

Minutes of DCG Subgroup3: 21 September 2010

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| Minutes of the first meeting of Subgroup 3. | From Date and time of Meeting Location | Ofgem 21 September 2010 10am Ofgem | 21 September 2010 |
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1. Present

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| Dora Guzeleva (Chair) | Ofgem |
| Chris Hill | First Utility |
| Jason Stevens | ERA |
| Eric Fowler | AMO |
| Paul Smith | ENA |
| Gary Cottrell | SBGI |
| Mark Knight | SSE |
| Steve Mannering | EDF |
| Tim Newton | EON |
| Rosie McGlynn | British Gas |
| John Stewart | npower |
| Ken McRea | Gemserv |
| Anthony Campion | Gemserv |
| Stephanie Tobyn | Scottish power |
| Jenny Boothe | Ofgem |
| Mattias Bjornfors | Ofgem |

2. Apologies

2.1. Zoe McLeod – Consumer Focus

3. Terms of Reference

3.1. No comments were received on the terms of reference for this workstream of the Subgroup

4. Smart Energy Code proposal - Gemserv

- 4.1. Gemserv gave a presentation on their proposal for the governance of a Smart Energy Code (SEC) which was intended to stimulate debate on the issue.
- 4.2. The Prospectus proposes that the DCC would procure the SEC secretariat services. Gemserv considered that as the SEC, based on the outline contents in the Prospectus, had a wider remit than that assigned to the DCC and that the SEC will confer obligations onto key industry parties. Therefore, the SEC and its governance should be managed by a body other than the DCC.
- 4.3. Gemserv proposed that the separation of delivery of the DCC services from the governance SEC would remove any conflict of interest issues that may arise from the DCC being responsible for procuring the SEC secretariat.
- 4.4. Gemserv has proposed that a new body Smart Energy Code Company (SECCo.) would own and govern the SEC. It was explained that this regime was different than the prospectus proposal because the secretariat would be undertaking activity that is wider than the remit of the DCC. For example, the secretariat would be undertaking market assurance activities and providing support for change requests that may have no impact on the DCC.
- 4.5. Gemserv propose that SECCo. would be established by industry participants that collectively would be the contracting vehicle responsible for competitively procuring the code administrator, market design/change management and assurance services. Gemserv indicated that this arrangement is tried and test and reflect the arrangement in place for DCUSA and the SPAA.
- 4.6. Gemserv suggested that the proposed governance arrangement could support accelerated rollout by adopting a process similar to that in 1998 when the retail market was being opened up to competition.
- 4.7. In this process a Memorandum of Understanding could be established between the licensees to develop governance arrangements ahead of DCC Go-Live. This would ensure that when the DCC licence becomes effective there are governance arrangements readily available to be applied to the SEC.
- 4.8. Some members of the group felt that setting up a SECCo. would further complicate the market and impose additional costs. Further, a view was expressed that the same benefits of the Gemserv model could be obtained by the DCC outsourcing procurement of a secretariat.
- 4.9. The group agreed that there should be further discussion and analysis provided on the proposed model and that of BSC model where Elexon manages the code administration for that code.

5. Roles and Responsibilities at the consumer premises

- 5.1. The group was given a presentation that set out the proposals in the prospectus and the issues that need to be addressed. The group considered the issues as follows:

Who is responsible for installation / maintenance of the WAN module; the DCC or Suppliers?

- 5.2. The group discussed and agreed that only one party should interface with the consumer and that should be the supplier. As such it was considered that suppliers should be responsible for the installation of the entire metering system including the WAN module.

Ownership of the WAN

- 5.3. A view was expressed that as the DCC will be responsible for communication coverage it should ensure that the connectivity and communications of the WAN module is functioning appropriately. The group discussed and agreed that as suppliers install the meter and WAN module, they should undertake the end to end testing to ensure that the installation is fully functional and therefore complete.
- 5.4. In addition, the view was expressed that the DCC would be the only party that would understand and own the technical strategy and, as such it would have oversight over technical obsolescence of the WAN module. This underpinned the view that the DCC should own the WAN module. This view was challenged in the context of the interim arrangements where suppliers are already deploying smart meters and own the WAN module. Members of the group indicated that as they are deploying meters at their own risk they have no option but to own the WAN module.
- 5.5. The WAN module was considered the end point of the WAN and it was therefore considered that it should be considered as part of the wide area architecture therefore falling within the remit of the DCC.
- 5.6. Costs were identified as another reason why the DCC should own the WAN module. Members of the group felt that the DCC would have greater purchasing power and can exert more power to reduce the cost of the WAN module. The DCC would then reclaim the cost of the WAN module through the charges it levied on its users. This process would be considered less complicated and relatively more cost efficient than suppliers purchasing the modules and it would also remove the complication of transfer of ownership during change of supplier.

Maintenance

- 5.7. The group considered that the suppliers should be responsible for physical maintenance of the WAN module. As they are the primary interface with the consumer if the WAN module was to break or be installed inappropriately it would be for the supplier to ensure that the WAN is replaced. If a fault was detected by the DCC then it would communicate this to the suppliers who would address it.

Who should have enduring responsibility for shared infrastructure at the consumer premises?

- 5.8. The group were reminded of the three options relating to the enduring responsibilities of shared equipment at the consumer premises. One member of the group indicated that there was a fourth option. This option would require one supplier installing both gas and electricity meters and associated shared equipment. This option was predicated on the view that the majority of consumers are either dual fuel or single electricity fuel therefore only being served by one supplier.
- 5.9. The group felt that this option would add further complexity to the enduring arrangements especially at change of supplier.

Option 1: Separate smart metering systems are installed for each fuel. This would mean that the costs would be significantly higher.

5.10. The group considered this option and agreed that the additional costs would be the main reason not to consider this option further. However, it was noted that by exception there may be a need to have two sets of shared infrastructure due to technical issues relating to installation or where the installation of a single set of equipment may be more expensive due to physical connectivity issues.

5.11. The group agreed that this concern should be logged as an issue to be considered by the smart metering design group.

Option 3: The electricity supplier will be required to install its smart meter and supporting systems in the customer premises ahead of the gas supplier.

5.12. The group considered that there would be no benefit in the electricity supplier installing the supporting equipment first as this could have a negative impact on the roll out of gas smart meters. In addition this regime would make the electricity supplier permanently responsible for the WAN module therefore requiring it to be responsible for any repairs.

Option 2: Arrangements are put in place that facilitates the sharing of assets installed by one supplier with the customer's other supplier.

5.13. There are two mechanisms by which this option could operate. The first would be that the first supplier to install the metering infrastructure will be responsible for the WAN. In this scenario if the first supplier is a gas supplier then every subsequent gas supplier will be responsible for the shared equipment.

5.14. The alternative mechanism would be where the gas supplier is the first to install the responsibilities for the shared equipment would transfer to the electricity supplier when the electricity meter is installed.

5.15. The group considered that there were a number of issues with option 2 that would need to be considered further given these two variants particularly when it came to resolving faults.

- How would the lead supplier be tracked after a change of supplier?
- Who would be responsible to resolve any faults notified by the consumer?
- Who will the DCC contact if it becomes aware of a fault with the shared equipment?
- How will costs be recovered by the supplier who remedies the fault?
- If the consumer contacts the distributor how is the call passed on to the relevant supplier?

5.16. In considering these issues the group first discussed a number of principles that could be applied to govern the arrangements. These included;

- There should exist a one-stop shop for all metering issues;
- There should be equitable charging arrangements for fault fixing;
- The arrangements should support open competition in the provision of services to suppliers (and the DCC); and
- Risks should be allocated appropriately to parties equipped to hold them.

5.17. The group considered each of the issues

- *How would the lead supplier be tracked after a change of supplier?*

The group had the view that the DCC would be able to track the supplier that is responsible for the equipment and where there is a change of supplier then a notification will be sent to the DCC once the new supplier is in place. A related question is who would become the lead supplier if a dual fuel household was to switch one of its fuels to an alternative supplier.

- *Who would be responsible to resolve any faults notified by the consumer?*

The group felt that the consumer should be able to make a single call any supplier to have a fault rectified. There would need to be a process that would allow for the appropriate party to be notified with rules needing to be set out in the appropriate regulatory regime.

- *Who will the DCC contact if it becomes aware of a fault with the shared equipment?*

The group will discuss this issue in further detail at the next meeting.

- *How will costs be recovered by the supplier who remedies the fault?*

The group had an initial view that the supplier that fixed the fault would notify the DCC of its costs which then would be passed in to the relevant supplier via the DCC recharge. The group will discuss this issue in further detail at the next meeting.

- *If the consumer contacts the distributor how is the call passed on to the relevant supplier?*

A member of the group indicated that in some instances the consumer may contact the distributor in the event of a fault. The group agreed that there will have to be co-ordination between the network operators and the supplier should the network operator be contacted by the supplier. The group noted that this was important if a fault required any modification to the network as a result of the fault. The group will discuss fault management at the next meeting in detail.

Minutes

Actions Log

DCG Subgroup 3 WS3

| Action ref: | Meeting Date | Minute ref: | Action | Owner | Status Update |
|-------------|--------------|-------------|--|---------|---------------|
| 001 | 21 September | 4.9 | Gemserv to produce further analysis on the costs and benefits of their proposed governance model and that of the Elexon model. | Gemserv | Open |
| 002 | | | | | |
| 003 | | | | | |
| 004 | | | | | |

Minutes

Issues Log:

| Issue ref: | Meeting Date | Minute ref: | Issue | Refer to | Status Update |
|------------|--------------|-------------|---|----------|---------------|
| 001 | 21 September | 5.11 | There may be technical reasons why there may have to be two sets of metering equipment at the consumer premises. Need to identify when this is likely to be the case. | SMDG | Open |
| 002 | 21 September | 5.17 | Who becomes the lead supplier if a consumer in a dual-fuel household was to switch one of the fuels to an alternative supplier? | SMDG | Open |
| 003 | | | | | |
| 004 | | | | | |