for the DCC to start their enrolment appraisal project will be a direction from the Secretary of State. This will not occur until the associated text – consulted on here – goes live in SEC. However, there is no need to wait for that trigger before starting work in this critical area.

There is no element of uncertainty here: SMETS 1 enrolment will happen. So DCC can start work on this right now. This 'looking ahead' is exactly how DCC has operated with regard to all other elements of SEC and we see no reason for Enrolment and Adoption to be different. Starting work now will de-risk future ability to deliver. Furthermore, we believe that DECC can and should give DCC the comfort reassurance that the cost of any such work can be recovered via the existing regulatory framework as allowable Internal or External Costs.

2) Adding flexibility to the Communications Hub returns process

Over time, it has become clear that removed communication hubs must all be returned to the DCC, irrespective of whether or not they are faulty. This eliminates any potential efficiency gains achieved by the supplier re-using a communications hub removed for reasons other than fault.

It is our current understanding that there is no technical impediment to the re-use of a communications hub at other premises; and we believe there has been very little opportunity to discuss the commercial reasons behind this policy. We would appreciate further discussion with DECC and DCC on this important matter, as we consider that the process as proposed is wasteful, and severely limits our ability to control our own triage costs.

3) Dealing with uncertainty in the forecasting and ordering of Communication Hubs

All parties will be participating in the forecasting and ordering process for the first time, all at once. Accuracy of forecasts will depend entirely on rollout activity proceeding as expected. Therefore, it must be expected that all parties will be subject to a learning curve in the initial months of rollout. Whilst we understand the regime as proposed in the current drafting, we would urge that initial provisions are kept to a minimum to allow the flexibility that will be required in making incremental improvements to the process.

4) Rethinking the smearing of communications hub stranding costs after non-domestic opt-out

A non-domestic supplier installing to the DCC should not expect to pick up costs directly related to the commercial decisions of its competitors. The unrecovered cost of an opted-out DCC communications hub is a fixed cost to DCC and should be treated as such, i.e. added to its fixed cost based and periodically smeared across *all* DCC users. This will also be a simpler accounting procedure for the DCC.

5) Optimising security definitions and processes

a. Device replacement for failure to regenerate keys

This measure is disproportionate to the level of security risk it presents. Replacing a device within a seven-day window has significant operational and cost implications but, most importantly, it impacts the customer as well as the supplier. Visiting premises at such short notice for reasons our operatives will find difficult to explain and customers are likely not to understand has the potential to undermine confidence in our equipment as well as the overall programme.

b. User System definition including Self Service Interface (SSI) interactions

Recent clarity in the functionality of the SSI has left the definition of User System as previously drafted out-of-date. We propose a key amendment to the definition in our response below.

c. Security Sub-Committee

We believe the composition of the Security Sub-Committee should be amended to reflect the additional number of Large Supplier parties in existence.

Our detailed responses to DECC's questions are attached in Appendix 1. Please do not hesitate to contact me or if you require any further detail on our response.

Yours sincerely

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Question 1. Do you agree with the requirement for the DCC to consult SEC Parties on future tranches of Communications Hubs procurement?

1.1 Yes.

Question 2. Do you agree with the proposed approach to allow SEC Parties (which will include MOPs) to forecast, order, take delivery and return uninstalled Communications Hubs?

- 2.1. Yes, we can see the benefit in allowing SEC Parties, rather than just Suppliers, to be able to procure Communication Hubs.
 - 2.2. However, we would also want there to be some checks and balances within the DCC ordering process to ensure that the number of Communication Hubs being ordered by non-supplier SEC Parties is aligned to general rollout profile submissions. This will help to ensure that Communication Hubs are being ordered efficiently in order to support the demands of Supplier rollouts in general and ensure that Communication Hubs are not being stockpiled unnecessarily.
 - 2.3. We would therefore also be supportive of a process that saw non-Supplier SEC Parties also providing the DCC information as to which Suppliers they intend to install Communication Hubs on behalf of and the associated profile of installation (as accurate as can be reasonably expected at that time).
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Question 3. Do you agree with the proposed approach and legal drafting in relation to the development of the Communications Hub Support Materials?

- 3.1. Yes.
- 3.2. However, we do have a general concern that the CHSM documents are being produced as operational / technical documents but will ultimately need to be prepared in such a way that they are suitable for inclusion into the Code. In order to mitigate this concern we believe it would be prudent to consider this for all future draft versions of the document rather than leaving this until their completion. This lack of forward planning has caused issues with other documents already.

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- 3.3. We are also mindful that as SEC Subsidiary documents, intended to support implementation and ongoing management of Communication Hubs, early draft versions have contained obligations on Users that go beyond the scope of what we would expect to appear in supporting documentation. If additional obligations are required, over and above those already drafted in the SEC, then these need to be identified separately and put forward as proposed future SEC content.

Question 4. Do you agree with the proposed approach and legal drafting in relation to forecasting of Communications Hubs?

- 4.1 Yes, we are in general agreement with the proposed approach and legal text in relation to the forecasting of Communication Hubs.
- 4.2 However, we do have concerns over the requirements to forecast HAN variant Communication Hubs. Whilst we agree that the DCC needs to know the split by Communication Hub type for the manufacturer and ordering processes, today, we know very little about the type of HAN variant Communication Hubs that will be available. For example, whether we will move to a dual band Communications Hub as standard (rather than the current CHTS specified initial 2.4Ghz Communication Hub) is as yet unknown. Likewise the solution for alternative HAN and Multi Dwelling Units is still to be fully defined, along with the cost and function of such Communication Hubs.
- 4.3 We therefore suggest that the requirement for forecasting / ordering HAN variants does not form part of the SEC at this stage. Instead, the policy decisions and drafting proposed could remain as the intended way forward but implemented as part of SEC4. An acceptable alternative to this would be for the text to be part of SEC4 implementation but subject to further Transitional governance through Section X of the Code. This should allow the HAN Variant elements to be switched on at a later date or amended, prior to being switched on, if necessary.
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Question 5. Do you agree that forecasts that are submitted from the tenth month before a delivery month should include the numbers of Device Models to be delivered in that month in each region, and these should be subject to the specified tolerance thresholds outlined?

- 5.1. No. As mentioned above, it is not possible for us to endorse such a regime for forecast and ordering at a device level when so little is currently known about the future of HAN Variants. Until such time as we have greater certainty on the HAN Variant Communication Hubs that will become available we do not support text being live within the SEC.
- 5.2. When we do have HAN variants, or at least clarity on what will be available and when it might be available, we would not expect our ten month forecast to be at device level if we are then obliged to order within a set tolerance. Any submission at this stage of device models would be on a reasonable endeavours basis in terms of accuracy.
- 5.3. The DCC will have good intelligence on the number of each device type that will be required in each region. For example, they will determine the WAN variant demand and, from using industry intelligence on installation scenarios, Suppliers and the DCC will be able to estimate the split between each HAN Variant type. Unless a Supplier declares that they are targeting a particular type of HAN Variant ahead of another, these splits should be sufficient to inform the forecast process for the DCC and its service providers.
- 5.4. For WAN Variants, we might be able to forecast with sufficient accuracy at ten months prior to delivery. However, this will be largely based on information provided to us by the DCC (CSPs) through the coverage checker. We would therefore expect a suitable obligation to be placed upon the DCC to ensure this information is as accurate as reasonably practicable. Any changes, or inaccuracies, should allow Users to order Communications Hubs outside of the given tolerances (proportional to the inaccuracy of the DCC provided data).
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Question 6. Do you agree with the proposed approach and legal drafting in relation to ordering of Communications Hubs?

- 6.1. Whilst we agree with the general approach being taken to the Communication Hub order process we do have some concerns.
- 6.2. As outlined in our response to question 5, to order HAN Variant Communication Hubs within a defined tolerance against our forecast is an unrealistic obligation. We would welcome further discussion on this element and, at the most, would expect any obligations on this to be reviewed at a later date prior to becoming live within the Code.
- 6.3. Paragraph 55 of the consultation document makes reference to the 'minimum delivery quantity'. Our understanding of this has been that this would be equal to a standard pallet and would be defined / stated within the Communication Hub Handover Support Material (CHHSM). The paragraph goes on to say that the minimum quantity is adjusted based upon the threshold rules that apply to orders. With the proposal to allow for orders to be cancelled, in full or in part, it is not clear as to why the minimum delivery quantity ever needs to change.
- 6.4. For non-compliant orders that are outside of the allowed tolerances it is proposed that the DCC has a reasonable steps obligation to accommodate such an order where possible. We fully support this proposal and, in order to further its effectiveness, we would suggest that the DCC also has an obligation to inform Users when orders outside of the tolerances could be accepted. For example, if a User has signalled that they are likely to have ordering requirements over or under their permitted tolerances, the DCC should make this information available to all (via CHOS) to increase the chances of the over or under order being accommodated by way of other Users adjusting their own orders. This would equally apply if orders from Users in aggregate, and not necessarily outside of the tolerances, led to the potential for other orders to be increased or decreased.
- 6.5. We would like to see the DCC acting in a 'balancing' role that would ultimately wholly support the effective and economic ordering of Communication Hubs. We would expect this to be part of the DCC's standard operating procedures but feel that an obligation through the Code would remove any ambiguity around such an expectation.

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- 6.6. The proposed legal text within F5.9 uses the terms 'greater than or equal to the higher of' and 'less than or equal to the lower of'. Whilst the consultation document is clear on the intent of the 50% and 20% tolerances the proposed legal text is confusing. We would suggest that this paragraph is redrafted to avoid confusion and to better meet the plain English requirements that we would expect to see within the Code.
- 6.7. Paragraph F5.12 of the proposed legal text deals with the scenario where in any given month an order has not been placed by a User. The default outcome for this is for it to be deemed that the order was submitted but for all months of the order being 'zero'. There does not appear to be any rationale for this measure within the consultation document and it does not appear to support an appropriate forecasting and ordering process. It is very unlikely that if a User does not submit an order this is due to no longer requiring any of their previously forecasted and/or ordered Communication Hubs. If this were to be the case we would expect that User to have communicated this to the DCC in an appropriate manner and, where applicable, still be bound by any previous orders and associated liabilities. We therefore propose an alternative arrangement where if no order is placed then the previous forecast / order is carried over for the relevant 23 months. The final 24th month, which will not have been subject to a previous forecast, would be deemed to be zero.
- 6.8. Following on from F5.12, the Sub-paragraph (c) of F5.13 does not make sense to us. If an order has not been submitted then it would seem rather arbitrary to supply the minimum delivery requirement for all device models to the User. For example, previous orders may not have contained any forecasts or orders for a particular HAN Variant Communications Hub. To then deliver a single pallet of such a HAN Variant Communications Hub to the User seems wholly inappropriate and unnecessary. As above, we would expect any non-order in a given month to result in a conversation between the DCC and the User and, at the very least, for the previous month's order to be carried over.
- 6.9. Paragraph F5.16(b) describes the obligation for the DCC to make a decision on compliance within 5 days of receiving an order. This seems an excessive amount of time; we therefore propose that this is amended to be within 2 working days. This then may allow time for the User to amend and resubmit their order, and, at the very least, would incentivise users to order in a timely manner.

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- 6.10. The DCC policy that is described within the paragraph F5.18 should be developed and consulted upon with industry participants. We would expect this to be the case in the first instance and for any future changes to be discussed prior to them being made by the DCC.

Question 7. Do you agree with the proposed approach and legal drafting in relation to delivery and handover of Communications Hubs?

- 7.1. Yes, we generally agree with the approach that has been taken and the proposed legal text.
- 7.2. Paragraph F6.13 places an obligation on the DCC to replace any devices from a non-compliant delivery as soon as reasonably practicable. Whilst we support this obligation we feel that the timescale should not be so open ended and that the obligation should state that this is to be within 5 days of the reported non-compliance.

Question 8. Do you agree with the proposed approach and legal drafting in relation to installation and maintenance of Communications Hubs?

- 8.1 Yes, we generally agree with the proposed approach and legal drafting apart from minor concerns around paragraph 76 and F7.7 of the legal text.
- 8.2 When the DCC is acting as a 'contractor' to the Supplier it is not clear from the proposed text the arrangements that support this. Whilst the proposed text allows for the compliance with all laws and directives that the supplier may be subject to, it does not allow for any other arrangements that the supplier organisation may need the DCC to agree to. For example, as a Supplier we would stipulate that the DCC representative could not attend premises and/or undertake any works without one of our representatives also being in attendance.
- 8.3 To allow for this within the Code we suggest that a further sub-paragraph is added to F7.7 that stipulates that the DCC representative cannot attend or carry out such works unless any other (operational) terms or conditions stipulated by the supplier have been agreed to. To prevent the DCC being placed in a position where they were unable to comply with their wider Code and licence obligations, we would also propose that

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unless such agreement had been made with the Supplier then such obligations would not apply. A general obligation on both the Supplier and DCC may also be required to make all reasonable efforts to agree on such terms.

Question 9. Do you agree with the proposed approach and legal drafting in relation to removal and returns of Communications Hubs?

- 9.1 We have some significant concerns regarding elements of the Communications Hub returns policy and legal drafting.
- 9.2 Paragraph 82 of the consultation document and paragraph F8.6 of the legal text state that all Communication Hubs that are removed must be returned to the DCC. Whilst we understand the concerns around data privacy it seems that we have ended up with a process that removes the ability for non-fault devices to be reused by suppliers.
- 9.3 We have concerns over the additional costs that this will drive into supplier operations and the supply chain. It is unclear to us why we do not have a process that allows a Communications Hub, that is enrolled and fully working, to have any sensitive data removed from it prior to it being decommissioned. Alternatively, the existing change of tenancy functionality could be used to prevent unauthorised access to data over the HAN. Such a process would allow for the device to then be re-installed at other premises, removing the need for the returns process to be used and ultimately reducing the cost to all Users and consumers.
- 9.4 Product recall and technology refreshes are a matter for the DCC. However, as Users we would expect appropriate consultation prior to such an event taking place to ensure that we have had the opportunity to highlight any operational or cost implications that the DCC may otherwise be unaware of. We therefore propose that an obligation is placed upon the DCC to consult as appropriate prior to any product recall or, more importantly, any technology refresh.
- 9.5 Paragraph F8.14 places an obligation to recondition and redeploy each Communication Hub that is returned. If all Communication Hubs that are removed do need to be returned to the DCC then this obligation should be much tighter. If no-fault Communication Hubs are being returned then they must be redeployed to avoid

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unnecessary costs (relating to asset stranding / early termination) being incurred by suppliers.

Question 10. Do you agree that there should be an obligation for the first installing supplier in a dual fuel premises to take all reasonable steps to install a communications Hubs that would work with both the smart meter that it is installing and the smart meter of the other fuel type?

10.1. Yes, we fully support this obligation. This will help to ensure that the consumer is inconvenienced as little as possible from having two separate installations and that overall rollout costs are minimised by reducing installation times and, more significantly, reducing the likelihood of a communications hub having to be removed and returned to the DCC.

Question 11. Do you agree with the Governments proposals in relation to the processes to determine the reasons for early return of Communications Hubs?

- 11.1 Yes, we agree with the general approach that has been taken to the process for categorising Communication Hub returns, however, we do have one concerning relating to an associated charging aspect.
- 11.2 For the category 'Supplier A: non-Domestic Opt-Out' it is unclear as to why it is proposed to recover the remaining asset costs by smearing across the non-domestic sector. The installing supplier is likely to have been a non-domestic supplier and is utilising the DCC in good faith as a DCC User. For non-domestic suppliers that subsequently gain a customer and decide to opt-out of the DCC it seems inappropriate for what are effectively asset stranding costs to be incurred by non-domestic suppliers that have chosen to use the DCC. These additional costs should not form part of what is determined to be cost reflective charges for non-domestic suppliers. These costs are a consequence of Government policy that allow for non-domestic opt-out to take place; not as a consequence of non-domestic suppliers that have decided to support and utilise the DCC. Such charges should be included in general DCC Fixed Costs and apportioned across all DCC Users (domestic and non-domestic).
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Question 12. Do you agree with the proposed approach and legal drafting in relation to the transitional requirements for Communications Hubs forecasts and orders?

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12.1 Yes.

Question 13. Do you agree with our proposed changes to the DCC licence to require the DCC to offer services to non-SEC Parties where required to do so under the SEC?

13.1 Yes.

Question 14. Do you agree with the proposed approach and legal drafting in relation to the provision of Communications Hubs for testing?

14.1 Yes.

Question 15. Do you agree with the legal drafting in relation to Security Governance?

- 15.1 Yes, we are generally supportive of the proposed approach to security governance; however, we do have concerns over the composition of the Security Sub-Committee.
- 15.2 The original proposals for the SSC were to have 6 Large Supplier members and, at this time, there were only 6 Large Suppliers (based upon the definition within the Code). Since this time we have had seen 3 other suppliers cross the 250,000 customer threshold bringing the total number of Large Suppliers to n9.
- 15.3 Having appropriate security arrangements in place is critical to the smart metering programme and an essential part of supplier end-to-end operations. It is not conceivable for Large Suppliers, such as British Gas, to be excluded from security governance. This is reinforced by the proposed security assurance regime where suppliers with fewer than 250,000 enrolled meters would be subject to a less rigorous security assurance regime. This is, quite rightly, based upon such smaller organisations being a lower overall security risk.
- 15.4 As 3 of the 9 Large Suppliers will fall into this 'lower bracket' of security assurance for the majority of the rollout period it would seem appropriate for this to be reflected in wider security governance. We therefore propose that these smaller Large Suppliers are treated differently for SSC membership purposes (e.g. 1 representative) or that all Large Suppliers are entitled to, but not obligated, to be members of the SSC. If the latter option was to be taken forward we would suggest that the text is amended to allow all Large Suppliers membership, rather than specifying a number of seats. This

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will allow flexibility going forward as the number of Large Suppliers change in future (bearing in mind it could increase or decrease).

Q15 Part A: Do you agree with the Governments proposals in relation to Security Assurance? In particular on:

- the proposal for the SEC Panel to procure a central CIO on an initial basis;
- the proposal for Users to meet the costs of security assessments that are undertaken at their organisation;
- the proposal for a three year rolling cycle of security assessments to be used to provide assurance on Users;
- the process for identifying and managing non-compliance; and
- the assessment arrangements proposed for DCC?

15.5 Yes, we agree with all the Government's proposals in relation to Security Assurance. We are fully supportive of a centrally procured CIO and the proposals for Users meeting their own costs.

Question 16. Do you agree with our proposed approach and legal text for SEC in relation to Privacy Assessments?

- 16.1 Whilst we agree with the need to ensure Data Privacy requirements are being adhered to we are seeking clarity on the proposed scope of the privacy assessment regime.
- 16.2 The consultation document makes it clear that the privacy assessments are intended for DCC Users that are not acting as a supplier when accessing consumer data. This will apply to, for example, authorised third parties that are acting on behalf of the consumer and to suppliers that have permission to receive data pertaining to customers that they do not supply. The latter example could occur when the supplier has permission to use the consumer's data prior to a potential acquisition. On this basis, it is unlikely that any supplier will be required to undergo a privacy assessment in the first year, ahead of Initial Live Operations.
- 16.3 It is not clear what process will be used to determine which Users do require a privacy assessment in subsequent years. This could be informed by the DCC as they will be

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able to identify those Users that have submitted service requests in the role of 'Other User'.

- 16.4 Alternatively, this could be based on those Users that have acceded become DCC Users and have carried out the necessary entry tests to access the relevant DCC Services.

Question 17. Do you agree with the specific proposals for undertaking random sample compliance assessments?

- 17.1 Yes.

Question 18. Do you agree with the proposal for Users to meet the costs of the privacy assessments that are undertaken at their organisation?

- 18.1 Yes.

Question 19. What are your views on potential future changes to the SEC to provide for reporting the results of privacy assurance assessments bodies such as Ofgem, DECC, ICO and Parties generally?

- 19.1 We would be supportive of having reporting provisions in a future version of the Code. However, the purpose of such reporting should be limited to providing sufficient information to organisations or bodies that require it to facilitate their own duties and obligations.

Question 20. Do you agree that the proposed legal drafting reflects the position reached in the SMETS2 consultation response, that Users should be required to obtain consent and to verify the identity of the energy consumer from whom they have obtained the consent prior to pairing a CAD?

- 20.1 Whilst we support the position reached in the SMETS2 consultation and the principle behind these proposals we have concerns that the legal drafting will create unintended consequences for suppliers.
- 20.2 The need to put controls around the connection of Type 2 devices, as explained in the consultation document, is to ensure that Other Users are not connecting CADs and accessing consumer data without explicit consumer permission. However, the legal

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drafting does not limit the proposal to Other Users as it simply refers to 'Users' and to all Type 2 devices; this therefore includes the installation of IHDs by suppliers.

- 20.3 Suppliers already have controls in place through their licence, and regulatory instruments, covering the collection and use of consumer data. As part of the installation process, and as a requirement of the supplier licence and the Smart Installation Code of Practice (SMICoP), suppliers are required to explain to consumers the benefit of IHDs and to offer them one free of charge. IHDs are seen as a key engagement tool for delivering consumer benefits
- 20.4 We do not believe that it is the intent in either the SMETS2 consultation, or within this consultation, to place further data privacy-related obligations on suppliers. This proposal should be focussed on protecting consumers and their right to control who has access to their data, this should not create a hurdle for the installation of IHDs by suppliers. Paragraph 156 of the consultation document appears to concur with our view that this it is not intended to apply to suppliers and that a separate review will be carried out of the privacy-related licence conditions.
- 20.5 We therefore propose that the legal text is amended to only apply to Other Users and not to supplier Users that are joining IHDs, the vast majority of which will be as part of the installation process. To be clear, suppliers that are operating as Other Users would be captured by the obligation if installing a Type 2 device, this is the same as the proposed arrangements for Privacy Assessments.
- 20.6 Paragraph 157 of the consultation document also makes reference to the Type 2 joining process being captured by Privacy Assessments; however, this doesn't seem to be reflected in the legal text. If this obligation were also to apply to suppliers, then it would then mean that all suppliers would need to undergo a Privacy Assessment. This is contrary to the proposals around Privacy Assessments as they are intended to only apply to Other Users.

Question 21. Do you agree with the proposed updates to the Security Requirements and the associated legal drafting?

- 21.1 We are generally supportive of the updates to the security requirements (not the Security Requirements as referred to in the question). However, we are concerned that

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there has been recent discussion and agreement about changes to the User System definition that are not reflected in the consultation legal text.

21.2 The User System definition includes systems that generate or receive data that is communicated via the Self Service Interface. This drafting was produced prior to suppliers having clarity on the full functionality and intended usage of the SSI. It is now clear that the SSI is a 'supporting' service provided by the DCC and it does not function as a conduit or mechanism for any 'critical' services in relation to the operation of the end-to-end system.

21.3 We therefore propose that sub-paragraph (e) is removed from the User System definition.

Question 22. Do you agree that we should also include in the SEC obligations on the DCC and Users which limit the future dating of commands to 30 days?

22.1 Yes.

Question 23. Do you agree with the proposed approach and legal drafting in relation to which parties are eligible to subscribe for specific Organisation Certificates?

23.1 Yes.

Question 24. Do you agree with the proposed approach and legal drafting in relation to the Organisation Certificates the DCC must subscribe for in order to support installation of Devices?

24.1 Yes.

Question 25. Do you agree with the proposed approach and legal drafting in relation to the date on which the DCC must start providing live certificates, in particular the proposal to turn off the DCC's response time obligations until the Stage 2 Assurance Report (see section 6.6) has been produced?

25.1 Yes.

Question 26. Do you agree with the proposed approach for all Network Parties to have established SMKI Organisation certificates?

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26.1 Yes.

Question 27. Do you agree with the proposed approach for Non-User Suppliers to have established SMKI Organisation certificates?

27.1 Yes.

Question 28. Do you agree with the proposed approach and legal drafting in relation to specific SMKI Organisation Certificates placed on specific Devices?

28.1 Yes.

Question 29. Do you agree with our proposal to require DCC to provide Test Certificates to Test Participants (who, in the case of non-SEC parties, will have to be bound by an agreement entered into with the DCC) only for the purposes of Test Services and testing pursuant to Section T of the SEC, and to not require DCC to provide a Test Repository? Please provide a rationale for your view?

29.1 We generally agree with the proposal to require the DCC to provide Test Certificates without providing a Test Repository.

29.2 However, Users will still need to test the SMKI Interfaces (all 3 of them) against a test repository environment. We are therefore seeking clarity that this is still the intention although the test environment used to test SMKI Interfaces may not be utilised to produce the Test Certificates.

Question 30. Do you agree with the proposed approach and legal drafting in relation to the DCC User Gateway Services Schedule?

30.1 Yes.

Question 31. Do you agree with the proposed approach to centrally procure a EUI-64 Registry Entry?

31.1 Yes.

Question 32. Do you agree with the intention to create a 'Party ID', enabling access to the Self Service Interface at a Party level?

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32.1 Yes.

Question 33. Do you agree that the proposed legal drafting accurately reflects the process by which the DCC will provider connection the DCC User Gateway?

33.1 Yes.

Question 34. Do you agree that the drafting meets the needs of both DCC and its Users in establishing, maintaining and terminating connections? Please provide a rationale for your views and include any supporting evidence?

34.1 Yes.

Question 35. Do you agree with the proposed approach and legal drafting in relation to Processing Service Requests?

35.1 Yes.

Question 36. Do you agree with the proposed changes to the approach and legal drafting in relation to Smart Metering Inventory and Enrolment Services?

36.1 Yes, we generally agree with proposed changes in relation to Smart Metering Inventory and Enrolment Services.

36.2 However, we do have a concern over proposed changes to Section H5 (H5.32 to H5.36) in relation to failure to regenerate private keys or replace Organisation Certificates within 7 days.

36.3 Although we agree with the principle of key regeneration and updating certificates within 7 days of commissioning, the proposed resolution (for devices which fail this process) of having to physically replace devices within a 7 day window presents suppliers with onerous (and arguably unnecessary) commitments. Ultimately this would impact operational performance, operational costs and result in a knock on impact on those customers affected.

36.4 More importantly, the request to revisit a property, to replace an otherwise fully functional device will:

- Be an awful experience for the consumer as it will:
 - be challenging for a customer to commit to due to the short notice;

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- result in significant inconvenience of having to ensure they are available for a further appointment
 - increase costs unnecessarily;
 - adversely affect the perception of the smart meter roll out; and
 - be wholly disproportionate to the level of security risk that this scenario presents.
- 36.5 Also, the legal drafting does not distinguish the two 7 day periods from each other; they both commence at the point of commissioning. This means the requirement to replace could never be achieved in the suggested timeframe.
- 36.6 The legal text does not make any reference to a scenario of the certificates being replaced after the 7 day window, for example, if there had been systems (or WAN) issues until day 8, and the certificates were then replaced, would the supplier still need to replace the devices? We suggest that a more pragmatic and proportionate regime needs to be developed to deal with failed key regeneration and would welcome further discussions with DECC and/or TSEG members about this.
- 36.7 We are also surprised to see the new requirement in paragraph H5.37. The requirement to ensure device credentials are on other type 1 devices within 7 days is not something mentioned in the consultation document. Although we are not supportive of the 7 day replacement policy mentioned above, it doesn't seem to apply here if device credentials are not in place – why is this?

Question 37. Do you agree with the proposed approach and legal drafting in relation to Problem Management?

37.1 Yes.

Question 38. Do you agree with the proposed approach and legal drafting in facilitating provision of a service to consumers to allow them to find out which Users have accessed consumption data from their meters?

38.1 Yes. We are supportive of the ability for Users to determine, on behalf of the customer and with their permission, who has accessed their data via DCC Service Requests.

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Question 39. Do you agree with the proposed approach of not requiring any User to offer a transparency service to consumers at this stage?

39.1 Yes. An obligation on Users to provide this service is not required at this stage and may never be required. Some Users may see this service as something that they wish to promote to consumers and/or it may be used in future consumer engagement work carried out by other organisations (e.g. Smart Energy GB).

Question 40. Do you agree with the proposal to provide for a date in the SEC when any assessment of whether a supplier is large/ small for testing purposes is made? If not, please provide evidence for why this approach would not work and what alternatives should be used?

40.1 Yes.

Question 41. Do you agree with the proposed approach and legal drafting in relation to registration data text alignment?

- 41.1 Whilst we are not directly impacted by the transfer data mechanism between Network Operators and the DCC we do have some comments about the proposed changes.
- 41.2 The SEC drafting has been amended and, for electricity Network Operators, the identity of the network operator seems to have been removed from the data flows. This seems inconsistent with the arrangements in gas and, we assume, it is important for the DCC to hold the identity of the Network Operator. Without this it is unclear how they will perform 'access control' and also the routing of alarms / alerts from Smart Metering Systems. We notice that the identity of the RDP has been added to the data requirements; however, whilst this may be needed for DCC purposes the RDP(s) will not replace the role that the Network Operator fulfils. If the RDP was acting as an agent for one or more Network Operators then they would not be acting, when in that capacity, as an RDP.
- 41.3 We also note that the data requirements within the SEC are inconsistent with those that are being developed within the DCC Design Forums and, in particular, the latest draft of the Registration Interface document.
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Question 42. Do you agree with the proposed approach and legal drafting in relation to provision of market share information to the CDB including Ofgem determining disputes between the CDB and the DCC?

42.1 Yes.

Question 43. Do you agree with the proposed approach to RDP/DCC connections and the associated legal drafting?

43.1 Yes.

Question 44. Do you agree that Network Parties using the same RDP should be jointly and severally liable for failure of that RDP to comply with provisions relating to the RDP's use of the connection provided to it by the DCC?

44.1 Yes.

Question 45. Do you agree with the proposed approach and legal drafting in relation to provision of Explicit Charges for Certain Other Enabling Services?

45.1 We are generally supportive of the proposed approach and drafting, however, we have concerns over the DCC's ability to estimate charges accurately, in particular adding additional prudence to their estimates.

45.2 The DCC have already over estimated in their first 2 regulatory years; within the 5 months in their first Regulatory year 2013/14 they over recovered nearly £6m. We feel early adopters of the enabling services will be disadvantaged as the 'k' factor will not reconcile for 2 years following the regulatory period and will use a significantly higher population, and different market share, of installed communication hubs to redistribute monies. This clearly goes against a key charging principle.

45.3 We therefore propose that the explicit charges are set, possibly by Ofgem or DECC, for enabling services and are based on transparent and cost efficient principles, prior to the start of the Regulatory year, using data from the Service Providers and benchmarking these costs to the external market.

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Question 46. Do you agree with broadening the scope of DCC Licence Condition 20 to include the Other Enabling Services which attract an explicit charge?

46.1 Yes.

Question 47. Do you agree with the proposed amendments to the legal drafting which introduce a new controlled category of DCC data, set out guidelines for types of data which may be marked as confidential or controlled and limit liability for breach of the latter category?

47.1 Yes.

Question 48. Do you agree that liability for disclosure of controlled information should be limited to £1 million per event (or series of events) for direct losses?

48.1 Yes.

Question 49. Do you think that SEC Parties other than the DCC may have a need to mark data 'controlled'? If so, please outline what, if any, parameters ought to apply?

49.1 We see no reason why other SEC Parties, or at least suppliers, would need the ability to categorise data as 'controlled'. All data received by the DCC from suppliers, whether received directly or indirectly, should be treated as Confidential Information.

Question 50. Do you agree that liabilities if these controls are breached should be limited to £1 million (excluding consequential losses)?

50.1 If 'controlled' data was also to apply to other SEC Parties then we would agree that the proposed £1m liability cap would be appropriate.

Question 51. Do you agree with the proposed approach and legal drafting in relation to the consequential changes to align the SEC with the proposed changes to the DCC and Supply Licences?

51.1 Yes.

Question 52. Do you agree with the proposed approach and legal drafting in relation to the invoicing threshold?

52.1 Yes

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Question 53. Do you agree with the proposed approach and legal drafting in relation to the credit cover threshold?

- 53.1 Yes, we are supportive of the changes to the credit cover thresholds within the Code.
- 53.2 However, with changes to credit cover thresholds it is imperative that the DCC acts appropriately when it comes to managing any potential 'bad debt' scenarios. Only when the DCC has deemed to have acted appropriately should bad debt be considered as a 'pass through item' under their licence and recoverable from Users via DCC Charges
- 53.3 We would expect the DCC to actively manage their debtors and seek full payment of invoices via administrators before invoking the pass through option and for this to be included as a specific obligation within the DCC Licence and the SEC.
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Question 54. Do you agree with the proposed approach and legal drafting in relation to scope for an explicit charge related to Services within the DCC User Gateway Services Schedule of zero?

- 54.1 Yes.
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Question 55. Do you agree with the proposed amendment to the definition of 'Mandated Smart Metering System'? Views would be welcome whether this change has a material impact.

- 55.1 Yes, we agree with the proposed amendment to the definition of Mandated Smart Metering System and that the clarity will help ensure that DCC Charges are appropriately allocated to Users in line with the intent of the Charging Methodology.
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Question 56. Do you agree with the proposed approach and legal drafting regarding power outage alerts?

- 56.1 Yes.
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Question 57. Do you agree with the proposed approach and legal drafting in relation to the testing of shared systems?

- 57.1 Yes.

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Question 58. Do you consider the costs of remote access to the test SMWAN should be socialised across all Users or charged directly to those test participants who use the service? Please provide an explanation for your answer.

- 58.1 We believe that the costs of remote access to the test SMWAN should be charged directly to those test participants who use the service.
- 58.2 Suppliers can choose whether they opt to use the DCC / CSP provided test environments or whether they wish (also) to use remote testing facilities. This is supplier choice; it is not mandated by the programme. The cost of providing remote access will not be insignificant and is purely driven by each individual supplier's own testing plan. It would therefore not be appropriate for this 'optional' service to be charged through DCC Fixed Costs and funded, mostly, by the larger large Suppliers. In doing so this would create a significant cross subsidy to other suppliers, it would be against the charging principles and anti-competitive.

Question 59. Do you agree with the proposed legal drafting in relation to Communications Hub Asset and Maintenance Charges?

- 59.1 We agree that the communication hub asset charge should be collected based on the numbers of smart meters attached to communication hubs. However, we have some concerns over the way in which the DCC estimates installed Communication Hub numbers and the prudent estimate part of their allowed revenue.
- 59.2 The DCC have previously over estimated charges due, in the 5 months of 2013/14 they collected almost £6m more than their allowed revenue, and had included an additional prudent estimate of £1.3m. We believe that suppliers that are more active in the early stages will be disadvantaged by the DCC over estimation. The 'k' factor will take 2 years to reconcile costs and will be returned to Users when a larger number of communication hubs will have been installed based on a different market share. This goes against a key charging principle as the over payment by Users will not be returned to them in a proportional way.

Question 60. Do you agree with the proposed legal drafting on Communications Hubs Charging following removal and/or return?

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60.1 Yes, we agree with the proposed drafting. However, F9.21(c) refers to 'Type Faults' whereas we believe this should be 'Batch Faults'.

Question 61. Do you have any views on the operation of SMETS 2 meters that are opted out of DCC services in light of:

- the conclusions on SMKI set out above; and
- any other matters, including GBCS, that may affect two-way communications with an opted-out meter?

61.1 We have always struggled to see past the practical difficulties in operating a SMETS2 meter outside of the DCC environment. Earlier in the year we responded to DECC's consultation on the governance of technical specifications as follows:

It is still not clear to us how a SMETS2 meter can operate without a CSP communications hub. In this scenario, the opted-out supplier would need to procure a communications hub identical to that procured by the CSP. The only realistic way to do this at acceptable cost would be to contract with the CSPs' communications hub manufacturers. On top of this, the supplier would have to build a system to mirror the complex security characteristics of the DCC's. Simply put, we do not think there is any chance of a SMETS2 meter operating outside of DCC.

Given that DECC's policy intent for non-domestic premises is that the customer is granted timely access to half-hourly readings (hourly for gas); we do not understand why a SMETS2 meter is an absolute requirement. Such a requirement severely limits the options available to a non-domestic supplier wanting to operate outside of DCC. At the same time, the requirement does nothing to minimise costs for future suppliers wanting to opt-in to the DCC, since it is almost certain that in order to do so, the incoming supplier will need to visit each site to install new equipment.

61.2 Whilst the concept of opting out has a sound basis, if it is not workable in practice then this undermines confidence in SEC from the outset, among parties who may already be among the most disengaged. It would be worth weighing up the merits of alternative approaches to non-domestic SMETS obligations, such as:

- 1) not allowing opt-out at all;
- 2) permitting AMR meters on an enduring basis; or

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- 3) a combination of the above that allows AMR until such a point as a SMETS meter is installed, after which it must be DCC-managed.

We currently have no firm preference among these alternatives, but this issue deserves further attention. We would be happy to discuss at any point.

Question 62. Do you agree with the proposed legal text with respect to the DCC's, Subscriber and Relying Party obligations and associated liabilities?

62.1 Yes.

Question 63. Do you agree with proposed legal text in relation to the Initial Enrolment Project for SMETS1 meters installed during Foundation?

- 63.1 Whilst we agree with the majority of the proposed legal text we have set out below some comments and questions on particular parts of the drafting.
- 63.2 In Section N1.1 the term "Adoption" is defined. The definition only talks about 'novation' of foundation communication contracts. The contract may need to be replicated rather than having a simple novate clause. For example, if enrolment happens in phases the supplier contract with the communications provider will still be required for those meters that have not yet been enrolled. We do not envisage this being an issue with the management of communication contracts; however, we do not want the SEC text to be restrictive.
- 63.3 In N1.1 the term "Enrolment" is defined. The term Enrolment has already been used in the SEC for SMETS2 meters that become serviced by the DCC. This duplication is covered off in N1.2, however, allowing for different definitions to exist for the purposes of Section N could be confusing and maybe, taking a more plain English approach, a new term could be used for the purposes of Section N.
- 63.4 In N1.1 the term "Adoption Criteria" is used. There is no mention here to the Adoption Criteria that has been previously consulted upon (twice). We would suggest that the agreed Adoption Criteria should be included as an Appendix and then have a provision allowing the DCC to propose any additional requirements as part of the production of the Initial EPFR. There is a risk here that the DCC could ignore all previous agreed adoption criteria and this is not acceptable nor is it good governance.

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- 63.5 The wording used in Section N2.2 doesn't appear to us to make sense. There is possibly a typographic error and the last words may be in relation to Minimum SMETS1 Services (rather than Meters). If this is the case, why do we have two definitions of SMETS1 services? Is this to allow for variation between different cohorts of meters? This may be an attempt to create an Appendix containing a set of (Minimum) SMETS1 Services but for the DCC to be able to specify a list of services for meters that will give flexibility to replicate the services that are used today (that aren't necessarily explicit in SMETS1). We would be supportive of such flexibility and we are therefore seeking to clarify the intent here.
- 63.6 Paragraph N4.4(d) states that the report will include any details of new contracts that the DCC may need to put in place in order to deliver Initial Enrolment. Clarity is required as to what this includes. Our assumption is that this would cover such matters as, for example, Security certificate issuing, any software / application licences etc. that the supplier may have in place for the safe and secure operation of their foundation meters. Such contracts will incur ongoing costs so we assume that these costs are dealt with through DCC Fixed Costs (socialised) rather than targeted at Suppliers in the same way as the additional communication costs. The DCC may not require all such contracts as they may provide for the same functionality in a different way, provide it themselves or already have a suitable service provision in place.
- 63.7 Paragraph N4.4(g) states that the report is to include rights for Parties to enrol meters that were not included within the scope of the Initial EPFR. We are not clear on what this means: is this forgotten meters, an update to suppliers' submissions or for suppliers that have cohorts of meters but did not (or were not able to) respond to the original request from the DCC? We are unclear on how this provision would work in reality - how can the DCC account for the unknown?
- 63.8 Paragraph N4.4(h) refers to an 'amendment' to the Minimum SMETS1 Services. Is this a provision for the DCC to include services over and above a prescribed minimum set of services? This could be the same issue as identified in paragraph 63.5 above in relation to N2.2. Again, we are supportive of the DCC having the flexibility to include services that may not be explicitly required in SMETS1 but are required in order for individual cohorts of meters to provide the functionality within SMETS1.
- 63.9 Paragraph N4.4(m) states that the initial EPFR is to include the identity of the suppliers that will face additional charges for their foundation communication contracts and the

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level of the additional charge. We are not clear as to why suppliers need to be identified in the report in this way. If a supplier has to pay more, then this should be a matter for that supplier (and the DCC); other Parties are not affected. It is also likely to be deemed commercially sensitive information for both the supplier concerned and the communications provider. We would suggest that the report does not contain such commercially sensitive information or, at the very least, is redacted at publication (similar to the security provisions).

63.10 Paragraph N4.5 states that there will be a minimum consultation period of 2 months. We are concerned that this introduces risk to timescales as it is far too open ended. We therefore propose that this simply states a minimum of 1 month and a maximum of 2 months and leave some flexibility with the DCC.

63.11 N4.8 – The text allows for a period of time once the draft report has been produced for suppliers to include additional or exclude meters from the feasibility report. Is this just a checkpoint for DCC and/or suppliers to make sure they have the right meters in and are happy to go ahead? Is there any commitment here: if a supplier says nothing are they committed to do anything, for example, to provide technical resource, commitment to enrol by a point in time?

63.12 Paragraph N4.11 states that the report will be redacted based upon the direction of the SEC Panel. The SEC Panel is unlikely to have the expertise to assess the security implications that may need to be redacted. We assume this duty could be carried out by the Security Sub-Committee and suggest that this is included within the legal text.

Question 64. Does the contents list for the Initial Enrolment Project Feasibility Report (para 401) cover the required issues for the DCC to address? Are there any additional areas which you consider the DCC should be specifically required to include?

64.1 We are generally satisfied that the list in paragraph 401 covers the required issues that the DCC will need to address. However, to ensure that the Initial Enrolment Project Feasibility Report is fit for purpose, we propose that the DCC should also have the flexibility to include within it any further matters that are deemed necessary.

Question 65. Do you agree with the proposed legal text in relation to charging arrangements for the ongoing communications costs of Foundation Meters enrolled in the DCC?

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65.1 Yes, we agree that the changes to the DCC Licence and the SEC reflect the intent of the Government's decision for charging arrangements in relation to foundation communication contracts.

Question 66. Do you agree with the proposed approach and legal drafting in relation to User supplier to Non-User supplier churn?

66.1 Yes.

END