

**Evidence gathering session on  
DataCommsCo  
14 April 2010**

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## **KEY POINTS FROM EVIDENCE GATHERING MEETING ON SCOPE OF DATACOMMSCO**

It was agreed that the participants would consider both a 'Day One' (also referred to as 'fit for purpose', 'time-critical', 'overlay' and 'tactical') option and an 'optimal' solution to ensure all the DECC benefits were captured if this was not achievable with the Day One solution. It was made clear that 'optimal' did not necessarily mean maximal.

With this general approach in mind, three options were identified for discussion:

- 1) A 'Day One' option was summarised as follows:
  - Communications between meters and designated market participants (e.g. to transmit meter reads)
  - Centralised meter headends
  - User gateway/ portal (XML etc.)
  - Access control, comprising:
    - Timely process to authorise market participants status (suppliers and their agents, networks, others)
    - Privacy/ security aspects integrated into DCC delivery functions

Two possible variants were considered:

2a) Day One plus, data retrieval, data processing, data aggregation and meter registration for gas and electricity

2b) 2a plus the relevant elements of settlement (SVA)

The following general key points were made in considering the above:

- It was suggested that participants could provide evidence on the costs and benefits of the Day One option by the end of April and on the alternative options as soon as possible thereafter. Participants were requested to commence work on this directly following the meeting, although a written request would subsequently be made by Ofgem
- There was an indication from some participants that work had already been conducted in assessing the impact of the Day One option and the expectation was expressed that this might facilitate a swift response
- Some participants were of the view that the sustainability of any 'Day One' option should be judged (e.g. data frequency and volume), noting that there may come a 'tipping point' where additional functions could benefit from centralisation
- A view was expressed that the participants should reconvene following the CBA analysis. In this regard one participant noted the possible need to 'desensitise' some of the financial data if this were the case.

The following key points were made in considering specific elements of the three options:

- There was some debate over whether Data Retrieval needed to be carried out by DCC itself or whether DCC should simply provide a secure 'conduit'
- Regarding settlement, there was a strong view from some participants that Supplier Volume Allocation should be left out of the scope of the 'optimal' option to be studied as this began to touch on the wholesale domain and there were key differences between the gas and electricity regimes. However, it was agreed that

it should be included under an alternative 'optimal' option for all participants to comment on.

## **KEY POINTS FROM EVIDENCE GATHERING MEETING ON DATACOMMSCO SET-UP**

Two models were considered:

- Model A – An independent Design, Procurement and Contract Management (DPCM) entity would be selected, which could then procure one or more service providers.
- Model B – A licence would be granted to a full service provider to deliver all of the data and communications requirements. Under this model an integrator ('prime') could form a consortium.

The following key points were made in relation to **the two models**:

- A concern was raised as to how cost efficiencies could be ensured in model A
- It was remarked that Model A provided more flexibility
- The view was expressed that Model B (in the sense of a single service provider) may work better in the early delivery phase, while (A) may be more appropriate in a Business As Usual context, when operational requirements are well known. A view was expressed that 'Implement, Operate, Separate' could have merit
- The view was expressed that the DPCM entity could not also be a service provider – it must be independent
- There was agreement that even in Option B a strong contract management function was needed
- The need to have the right degree of expertise in any entity was noted

The issue of an **RFI** was discussed in the meeting. The following is a selection of key comments:

- The view was expressed by some participants that an RFI should be sent out as early as possible, in parallel with the Prospectus. An RFI was seen by one participant as essential in improving the quality of the requirements analysis
- In contrast, a service provider remarked that there was a need for a good level of understanding of what is needed up front, otherwise it is difficult to respond to any RFI. Another participant noted the need to 'break the circle'
- It was suggested that a communications RFI could be sent out first, recognising that data requirements may not firm up until later.
- A participant suggested that the RFI ask the market about the relative merits of the two model options (A) and (B)
- A view was expressed that the RFI process would help 'solidify' the design process
- It was recommended that any RFI should also ask for views on mechanisms for change management and performance management

The **implementation governance** was also discussed. The following is a selection of key comments:

- It was considered that SMIP would require a significant code review with changes required in other codes due to SM
- However, it was noted that SM was pan-fuel and that none of the existing codes and associated entities were pan-fuel. Therefore a new code was likely to be necessary, albeit this could 'clone' from existing codes. It was suggested that retail codes such as the MRA may be the most relevant.

- A view was expressed that the SM programme should develop the code and hand over to a code administrator once the programme is running
- The code administrator could be appointed following a tender process. It was also noted that the code administrator could also be the DPCMA, although the appointment could be through two separate processes and it was not required that the two roles be together. In addition the concern was raised by one participant that having the same body in both roles could result in 'vested' interests developing
- The point was made that it was important to ensure proportional rights of influence and that the existing codes did not have the right 'constituency of stakeholders'

The issue of **incentivisation** was raised, with the following points being made:

- The view was expressed by one participant that the strongest incentive was renewal (i.e. change of service provider or DPCM).
- One participant expressed the view that cost plus created perverse incentives and should not be adopted
- Benefit sharing regime should be considered where the service provider keeps a share of the benefits of any reduction in costs, but passes through the vast proportion
- Some participants noted the importance of ensuring appropriate incentivisation for elements such as innovation and cost reduction
- Regarding data, the view was expressed that there should be no difference from other data contracts e.g. service levels, service level credits etc. The view was expressed that the 'data contract' was different as it could be replaced without major implications. This was in contrast to comms, which once in place was difficult to change (e.g. would require site visits)
- The point was made by one service provider that if comms and data are separate then incentives would need careful attention to stop a 'blame culture' developing between the comms and data providers.

**Contract duration** was considered during the meeting:

- It was noted by some participants that generally comms contracts are longer than data contracts. The point was made that setting the comms contract duration to be the same as a data contract may introduce a constraint
- One service provider expressed the view that 5 years was too short due to infrastructure investments
- Another service provider noted that the contract life could be the life of the meter
- The point was made that different companies will have different payback periods
- Any contract should include breakpoints/ extension points
- A contract drafting group should be put in place in parallel with the SM programme implementation

The issue of **flexibility (change control)** was addressed:

- The view was expressed that a clear roadmap helps avoid unnecessary risk premiums being included in service provider pricing for change. A service provider confirmed that they needed the best roadmap possible
- It was suggested by one participant that the roadmap could be included in the code and governance
- It was noted that individual service provider approaches to change needed to be reviewed as part of the tender process
- The point was made by one participant that options could be priced and included in the contract structure (e.g. for meter registration)

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- A service provider remarked that it was important that industry changes flowed through to the service provider(s).
- The point was made that 'macro' requirements for change would go through code governance, with 'micro' changes passing through commercial processes.