Minutes

DCG Meeting 5 Minutes

Minutes of the fifth meeting of the DCG held on Wednesday 17 November 2010.	From Date and time of Meeting Location	DCG Expert Group 17 November 2010 10am BIS, London

1. Present

Name	Company
Alan Claxton	ENA
Andrew Beasley	Utilita
Andy Evason	Ofgem
Ashley Pocock	EDF Energy
Ben Nicaudie	ElectraLink Ltd
Chris Rowell	Elexon
Colin Sawyer	Ofgem
David Speake	AIGT
Dora Guzeleva (Chair)	Ofgem
Gary Cottrell	SBGI
Iain Matthews	Scottish Power
Jason Brogden	Engage-consulting (ERA)
Jill Ashby	Gemserv
Martin Pollock	ESTA
Mattias Bjornfors	Ofgem
Nick Salter	xoserve
Paul Clark	SSE
Richard Moore	Ofcom
Richard Street	ICoSS (Corona Energy)
Sajna Talukdar	Ofgem
Steve Briggs	British Gas
Steve James	Eon-UK
Tom Chevalier	AMO

2. Review of DCG Meeting 4 Minutes

2.1. The DCG requested that the draft minutes be emailed to them in order for them to feedback comments via the DCG mailbox.

3. Review of Subgroup 1 activities/deliverables

<u>Final update on analysis of DCC Scope Information Request responses with a view to conclude the SG1 activities</u>

3.1. The DCG received a final update on DCC Scope Information Request responses with a view to conclude the Subgroup 1 activities. The slides presented during the meeting will be circulated subsequently although it was advised that work is still being undertaken in conjunction with DECC to feed results of the cost benefit analysis consistent into the Impact Assessment.

3.2. As part of this process of achieving consistency between the Impact Assessment and the cost benefit analysis, Ofgem explained that the ‘reduced debt management and write-offs’ benefit would be excluded from the DCC analysis. This benefit is attributed to the

Smart Metering Rollout rather than the DCC specifically and is the same across all DCC options being analysed.

3.3. Ofgem highlighted that the Cost Benefit Analysis (CBA) of option 3 was more attractive than that for options 1 or 2. Comments were invited as this conclusion appeared counter-intuitive given earlier comments from suppliers that the most significant benefits would arise from a streamlined change of supplier and registration process. One supplier commented that this might be because suppliers might only make fundamental changes to their industry-facing systems once they understand the full scope of interfaces to new registration and data processing / aggregation / storage functions.

3.4. The group raised the following key risks to the enduring options:

(i) Data Quality

(ii) Time to agree industry changes

(iii) New entrants in early phases will have to develop redundant systems for short lifetime.

3.5. A question was raised around whether the CBA identifies a set of obligations on suppliers which will not yield a financial return to them. The Chair clarified that incremental functional requirements need to be subject to robust E2E Cost Benefit Analysis including costs (including Supplier costs) and all benefits (including supplier and customer benefits).

3.6. There was a discussion on the timings of the options and how this affects the benefits. DCG was informed that the assumptions made for the CBA are:

(i) Initial Scope would be on Day one.

(ii) Event one would take place two years later

(iii) Event two would take place two years after Event one (i.e. four years after Go-Live)

3.7. It was agreed that the CBA should be reviewed to consider the impact of 'time to Go Live' and the fact that options 2 and 3 would take longer to develop than option 1.

3.8. The DCG indicated that smaller suppliers might be disproportionately impacted by the changes to industry interfaces. There was discussion around ways of mitigating this by minimising the changes to legacy interfaces or developing parallel interfaces so suppliers could choose whether to use legacy interfaces or move to new ones (e.g. web services).

3.9. A question was raised as to whether Option 3 services could be implemented before Option 2. It was noted that some aspects of DC/DA services may be reliant on new registration processes but that this issue could be investigated further during the Design Phase.

3.10. In summary, it was noted that Option 3 offers a more attractive economic return than options 1 or 2, but that option 3 cannot meet timing objectives unless Option 3c is adopted (i.e. Option 1 followed by Option 3). The analysis is also supportive of Option 2, again with a preference for Option 2c as this option offers an early Go-Live date.

4. Review of Subgroup 2 activities/deliverables

<u>Review of analysis of Interim Interoperability Arrangements Information Request responses.</u>

4.1. A presentation was given summarising the responses to the recent Interim Interoperability Information Request.

4.2. The prospectus estimated that six months would be required for Procurement and six months for development, but that many of the responses from the industry suggested that this timeframe was unrealistically short.

4.3. The Information Request was based around six main options, many of which had 'ALL' and 'Change of Supplier' (CoS) variants. The difference between ALL and COS Options was explained as follows:

(i) ALL Option: Upon Interim Interoperability Arrangement start date, all meters must migrate over to the Pre-DCC central service.

(ii) CoS Option: The supplier needs to only migrate a meter to the Pre-DCC central service upon customer Change of Supplier.

4.4. The DCG was advised that there had been discussions around having the option for individual suppliers to choose the ALL option (i.e. to migrate all their meters to the Pre-DCC Interim Interoperability Arrangement). One DCG member commented that his organisation's business was entirely predicated on pre-payment and that the business would not be able to continue if a mandatory 'ALL' option was selected, and therefore that they may have to raise a legal challenge in these circumstances. Other suppliers present also commented that they did not think that it would be acceptable to prevent suppliers offering pre-payment mode to consumers during the Interim Period.

4.5. The DCG raised a question as to how the costs should be shared between different users of the Central Service. The DCG suggested that suppliers moving their meters across to the pre-DCC Interim Interoperability Arrangement should share the cost in proportion to the number of meters each had supported by the Central Service.

4.6. Ofgem informed the DCG that during early Subgroup 2 discussions, it was agreed that the prepayment function would not be supported in the Interim Interoperability Arrangement Option if the customer changed supplier. Some members commented that consumers could be told about the reduction in smart meter functionality if they switched during the interim period when they first discussed having a smart meter, so that anyone choosing to switch supplier during the interim period would be able to take an informed decision as to whether to do so or not. An alternative view was that even if consumers were informed of the limitations during the Interim Period in advance, they would still be disadvantaged when they could not remain on PPM on changing supplier.

4.7. Ofgem raised the concern that many of the responses to the information request had provided the full cost of rolling out and operating smart meters during the interim period, rather than the incremental costs and benefits associated with achieving interoperability on change of supplier during the interim period. It was agreed that Ofgem would issue a clarification question on this issue to suppliers that had provided responses.

4.8. ACTION 1: For the DCG Expert group to answer the following and provide the analysis to DCG mailbox by COB Friday 19 November 2010.

1. **Identify the incremental additional cost and benefits associated with operating the number of meters acquired and lost anticipated in the absence of IIA are put in place? Please assume the 6M meter case .**

2. **If the group member wishes, to identify what they would actually do in these circumstances if it is different.**

3. **Did you in your original answer only identify costs relating to interoperability? If you didn't please can you do so now.**

   Assumptions:

   - This covers compliant smart meters that can transfer to DCC when it goes live
   - Meters become dumb on CoS
   - Communications contracts can be novated to the DCC at the appropriate time
   - 6M meter case as identified in the IIA Information request

5. Review of Subgroup 3 activities/deliverables

<u>Roles & Responsibilities Review of DCC charging mechanisms</u>

5.1. A short presentation was given with a view to completing the outstanding work around this area.

5.2. A pragmatic solution was developed by Subgroup 3. The group favoured Option 1 where suppliers wanted to maintain a good relationship with the customer who had lost/broken their IHD. At the installation of a meter, the supplier of the fuel of that meter will install an IHD, or if it is refused, offer to install one within 12 months. If a customer contacts a supplier to request an IHD (in the event an IHD is missing or not functioning), then that supplier will have an obligation to provide. This obligation will sustain for 12 months from the installation of the meter of the corresponding fuel.

5.3. The DCG suggested to Ofgem that it would be helpful for suppliers to facilitate the transfer of warranties to the new supplier so the costs stay with the manufacturer rather than the new supplier.

5.4. There was a lengthy discussion on security impact of the two options considered by the group. The DCG pointed out that in terms of security, when a customer buys a new IHD, the DCC would need to know when this had been done to enable the IHD to connect to the HAN and other devices without violating the security. Ofgem clarified that as there is a general principle that the end-to-end DCC solution needs to be secure, any options will need to adhere to this. It was highlighted that if the device has an impact on the security outside the consumers premise, it needs to be subject to the general security solution.

5.5. ACTION 2: For the DCG Chair to raise the concern around security in the HAN workshop (scheduled for Friday 19 November 2010) or during the Security & Privacy meeting (scheduled for 09 December 2010).

5.6. The DCG was informed that Ofgem would like charging methodologies and charging principles ('relevant objectives') to drive competition. There was an observation that if the methodology is to not impede competition then this principle would be fine, but if the charging mechanisms were varied so there is discrimination for different suppliers (charges are split differently) to drive competition, then there would be a legal problem with this.

5.7. There was a view expressed that if there are other parties offering services that the suppliers are offering, the charging mechanisms need to also take them into account. As long as the charges are properly structured in terms of services, then parties should pick up only the charges relating to their service.

5.8. Ofgem reported to the DCG that Subgroup 3 was not in favour of regions being charged differently.

5.9. It was clarified that there will be a set of core services that may be different from Day one and evolve over time. With elective services the suppliers should pick up the cost of these services. A value-added service provided to a participant/signatory will still be charged a capital cost even if they are not driving additional costs and if the initial costs have been paid by those providing the core services. There will be an element of start-up costs allocated in the future (Long Run Marginal Cost principle) to:

(i) New users/ signatories of the core service

(ii) Value added services for existing users

(iii) Non-core services to new users (e.g. telecare)

5.10. The differences between the two types of non-core services and associated charges were further clarified:

(i) Elective Services: Where a cost is driven by a particular user, they will incur it.

(ii) Value-added Services: Where a user does not drive additional cost, they will pay part of the capital cost, reducing the unit cost for everyone else.

5.11. Ofgem informed the DCG that the subgroup considered that during the rollout period, some of the demand risk would be shared by all suppliers. The general principle is that everyone shares the cost irrespective of their rollout speed.

<u>Smart Energy Code update</u>

5.12. The Expert Group was asked to feedback comments to Dora via the subgroup 3 meeting on 30/11/10.

5.13. ACTION 3: DCG to feedback comments to Dora via the subgroup 3 meeting on 30 November 2010.

6. High Level Architecture of End-to-End solution for information and discussion

<u>ERA SMIP – Interface Document – for information and discussion</u>

6.1. The subgroup analysed the components and interfaces of the full end-to-end design, to ensure there is no duplication or gaps in the design. ERA requested the DCG provide responses/comments to the paper offline to DCG to pass to ERA to incorporate into the next draft of their paper.

6.2. ACTION 4: DCG Expert Group to provide comments on the paper to the DCG mailbox for Ofgem to pass to ERA to incorporate into the SMIP – Interface document.

<u>DLMS (Device Language Media Specification) Demystified – for information and discussion</u>

6.3. No comments on this paper were received during this meeting.

7. Future role of DCG Subgroups (Potential further activities of the DCG Subgroup)

7.1. Ofgem presented a list of activities that can be looked at, subject to an assessment of legal risk, between now and end Jan 2011.

7.2. The Smart Energy Code has been split into Technical and Commercial issues vs Governance Issues, some of which require more activities to be completed before end Jan 2011. Subgroup 1 (design only, not decision) will look at the initial scope.

7.3. The group requested the table of activities be circulated to the members so they can feed back their comments to the Programme team.

7.4. The chair advised the DCG that Subgroup 3 will provide a list of output deliverables they need with due dates. It is for the subgroup to provide the detailed Product Descriptions. The chair expects the subgroup to draft parts of the energy code itself, as the output deliverable.

7.5. Subgroup 2 will look at Commercial Interoperability. The DCG Group requested a 1-pager status report to show that subgroups have ended and that the focus of subgroups to the end of Phase 1A will now be different.

7.6. ACTION 5: Ofgem to send the presentation and schedule of meetings through to the end of Jan 2011.

7.7. ACTION 5: Dora to send the ToR and list of output deliverables for each subgroup to the DCG before the next DCG meeting.

8. Any Other Business

8.1. No other business was discussed.

9. Date of next meeting

9.1. Tuesday 21st December 2010.