

DCG Meeting 2 minutes

Minutes of the second meeting of the DCG held on Monday 27 September 2010	From Date and time of Meeting Location	Ofgem 27 September 2010 10am BIS, London	28 September 2010
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1. Present

Dora Guzeleva (Chair)	Ofgem
Ben Nicaudie	Electralink
Martin Pollock	ESTA
David Speake	AiGT
Steve James	EON
Ash Pocock	EDF Energy
Steve Briggs	British Gas
Jason Brogden	ERA
Ben Barry	SBGI
Paul Broderick	Elexon
Jill Ashby	Gemserv
James Dunnett	Scottish Power
Nick Salter	xoserve
Chris Harris	Npower
Alan Claxon	ENA
Richard Street	ICOSS
Tom Chevalier	AMO
Rob McNamara	Intellect
Gary Cottrell	SBGI
Paul Clark	SSE
Jenny Boothe	Ofgem
Andrew Wilson	Ofgem
Andy Evason	Ofgem

2. Minutes of meeting 1

2.1. No comments were received from the group.

3. Update from the SMDG

3.1. Ofgem provided an update on the developments within the SMDG. The DCG was informed that the SMDG had established 3 subgroups considering technical design issues; technical analysis and governance.

3.2. The responses to the Prospectus due on 28 September relevant to SMDG are predominantly concerned with the proposed smart metering functional requirements. SMDG had considered the proposed functional requirements at a recent 4-day meeting.

3.3. SMDG members supported most of the contents of the functional requirements catalogue. However, there were significant issues that were being considered further:

- Last Gasp
- Data storage at the meter
- Power consumption
- IHD - Frequency of update from HAN
- Smart Metering functionality – Cost / Benefits

3.4. The output would be contained in a technician report for consideration by a programme review board as input to the consultation process.

4. Timescale for establishment of the DCC

DCC Establishment Timescale

4.1. The group was provided with a high level presentation of the activities that need to be undertaken to realise the DCC services and the associated timescale. The group was informed that the establishment of the DCC would be a two-stage process:

- a) Development and agreement of the legal instruments to run the licence application process, and
 - The licence application process
 - DCC procurement of its services
- b) the implementation of the legality to an award of a licence

4.2. It was noted that there are a number of issues that may impact on the proposed staged implementation approach. Notably the rollout strategy, the consumer experience and the interim interoperability arrangements. The interim arrangements are being considered by Subgroup 2 which has developed a number of options that are yet to be fully assessed.

It was noted that the phased implementation was proposed as there is a desire to realise the consumer benefits as soon as practicable. The details of back end of implementation program will be provided once responses to the information request become available. Action: Subgroup 2 look at transitional arrangements both at the start of an Interim Interoperability solution and at DCC 'go live'.

4.3. The presentation set out the need for 3 sets of new regulatory instruments. The 2008 Energy Act foreshadows these arrangements which include the following;

- The prohibition order that describes the activity that has to be undertaken by the licensee,
- The tender regulations that enable the process by which the DCC licence will be awarded, and
- The standard conditions of the DCC licence which set out the main obligations of the DCC. Also, there may be a number of special licence conditions which will be negotiated with the preferred bidder.

4.4. A number of issues were raised in discussion:

- It was queried whether we needed to notify the EU of DCC technical requirements. The group was informed that this was included as a contingency in case we have to provide a notification. If this is proven to be the case then proceedings will be put on hold for 90 days. This prompted discussion on whether certain activities could be run in parallel with this 90 notification period. It was considered that certain activities could be undertaken concurrently but this would be subject to legal advice.
- It was queried whether there was scope to change the energy bill to extend the current provision post 2018 as this would provide additional time to analyse and assess the required developments relating to the DCC scope.
- The group considered a number of options that could lead to the DCC being established earlier. It was suggested that users could procure the DCC now. However, it was noted that the DCC scope and services had not been defined nor had all the potential users. It was considered better to have a separate licence for the DCC as a standalone entity which would provide a level of certainty for bidders. Another suggestion was that the Authority could procure a "shadow" DCC that would transform into the final DCC when its final structure was determined by novation of the contract. There was some concern whether the Authority would be able to undertake such an activity.

4.5. It was noted that the governance and administration of the Smart Energy Code (SEC) will also have an impact on DCC realisation as it would set out the commercial and technical arrangements between the DCC and its users. The group was informed that the effort with regards to establishment of the code is beginning to be considered and Subgroup 3 will be reviewing a couple of models.

4.6. The group was informed that the current expectation is that the Government will issue its response in January 2011 by which time detailed analysis would be required on the DCC scope, the interim arrangements and the DCC regulatory framework.

- 4.7. In addition, the group was informed that other issues were being considered in parallel which include the roles and responsibilities at the consumer premises, the DCC financial model including cost recovery and incentive mechanisms. It was noted that one area that may prove challenging would be the detailed technical specifications in the SEC. Given that we will be consulting on the contents of the code we needed to consider what detail could be included during initial code development and what can continue to be developed.
- 4.8. The group considered that governance of the Code (and in particular who would administer it) should be considered.
- 4.9. One member indicated that the more information that was made public the better as it would help inform issues relating to market readiness. On the timelines, the group was concerned about the risk of the DCC services going live and the market not having their systems and procedures ready.
- 4.10. Having a clear picture of key activities will help the industry develop their own information systems appropriately. It was noted that it was important to understand the DCC's data management activities – access control and data sets along with the associated standards.
- 4.11. The group were concerned that commercial terms maybe left behind and not developed at the same pace as the technical/functional requirements and potentially not covered adequately in the Code and other instruments. Ofgem acknowledged the importance of developing such terms early and ensuring the correct level of detail is included in and balanced between the various regulatory instruments.
- 4.12. The DCG was informed that Subgroup 1 was considering the data traffic requirements and the performance requirements of the DCC and it is hoped that both would be fully considered and a view reached by December.
- 4.13. It was noted that more work was required around the DCC technical specifications along with the costs associated with the DCC's standards of service. There would need to be a consideration of the DCC's services and costs and the user requirements and costs. The high level requirements need to be considered in sufficient detail to inform the licence award process and the DCC licence conditions. These will need to be further considered to the next level of detail through negotiations with the preferred DCC bidder. The group noted that commercial certainty was required to attract viable parties and technical certainty was important to underpin system build.
- 4.14. Members of the group noted that it was important for the industry to understand the dependencies between the DCC services [licence obligations], the SEC and the dependencies between them so that the critical path is fully articulated. As such it was noted that the development and delivery of the code and licence would be an iterative process informing each other therefore there is scope for these activities to be run in parallel.
- 4.15. The group considered whether two 6-week consultation periods were necessary for the development of the DCC regulatory regime. The group agreed that having a second consultation period would be beneficial especially where licence conditions were being drafted but noted that the second consultation may be shorter if all the high level principles had been addressed after the first consultation. The group also noted that it would be beneficial if all the consultations on the different instruments were run concurrently due to their interdependencies of the various issues.
- 4.16. In relation to the consultation process the group advised that a process (akin to that applied to the prospectus) whereby Ofgem provided all the relevant background

information but were clear in setting out what was required in return would be well received.

- 4.17. It was noted that the 8-week review period could be required as this timeframe is constrained by Ofgem reviewing responses and its internal governance. It was suggested that this timeframe could be constrained if certain activity could be undertaken by the industry - e.g. drafting of aspects of the code.
- 4.18. The group indicated that it would need clarity as to whether the DCC technical specifications need to be notified to the EU and if so, whether there was scope to link this with the smart metering notification i.e run the DCC notification concurrently. It was noted that there was some interaction between the DCC and smart meters notably the head ends and WAN communication module issues therefore this issue needs to be considered further.

Licence Award and Procurement Strategy

- 4.19. The group was presented with an overview of the DCC licence award process and proposed strategy. The group was asked to consider the options set out in the presentation.
- 4.20. The group expressed concern about the timescales set out (in the prospectus) for both the procurement of the services by DCC and the mobilisation of the DCC and underlying service provision. Ofgem stated that DCC 'Go-Live' was not expected to be full capacity but more that the DCC was in a position to provide 'day-1' scope of services at a nominal capacity in line with the roll-out schedule. It was noted that industry needs to play a part in agreeing what 'day-1' scope should be. The group suggested that the roll-out plan should consider the optimisation of services post Go-Live.
- 4.21. The group warned against the risks to the programme of going at the pace of the slowest supplier with respect to IS development. It was suggested that this issue could be addressed if information was provided as soon as possible on the upgradeability of users systems as this could prevent delays in the programme. Also having only part of the industry ready would have a negative impact on consumer churn.
- 4.22. The group considered that set-up and testing of data related services could happen ahead of comms being fully available and advised that the effort of testing interfaces to the users should not be underestimated. The group considered that a 'big bang' approach would not be advisable and a gradual phased implementation would be advisable to learn from the experience.
- 4.23. The need for parallel activities throughout DCC procurement phase was recognised by all. The group suggested that the programme could prequalify bidders for the service provision on behalf of the DCC.
- 4.24. The group suggested that pilots/trials of technology should be included as part of the service provider tender evaluation process and expressed a desire to ensure that whatever process the programme adopted should seek to minimise the risk of challenge.
- 4.25. The group considered that a procurement approach of carrying out certain procurement activities within the programme ahead of the DCC licence award would be acceptable and could enable the programme to meet the proposed timescales. Also the group indicated that there was a precedent for this in the development of NETA. It was noted that should we adopt this approach this would be an additional risk being taken on by the programme which would have to be fully considered but the option of awarding DCC licence and underlying contracts to a consortium as part of a single process was not desirable.
- 4.26. The group commented on the potential need to fund DCC set up costs identified in the

prospectus. There was concern that industry might be looked to for funding/ backing. A view was expressed that the DCC should have sufficient security to stand behind its liabilities and to be able to fund the step-in to any of its underlying contracts if needed to sort out operational issues. Ofgem stated that this issue was being looked at and financial security of any applicants would be considered as part of the licence award process.

5. DCC Scope and Services

5.1. The group considered the 3 options that were developed by Sub group 1 on the scope and services of the DCC and the draft Information Request (IR) that is going to be issued to the Community of Technical Experts. The group was informed that Ofgem were to meet with the SBGI and Intellect during the week commencing 4th October prior to issuing the IR to gather any further views.

5.2. Ofgem briefly set out what each DCC scope option:

- Option 1: The "initial scope" option representing minimum change to industry processes and where the DCC would provide centralised communications access to all smart meters.
- Option 2: All the activities as set out in the Prospectus plus supplier / meter registration. It was noted that there were four sub options within this scenario.

This involves two stages of industry change: (i) All the activities as set out in the Prospectus and, (ii) 2-3 years later inclusion of registration and streamlining of industry processes.

- Option 3: Option 2 and additional data processing activities over a period of time.

5.3. In reviewing these scope options a number of issues were raised by the group.

- The relationship between data collectors (DCs) and data aggregators (DAs) and the DCC – it was noted that Option 1 would retain the current activities of the DAs and DCs.
- Meter update responsibilities – it was noted that current processes were based on hierarchical chain of activity prior to data being utilised and that this needed to be taken account of within the options going forward.
- Clarity around what data will be held by the DCC –it was noted that the MAMs/MOPs hold data that is not part of registration but is needed for the efficient working of the industry. Self registration data – will the DCC capture this or will it be held elsewhere then passed on.
- Head End Services commonality –the group was informed that the EU is considering standard messaging services that may reduce the need for multiple translation services.
- Availability of data if the communication links fail: the cost and implications of comms failure is a key issue as data needs to be accessible for prepayment purposes. Group asked this to be logged as an issue.

5.4. The group was informed that there was to be a workshop to consider what is registration and what data would be required for each scenario. It was agreed that it

was important to gain a good understanding of what data processes interacted with registration e.g. meter exchanges.

5.5. It was noted that the benefits case for each of these scenarios need to be developed further. The group considered that consumer benefits needed to be captured within the scenarios. A member informed the group that there was a switching report (DECC) that indicated there was £1million consumer benefit that can be gained from the switching process. However, it was noted that these benefits would not affect the smart metering benefits case in the IA as these were based on roll out timeframe issues. The group wanted to obtain the details of the sources for this analysis.

Information Request for WAN services.

5.6. The group raised a number of issues that it felt should be included in the IR:

- How easy will it be for the DCC to transition to an alternative service provider? Will there be two types of contracts to transition – transfer of assets and/or transfer of services and intellectual property?
- How could technology refresh be managed? How will technology obsolescence during the life of a contract be managed? Will providers be willing to drop their price? Should there be a novation clause within the DCC-service provider contract? How should exit (contract) arrangements be managed?
- What is the data scheduling mechanism and whether data should be available via web services or other means?
- An open ended question should be added on security protocols in particular where the HAN functionality has been specified separately.
- Add in a statement that the objective of the roll out arrangements is to deliver 100% coverage.

6. Interim Interoperability

6.1. The DCG was given an update of the activities of subgroup 2 with respect to the principles to be applied to the interim arrangements.

Principles

6.2. It was noted that there was a number of outstanding issues to be firmed up: establishment timeframe; the underlying assumptions and the dependencies.

6.3. The group noted a number of issues:

- How should transitional arrangements operate? The group considered that the interim arrangements should be constructed in a manner such that they could be terminated when DCC goes live. It was also noted that the interim arrangements may need to endure for a period after DCC Go Live as there needs to be a period of time for the data to migrate over to the DCC.
- The interim arrangements should not compromise the enduring arrangements and be mindful of security issues.
- Further consideration is needed of the enforcement and implementation model.

Requirements

- 6.4. The group was informed that the subgroup reviewed the Service Catalogue and assessed which services were relevant for the interim arrangements. The subgroup found that a number of compromises on the proposed enduring services would need to be made to enable the interim arrangement.
- 6.5. It was noted that should the service catalogue be updated by SMDG then the requirements would need to be revisited.
- 6.6. It was recognised that for all interim arrangement options there may need to be a visit to the premises in certain circumstances.

Options

- 6.7. The DCG was provided with an overview of the interim arrangement options that are being considered by the subgroup and the ranking mechanism that had been applied.
- 6.8. It was noted that the biggest risk to the interim arrangements was to ensure that a sub optimal service provider is not embedded as this would impinge on the arrangement costs.
- 6.9. The group was informed that the subgroup intends to reduce the number of options and consider the transitional arrangements and adoption criteria further and bring these back to the DCG for consideration.

7. Roles and responsibilities at the consumer premises.

- 7.1. The group was informed that the subgroup was considering two questions:
- Who owns, installs and maintains the metering equipment,
 - Who has enduring responsibility for the shared equipment?
- 7.2. The group felt that suppliers should install and maintain the metering equipment and that the DCC service providers should own the WAN module. The group considered that the DCC owning the WAN module would eliminate any ownership issues on a change of supplier and that the DCC would have greater buying power than individual suppliers thereby reducing the costs. In addition, the group felt that the DCC is responsible for the overall technology strategy and is therefore better placed to undertake the necessary WAN upgrades if necessary.
- 7.3. It was noted that at installation there could be considerable costs around re-doing installations or where the installation is not straight forward. It was noted that the WAN module needed to be close to the electricity meter but where this is not achievable someone needs to bear the costs for any extra activity.
- 7.4. A view was expressed that the DCC will be responsible for full communication coverage and therefore responsible for the WAN signal being of appropriate strength. As such, the DCC will need to provide the appropriate kit and equipment to the suppliers. It was noted that there needs to be recognition of the cost and effort involved to install the WAN module in unusual locations.
- 7.5. It was noted that the prospectus proposed that there should only be one set of equipment (i.e. WAN module, HAN, IHD) within the premises that would be shared by the energy supplier(s). The DCG acknowledged that there needs to be a set of rules applied to cost sharing especially when there is a fault to fix.

- 7.6. The group discussed a number of issues around fault identification, notification and who should be responsible for dealing with a fault noting that a fault could be notified by the DCC, the customer or the distributor.
- 7.7. The DCG was informed that the subgroup had not fully assessed these issues and would consider these further at the next subgroup meeting in October.

8. AoB

- 8.1. A member of the group considered that there could be some degree of overlap between the work of the DCG and the subgroups. Ofgem stated that there was an expectation that the DCG members would have been briefed by their subgroup representatives and the role of the DCG was to review and consider the reports from the subgroups.
- 8.2. A member queried the role of the Privacy and Security Advisory Group (PSAG). The group was informed that the PSAG was being restructured and would continue to advise the programme.

Minutes

DCG Action Log

Ref No	Date Raised	Action	Date Due	Action Owner	Date Updated	Status
001	27/09/10	Update the IR	05/10/10	Ofgem		
002	27/09/10	Subgroup 2 look at transitional arrangements both at the start of an Interim Interoperability solution and at DCC 'go live'		Ofgem		