

DCG Subgroup 3 Meeting 4 Minutes

Minutes of the third meeting of
DCG Subgroup 3.

From
Date and time of
Meeting
Location

Ofgem
2 November 2010
10am
Conference Room 9

2 November 2010

1. Present

| Name | Company |
|-------------------|----------------|
| Alan Knight-Scott | EDF Energy |
| Alex Travell | Eon Energy |
| Andy Miller | Xoserve |
| Chris Hill | First Utility |
| David Jones | Elexon |
| David Thorne | GemServ |
| Elizabeth Lawlor | Electralink |
| Gareth Evens | ENI |
| Gareth Shields | SSE |
| Genevieve Bishop | Ofgem |
| Jason Stevens | ERA |
| Jenny Boothe | Ofgem |
| Joanna Ferguson | NGN |
| Joel Stark | Stark |
| John Stewart | Npower |
| Mattias Bjornfors | Ofgem |
| Lorraine Kerr | Scottish Power |
| Martin Hewitt | UK Power |
| Nigel Nash | Ofgem |
| Patrick Taylor | Ofgem |
| Richard Street | Corona Energy |
| Rosie McGlynn | Centrica |

2. Review minutes of previous meeting

2.1. No changes were made to the previous minutes.

3. Models for Smart Energy Code structure and governance

- 3.1. The Group was presented with the models for a Smart Energy Code and governance.
- 3.2. The group discussed that the role of the SEC was wider than just the DCC. The group felt that creating a new industry code to govern the smart metering regime would be more efficient and a better way to meet the desired objectives including a single code for gas and electricity. In addition, a new code would facilitate and reduce barriers to new entrants into the market. The group considered that modifying existing codes to govern the smart metering regime would be cumbersome, inefficient and expensive.
- 3.3. The group noted that the key areas for consideration include the governance structure (decision making process), voting, panel membership and funding. The group also noted that there was no specific criteria to measure the customer impact of code governance processes and therefore this would be difficult to measure.
- 3.4. Action: It was noted that there were some inaccuracies in the slide presentation. Gemserv agreed to provide some corrective text.
- 3.5. Establishment of the code - It was discussed that the programme in conjunction with industry could prepare the draft code which would then be adopted by the DCC. The 'shell' code, tender regulations and DCC standard conditions all need to be developed in parallel as they will impact on each other. The group considered that there needs to be transparency around the cost of change management.
- 3.6. The group noted that there are differences between commercial and licensed entities. The latter have a choice whether to opt in/out of using the DCC services and should they not comply with the conditions of the SEC they will lose their services. The licence parties need to be signatories to the code and should they not comply they will be subject to code breach conditions and ultimately licence enforcement action. The group therefore considered that parties could be treated differently.
- 3.7. The group discussed what the appropriate governance arrangements could be for the SEC and felt that the output of the code governance review needs to be taken into account when developing the SEC.. In addition, certain emergency/ urgency criteria could be adopted to facilitate any necessary changes to the code in the early stages of its implementation.
- 3.8. The group indicated that past experience showed that during the period immediately after implementation of a code most of the changes required tended to be of a technical nature and therefore the commercial and regulatory risks during the transitional period may not be substantial.
- 3.9. The group considered what aspects of the code need to be implemented when and why:

| What is in | Why | When |
|--|--|--|
| Meter Functional specification | Provide means of governing technical changes | ASAP |
| User requirements (DCC Services) | Provide a stable baseline to which industry can build to | Prior to DCC Service procurement commences |
| Governance (Change management process) | Understanding of the change process | As above |

- 3.10. It was noted a baselined version of the code V.01 needs to be available as soon as possible to provide certainty within the industry and to become active at the same time as the supply licence changes.
- 3.11. The group wanted to understand how the code framework would be delivered. It was noted that there are two proposed phases:
1. Governance arrangement to develop the code.
 2. Develop the enduring governance arrangements of the code.
- 3.12. The group identified the parties to the code may include authorised data users (e.g. DCC, suppliers, shippers, DNOs, iGTs, IDNOs, ESCos and MoPs). This is an indicative list and is not intended to be exhaustive.
- 3.13. The group considered whether the code should be split eg; parts of the code are mandatory or voluntary and all parties sign up to the code in its entirety or different parties sign up to different aspects of the code. There was no consensus as to which option is the best way forward.

4. Review of amendments to existing regulatory instruments

- 4.1. The group discussed that all parties should be able to raise a modification to the code and the consumer representative should also be party to the code. The group also discussed the elements of the Code Governance Review which relate to the three pathways to deal with code modifications. The group considered whether a panel vote should determine the recommendation of a modification to the Authority or whether a DCUSA type regime would be more appropriate. The group supported the view that there needed to be a forum to discuss the development of a modification. Additionally, the forum needs to provide for notification of consultations, all parties to have their views heard, transparent and openly accessible to all industry parties.
- 4.2. Voting regime: The group discussed the notion of one party, one vote. The group considered that this regime would be viable but there needs to be clarity around who is voting eg; one licensee one vote or open company one vote. The group also considered whether voting would be by energy, constituent or by schedule. The group considered whether a decision could be reached via a majority, super majority, unanimous or a voting regime where the party classes determine the recommendation to the Authority.
- 4.3. The group felt that the SEC obligations are applied to the right party and depending on the activity covered by the code there needs to be a mechanism to ensure that all the relevant codes are synchronised. This could be achieved formally like the relationship between BSC and MRA or via an alternative means. The group discussed how the secretariat could best be procured. The prospectus proposed that the DCC would procure the code secretariat. One member of the group was concerned that should the DCC procure the Code secretariat services, it would not be able to deliver an independent service to the rest of the industry. The group was concerned that the DCC may be able to have undue influence over the services.
- 4.4. The group suggested that the DCC could procure the secretariat on a rolling five year contract to incentivise its performance. They proposed that the code panel could determine the procurement criteria and the terms and conditions of the secretariat services based on a procedure and criteria set out in the SEC. The DCC would procure the secretariat on behalf of the Panel. The costs of the secretariat would be recovered from the industry via DCC charging. The secretariat would not have any voting rights.

- 4.5. An alternative proposal was suggested where a separate SECCo was established as a holding company to manage the secretariat. Some group members felt that this may add further complication by introducing a further company into the industry with share holders.
- 4.6. In addition, the group considered a number of options of the role of the secretariat. This included the option of the secretariat undertaking the role of defining the legal and technical impact of a change proposal:

Modification proposal needs to include a CBA and an IA on the impact to industry participants and consumers

DCC (via its service providers) assesses modification impact on the central systems

Open forum to discuss and assess the proposal, open to all industry parties not just code signatories

- 4.7. In preparation for the next meeting the group was asked to consider the modification criteria that could be applied to the code and whether this will need to be different for different aspects eg; charging. GE offered to circulate the work done in relation to constituency representation under SPAA and the ERA offered to circulate the work they had done on the boiler plate sections of a SEC. In addition Gemserv offered to circulate their proposals for SEC governance.

5. Date of next meeting

- 5.1. Tuesday 30 November 2010

6. AOB

- 6.1. There was no other business.

Issues Log

Roles and responsibilities

A dependency interaction was raised regarding whether or not the WAN module would be placed within the casing of the electricity meter, (rather than outside of the casing).

Standards of performance for the smart metering data. This would include timescales for addressing service faults.

The group noted that a greater understanding of the nature of the HAN infrastructure was needed and noted the interaction with planned HAN workshop.

It was noted that the decision regarding whether or not the IHD would be allowed to be branded would have an impact on which supplier would be likely to be contracted in the case of a fault.

It was noted that ownership of the IHD and requirement to bear cost if damaged by the consumer could be an issue with respect to vulnerable consumers.

Financability

As the DCC licence will be for a fixed period, a potential longer term issue arises, such as the exit strategy for investors if the licence were not re-awarded to the incumbent operator and how these transfer costs and existing service provider contracts would be managed.