

Minutes DCG Subgroup 2 Meeting 9

Minutes of the ninth meeting of the DCG Subgroup 2 Meeting held on 12 January 2011	From	Ofgem
	Date and time of Meeting	12.45pm, 12 January 2011
	Location	Ofgem, Boardroom

1. Present

Name	Company
Chris Spence	EDF Energy
Dora Guzeleva	Ofgem
Duncan Southgate	AMO
Elizabeth Kenny	N Power
Gareth Evans	ICoSS
Geoff Hatherick	DECC
Iain Matthews	Scottish power
Jason Brogden	ERA
Mark Knight	SSE
Rosie McGlynn	Centrica
Sajna Talukdar	Ofgem
Ted Hopcroft	Ofgem
Tim Newton	E.ON UK

1.1. Apologies: Anna Fielder (Customer Focus).

2. Introduction

2.1. The purpose for this meeting was to gain sub-group input on the nature and extent of transitional issues and options.

2.2. The issue to be discussed centred around the Programme's need to establish a policy on the following:

- (i) Timing of migration of compliant solutions to DCC
- (ii) Nature of migration of compliant solutions to DCC
- (iii) Guidance to participants to facilitate this (e.g. adoption criteria)
- (iv) Rules to govern the management of non-compliant solutions (particularly on change of supplier)
 - a. In the Foundation stage
 - b. Post full regulatory regime/DCC establishment

ERA provided an update on the ERA Regulation Managers meeting

2.3. The questions ERA Regulation Managers were asked were:

- (i) When any mandate for suppliers to operate meters in "smart mode" might apply and how?
- (ii) What legislation may be required to secure fair and reasonable charges for smart metering for gaining Suppliers at CoS?
- (iii) Do we need standard methodology for charging and if yes how is this regulated?
- (iv) Is an accreditation framework or MAMCoP-type arrangement required for smart metering to deliver commercial interoperability?

2.4. The following points of discussions emerged during the Regulatory Managers meeting:

- (i) There is a need to ensure that meters are not taken off the wall at a change of supplier.
- (ii) There was consensus that there should be no mandate to operational Smart Meters in smart metering mode before the DCC goes live.
- (iii) There was no common view on whether there should be a standard methodology for charging.
- (iv) Asset amortisation is an important issue and there were some strong arguments for harmonising amortisation methodology. However the regulation managers concluded that there are a large number of variables to standardise. There was no consensus in the group that a standardised methodology was required, although it was felt that this should be considered during the development of the Smart Energy Code (SEC).
- (v) It was felt that fair and reasonable charging was a principle that should be applied. A preference was expressed for it to sit within the SEC. As DCG Subgroup 3 is looking at the SEC development, it was suggested that SG3 would discuss this further.
- (vi) A standard accreditation framework for the operation of Smart services had been proposed as a potential means to provide new suppliers with protection at CoS. There were a variety of views as to the desirability of a standard accreditation framework and it was felt that this should also be considered during the development of the SEC.

2.5. ACTION: ERA to provide Ofgem with the Regulations Managers formal response to the questions, by COB 25 January 2011.

3. Foundation stage and Transition issues

3.1. Ofgem gave a high level presentation. Two possible ways of migrating smart meters into DCC were presented:

- (i) A 'Big bang' transition approach of all smart meters
- (ii) A gradual movement to DCC

3.2. It was confirmed that these two approaches will have different Cost Benefit analyses for different parties.

3.3. The subgroup looked at the transitional issues regarding Communications contracts, with the expectation that there will already be many Comms solutions which may/may not be consistent with the DCC's contracts.

Foundation Stage

- 3.4. A high level presentation on the Foundation stage shared with ICG in December was presented to the group. This was to facilitate the discussions around the transition to DCC. It was clarified that the Foundation stage includes timeframes from now to DCC Go-Live.
- 3.5. At the point before the Comms Service Providers (SP) are appointed, the physical WAN communications modules procured by the DCC will not be known, though the suppliers will be able to rollout their technical specification compliant meters. The group discussed that until the Comms SPs are in place, the smart meter rollout may be affected.

Migration of Smart Meters at DCC Go-Live

- 3.6. A question was asked what will happen to non-compliant meters during the foundation phase and following Go-Live.
- 3.7. The group asked whether the DCC will require suppliers to replace non-compliant communications modules or if the DCC will adopt the interim technologies (as there will be a material number of assets which are smart meter-compliant but use a different communications technology).
- 3.8. Two questions were raised by the group:
- (i) What happens to systems which are fully technically compliant but are not compliant with DCC selected comms solution and by when?
 - (ii) For systems which are fully technically compliant but are not commercially compliant, what happens to the relevant contracts and by when?

Migration Scenarios

Scenario 1

- 3.9. In this scenario the meter/HAN, the WAN module and the comms technology installed by the supplier are all compliant with the DCC during the Foundation Stage. This option was not discussed further as the technology would not need to be amended under this scenario and could therefore be migrated

Scenario 2

- 3.10. In this scenario, a compliant Meter/HAN and WAN module are installed but no comms technology is installed. The group felt that Scenario 2 was very unlikely. A point was made that if a smart meter is being rolled out then to gain any benefits comms will also be installed. Unless the installation of a smart ready meter is mandated, there is no commercial driver for this scenario. The customer experience would also be impacted by this scenario.

Scenario 3

- 3.11. In this scenario the comms technology selected by DCC is different from the interim comms technology installed by the supplier. The question here is if the DCC should adopt the interim comms at DCC Go-Live.
- 3.12. The group suggested that the DCC should take on the supplier's comms, taking into account the cost to the DCC and its users. The group suggested that there is a need to oblige the suppliers to ensure that reasonable terms are offered to DCC by their interim comms providers and that this should extend to any Head Ends as well as comms. To

mitigate the risks the transition to DCC should be included as a condition in their contract with comms providers.

3.13. A question was raised around the non-domestic sector. It was felt that there is a need to have the same obligations on the non-domestic suppliers.

3.14. The group would still need to answer the following questions:

- (i) Is there a timescale for transition?
- (ii) What happens on COS?
- (iii) Can non compliant comms work in parallel?

Scenario 4

3.15. In this scenario, a compliant Meter/HAN is installed, but a non-compliant WAN module and comms are installed. This scenario was seen as the most likely scenario from the supplier perspective. It was highlighted that if all interfaces are compliant, the DCC may not need to build and communicate with multiple HEs.

3.16. Smart metering installation installed during the Foundation Stage may not be compliant commercially (i.e. may be different to DCC's selected solution) even though the smart meters meet the technical specification.

3.17. The group asked if non-compliant smart metering systems will be allowed to continue beyond DCC Go-Live.

3.18. It was noted that there isn't currently, universal interoperable WAN comms module at a reasonable cost.

3.19. It was noted that during tendering the DCC will have to do a Cost/Benefit Analysis on the different technologies available taking into account if the change in technology would require a site visit. It was the view of the suppliers present that it would be cheaper for the DCC to adopt contracts than to require visits to premises. It was also noted that the need to replace communications modules might have an adverse consumer impact.

What is the timescale for transition?

3.20. It was felt that the interim communications arrangement should continue until the supplier has a natural trigger to visit the premise, eg work required at the premise. A cap on the volume of communications contracts that DCC would adopt was also discussed.

What happens on CoS?

3.21. The assumption here is that the DCC should adopt only compliant systems. It is the registered supplier's responsibility not the DCC's if the meter is subsequently found not to be compliant.

Can non compliant comms work in parallel?

3.22. For this scenario, a definitive transition plan for the non-compliant systems would be required as this scenario does not involve a "big bang" migration.

3.23. It was considered that there is no point in migrating across contracts to the DCC without including these in the DCC access control, hence the meter points must be

moved within the DCC data management systems along with the contracts. The risk of the migration over a number of months would need to be effectively managed.

Scenario 5

3.24. The group commented that this scenario is similar to scenario 4.

Scenario 6 to 10 were all non-compliant meters

Scenario 6

3.25. It was agreed that scenario 6 was very unlikely to occur and therefore the group did not discuss it any further.

Scenarios 7 and 8

3.26. It was discussed that this could be a case where a supplier with a non-compliant meter is using the same WAN module as another supplier who is using a compliant meter.

Scenarios 9 and 10

3.27. These scenarios are more likely to occur.

3.28. The group felt that scenarios 6 to 10 of the presentation slides should not be adopted.

4. Criteria

Cost

Is it reasonable to compare contract costs to DCC's benchmarks?

- 4.1. The group suggested that the installing supplier should make sure that comms contracts can be adopted by the DCC at fair and reasonable cost. DCC should have some flexibility of taking the contract. The group discussed that the obligation to novate contracts to DCC should be included in the contracts the suppliers strike to ensure that the contract will be adopted. The group identified a risk that the DCC may challenge the fair and reasonableness of an adopted contract. If it believes that the cost is unreasonable, it can ask the supplier at the premise to change the module.
- 4.2. The DCC will have a right to request the registered supplier to change the comms module. It was noted however, that suppliers may have difficulty in gaining access to the premise.
- 4.3. It was proposed that the DCC must go through some dispute resolution before the DCC can say a supplier needs to replace a module. This is expected to be required to resolve charging and other disputes.

Timeframes

Is there a reasonable timeframe for the contracts to be adopted by DCC?

- 4.4. It was considered that contract lengths of 1 to 2 years would be reasonable for adoption.

Technology:

4.5. The following additional questions were discussed:

- Is there any basis on which the DCC would exclude technologies?

4.6. When DCC comes in it will have a responsibility for the WAN module. The Meter Asset Provider (MAP) owns this in the interim. It was suggested ownership of the WAN module would need to transfer to DCC communications service provider. A question was raised about what happens commercially when the DCC comes in.

4.7. ACTION: Group to provide information to Ofgem, by COB 25 January 2011, on what the current situation is regarding who owns different assets (i.e. WAN modules) in the current contracts.

5. Any Other Business

5.1. There was a request for representation from First- Utility, Utilita, or a consumer group at the DCG SG2 meetings.

6. Date of Next Meeting

6.1. Wednesday 09 February 2011.