

Proposed variation:	Distribution Connection and Use of System Agreement (DCUSA) DCP127 – Gas First Smart Meter Installation		
Decision:	The Authority ¹ directs that proposal DCP127 be made ²		
Target audience:	DCUSA Panel, Parties to the DCUSA and other interested parties		
Date of publication:	6 June 2013	Implementation Date:	Next available DCUSA Release after Authority Consent

Background to the modification proposal

The Smart Metering Implementation Programme (“SMIP”) is a major energy infrastructure project being led by the Department of Energy and Climate Change (“DECC”) for the replacement or upgrade of over 50 million domestic and non-domestic electricity and gas meters by the end of 2020.

For a smart meter to be able to communicate within and outside of the home, a communications hub would also need to be installed in the home. DECC noted that “the communications hub will require a power source taken from the unmetered mains electricity supply”³.

Some premises where smart meters will be installed have different suppliers for their gas and electricity. When a gas supplier decides to install the gas smart meter before the electricity supplier has installed the electricity smart meter (a “gas first installation”), the gas supplier would be required to connect a communications hub to the electricity supply. The gas supplier would need to de-energise the electricity supply at the customer’s premises to carry out works to connect, maintain or remove the communications hub. On completion of these works, the gas supplier would need to re-energise the customer’s electricity supply.

Under current arrangements, a gas supplier could either:

- make arrangements for a concurrent visit with an electricity supplier’s meter agent (an agent who is permitted by the electricity supplier and relevant electricity distribution licensee to work on electricity metering equipment at a customer’s premises), or
- enter into bilateral contracts with the electricity supplier responsible for the customer’s meter point and the electricity distribution licensee responsible for the distribution system to which the customer’s premises is connected, which give permission for the supplier’s agent to carry out works on the electricity supply.

In the competitive market, the gas supplier may not be able to identify the customer’s electricity supplier. The bilateral contract route could be complex, requiring numerous contracts. Both routes would require a degree of cooperation between competitors. Therefore some industry parties consider that these options are sub-optimal.

¹ The terms ‘the Authority’, ‘Ofgem’ and ‘we’ are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

³ See paragraph

65: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/42953/6129-consultation-second-version-smets.pdf

The modification proposal

British Gas (“the proposer”) has proposed DCP127 as a more generic solution which would permit, subject to defined conditions, a gas supplier’s agent to de-energise a customer’s electricity supply and carry out works required to install, maintain or remove a gas first communications hub.

The proposer believes that DCP127 will better facilitate DCUSA General Objectives:

- **3.1.1**– the development, maintenance and operation by each of the DNO Parties and IDNO Parties of an efficient, co-ordinated, and economical Distribution System. The Change Report notes it would be **better facilitated or neutral**, as DCP127 “means only MOCOPA®-accredited operatives will be working on a network and safety and reporting requirements under MOCOPA® would allow distributors to better manage relevant network issues”.
- **3.1.3** – the efficient discharge by each of the DNO Parties and IDNO Parties of the obligations imposed upon them by their Distribution Licences. The Change Report notes it would be **better facilitated**, referencing the requirement on the Distribution Licensees under standard licence condition 4 of the Distribution Licence to manage and operate their businesses such that they do not “restrict, prevent, or distort competition in the supply of electricity or gas...”. They note that “in order to facilitate competition in gas, suppliers must be able to install gas smart meters independently of the electricity supplier where different suppliers provide gas and electricity to a property”.
- **3.1.5** – compliance with the Regulation on Cross-Border Exchanges in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators. The Change Report notes it would be **better facilitated**, referencing the two EU directives that are drivers for smart metering in Europe.

The DCUSA Panel decided that a Workgroup (the “Workgroup”) should be established to assist with the development of the change proposal. The Workgroup, consisting of representatives from supplier parties, Distribution Network Operators (“DNOs”), Meter Operators (“MOPs”) and the Meter Operation Code of Practice Agreement (“MOCOPA”) and attended by an Ofgem representative, issued two consultations, two mini-consultations and two requests for information to assist with the DCP127 development work. The Workgroup prepared a guidance note document to summarise key issues identified in consultation responses and to highlight relevant documents, which although beyond the scope of DCP127, they considered relevant.

For a gas first installation, a gas supplier would require permission from both the relevant electricity distribution licensee and electricity supplier. DCP127 seeks to facilitate this by setting out:

- an obligation for the gas supplier to ensure that work on electricity metering equipment at a customer’s premises is only carried out by a MOCOPA accredited meter operator⁴,

⁴The DCUSA (at 27.1) requires that the MOP appointed for each electricity metering point shall be party to the MOCOPA. The MOCOPA website defines the MOCOPA as: “an Agreement between electricity distribution businesses and electricity meter operators in Great Britain... The Agreement authorises meter operators to install and connect meters to the electricity network by clarifying that the equipment being provided, installed and maintained meets appropriate technical requirements and that work is carried out to adequate safety standards.”

- distribution licensees' permissions for the gas supplier's agent to de-energise and re-energise a customer's electricity supply for works required to install, maintain or remove a communications hub required as part of a smart metering system for that customer's gas supply,
- electricity suppliers' permissions for the gas supplier's agent to install, maintain or remove a communications hub required as part of a smart metering system for that customer's gas supply,
- requirements for the exchange of information relating to meter safety, damage and/or interference between the distribution licensee, electricity supplier and gas supplier,
- gas suppliers' indemnity requirements in favour of the distribution licensee and electricity supplier in respect of damage caused by the gas supplier's agent,
- DCUSA governance rights for gas suppliers, and
- confidentiality restrictions that are applicable to information exchanged between the gas supplier, electricity supplier and/or distribution licensee.

The Workgroup considered that if accepted, DCP127 would require consequential changes to the MOCOPA (CP0058M⁵, the "MOCOPA Change") and to the Supply Point Administration Agreement ("SPAA") (CP 12/212⁶, the "SPAA Change").

DCUSA Parties' recommendation

DNO, IDNO/OTSO⁷, Supplier and DG⁸ parties were eligible to vote on DCP127. In the DNO party category, 66% voted to accept (with 34% voting to reject) for both the proposed change solution and the proposed implementation date. In the Supplier party category, 68% voted to accept (with 32% voting to reject) the proposed change solution and 49% voted to accept (with 51% voting to reject) the proposed implementation date. No votes were cast in the DG or INDO/OTSO party categories. In accordance with the weighted vote procedure, the recommendation to the Authority is that the proposed change solution for DCP127 is accepted and the proposed implementation date is rejected. The outcome of the weighted vote is set out in the table below:

DCP127	WEIGHTED VOTING (%)							
	DNO		IDNO/OTSO		SUPPLIER		DG	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	66	34	N/A	N/A	68	32	N/A	N/A
IMPLEMENTATION DATE	66	34	N/A	N/A	49	51	N/A	N/A

Parties can provide reasons for their voting decisions as part of the DCUSA vote procedure. Each of the parties who rejected DCP127 and/or the proposed implementation date, highlighted concerns that they consider have not been fully addressed including:

- the dependency of DCP127 on consequential changes also being made to SPAA and MOCOPA,

⁵CP0058M: Gas First Authorisation to Break Seals <http://www.mocopa.org.uk/index.html>

⁶CP 12/212: Gas only smart meter installations

<http://www.spaa.co.uk/change-proposal-register-new/spaa-detail?cpnodeid=197258>

⁷ OTSO parties are Offshore Transmission System Operators

⁸DG parties are Distributed Generators

- the enduring electrical safety of communications hubs that have been installed on a gas first basis, and
- possible adverse impacts on customers if there is a substantial increase to the number of supplier visits that are required.

The Authority's decision

The Authority has considered the issues raised by the proposal and the Change Declaration dated 8 May 2013. The Authority has considered and taken into account the vote of the DCUSA Parties on the proposal which is attached to the Change Declaration. The Authority has concluded that:

- implementation of the change proposal DCP127 will better facilitate the achievement of the General DCUSA objectives⁹; and
- directing that the change is approved is consistent with the Authority's principal objective and statutory duties¹⁰.

Reasons for the Authority's decision

We have made our decision by assessing DCP127 against the DCUSA General Objectives. We consider that DCP127 will better facilitate General Objectives 3.1.2 and 3.1.3 for the reasons set out below. We consider that there is a neutral impact on General Objectives 3.1.1, 3.1.4 and 3.1.5.

DCUSA General Objective 3.1.2 – the facilitation of effective competition in the generation and supply of electricity and (so far as is consistent with that) the promotion of such competition in the sale, distribution and purchase of electricity

The Workgroup and consultation respondents considered that this objective would be neutrally impacted by DCP127.

There are licence requirements for suppliers to rollout smart meters to domestic and smaller commercial electricity and gas customers. We note that pre-defined permissions to work on electricity metering equipment could offer an efficient process for a gas supplier who has decided to carry out gas first smart meter installations to their customers on a single fuel supply basis.

Currently customers are able to choose to buy energy on a dual fuel basis from a single supplier or on a single fuel basis from separate electricity and gas suppliers. We consider that DCP127 could have a marginally positive impact in promoting competition by helping to maintain the availability of the current range of options for electricity and gas customers and therefore would have a positive impact on competition in electricity supply.

DCUSA General Objective 3.1.3 – the efficient discharge by each of the DNO Parties and IDNO Parties of the obligations imposed upon them by their Distribution Licences

DCP127 would permit, subject to defined conditions including an obligation to re-energise the customer's electricity supply as soon as practicable, a suitably qualified agent of a gas supplier to de-energise a customer's electricity supply to carry out works to install, maintain and/or remove a gas first communications hub.

⁹ The DCUSA General Objectives (Applicable DCUSA Objectives) are set out in Standard Licence Condition 22.2 of the Electricity Distribution Licence and are also set out in Clause 3.1 of the DCUSA.

¹⁰ The Authority's statutory duties are wider than matters that the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

We recognise that DCP127 would provide gas suppliers with rights and obligations that are broadly consistent with those applicable to an electricity supplier that needs to work on electricity metering at a customer's premises.

We note that except for smart meter installations, gas suppliers are able to carry out works to install, maintain and/or remove gas meters without requiring access to the electricity supply at customer premises.

Generic permissions from distribution licensees to electricity suppliers are defined in DCUSA to facilitate works on electricity metering at customer premises. These existing arrangements facilitate process efficiency for both the distribution licensee and electricity supplier. As existing pre-defined, generic permissions only apply in respect of the electricity supplier, it would be more difficult (when compared to electricity only suppliers or dual fuel gas suppliers) for gas suppliers that wish to install a smart meter at a customer's premises on a gas first installation basis.

We consider that DCP127 removes this potential restriction to competition in the supply of gas and therefore better facilitates the efficient discharge of the obligations in standard condition 4 of the electricity distribution licence.

DCUSA General Objective 3.1.1 – the development, maintenance and operation by each of the DNO Parties and IDNO Parties of an efficient, co-ordinated, and economical Distribution System

The Workgroup noted the proposed obligation for the gas supplier's agent to be a MOCOPA accredited MOP, noting that safety and reporting requirements under MOCOPA would allow distributors to better manage relevant network issues. As such, they considered that this objective would either be better facilitated or neutrally impacted by DCP127.

DCP127's proposed requirement for a gas supplier to ensure that, for a gas first installation its MOP agents are MOCOPA accredited, would be consistent with existing DCUSA requirements for electricity suppliers. We note that MOCOPA covers safety, technical and interface issues that are relevant to the connection of electricity metering equipment at customer premises that are connected to a distribution network.

We welcome consistency in respect of these obligations, however we expect DCP127 to have a neutral impact on this objective.

DCUSA General Objective 3.1.5 – compliance with the Regulation on Cross-Border Exchanges in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators

The Workgroup considered that, as DCP127 would better facilitate installation of smart meters (referencing the two EU directives that are drivers for smart metering in Europe), it would also better facilitate this objective.

DCP127 would introduce a process which could be used by any gas supplier who had chosen to accede to DCUSA and also chose to install smart meters on a gas first basis. However, we did not receive sufficient evidence that this modification is integral to installing gas first smart meters, and we note that there are existing (albeit suboptimal) routes to do so. We therefore consider that DCP127 would have a neutral impact on this objective.

Other considerations

The SPAA Change and MOCOPA Change

Consequential changes have been proposed to the SPAA and MOCOPA. We note that some DCUSA parties have highlighted views that the DCP127 change proposal should not be implemented if either of the two consequential change proposals is rejected.

Voting on the MOCOPA Change closed on 3 May 2013, and Parties voted to accept the change, which would allow MOCOPA Operators to break seals on all metering equipment and distribution termination equipment assets to install, maintain or remove gas first communications equipment. The change will only be implemented if DCP127 is implemented.

The proposed SPAA Change would require any gas supplier who wishes to de-energise and re-energise an electricity supply to install, remove or maintain a smart meter communications hub, to either be a DCUSA signatory or put in place appropriate arrangements with the relevant DCUSA parties. If a gas supplier chose to accede to the DCUSA, they would benefit from the permissions introduced by DCP127 to install, maintain or remove a communications hub. The proposed SPAA Change has not yet been submitted to the Authority for decision. Although this proposed change may, if implemented, provide additional clarity for gas suppliers about the need for permission for works on an electricity supply, we consider that a decision in respect of DCP127 can be made independently of a decision in respect of the proposed SPAA Change.

Information sharing

DCP127 includes requirements for gas suppliers, electricity suppliers and distribution licensees to share information about safety issues that have been identified or where there is evidence of damage or possible interference to the electricity meter. The scope of these information sharing obligations is similar to those currently defined in the DCUSA that are applicable to electricity suppliers and distribution licensees. Some respondents to the DCP127 vote raised concerns that DCP127 did not include requirements for information exchange when a communications hub is installed by a gas supplier. These respondents highlighted a need for such information from a site safety perspective.

The DCUSA does not define all information exchange requirements that are applicable when an electricity meter is installed, changed or removed. We note that the detailed parameters and methods of information exchange between a MOP and a distribution licensee are defined in Balancing and Settlement Code Procedure (BSCP) 514¹¹. Further, MOCOPA Schedule 5 requires that a MOP provides information to the relevant distribution licensee in accordance with BSCP514.

We have not seen evidence to support the inclusion of additional information exchange requirements within the DCUSA. The governance arrangements for both MOCOPA and BSC allow for change proposals to be brought forward. Industry parties are able to bring forward additional consequential change proposals if required to improve the clarity and/or scope of the information exchange requirements.

Responsibilities for the communications hub

DCP127 sets out that the gas supplier which is responsible for the customer's gas supply would be responsible for the ongoing maintenance (including removal) of the gas first communications hub. This arrangement could only be contractually enforced if the gas

¹¹A copy of BSCP514 (SVA meter operations for metering systems registered in SMRS) is available from the Elexon website at http://www.elexon.co.uk/wp-content/uploads/2013/01/bscp514_v25.0.pdf.

supplier chooses to be a DCUSA Party. We share concerns expressed by other industry parties that if there was a change of gas supplier, the incoming gas supplier may not choose to accede to DCUSA.

However, we also recognise that arrangements (including allocation of responsibilities) for communication devices installed by electricity suppliers before the proposed Data and Communications Company ("DCC") is in place, have not yet been defined to the level of detail provided for gas first communications hubs by DCP127. We consider that wider changes to the industry codes may be required to properly define interim arrangements for communications devices.

The MOCOPA defines responsibilities in respect of electricity metering equipment. In particular, we note the MOP responsibilities in respect of electricity metering equipment installed at a customer's premises whilst that MOP's seal is in place. It is not clear how or if these MOP responsibilities would apply in respect of a gas first communications hub that becomes redundant. We encourage industry to consider how to introduce further clarity in respect of any possible overlap between responsibilities allocated by different contractual arrangements.

DECC recently published their Foundation Smart Market government response¹². The licence conditions they propose to introduce would mean it is increasingly unlikely that a new supplier would not use or remove the existing smart metering equipment on change of supplier. For example, where a gaining supplier acquires a compliant smart metering system on change of supplier, it would be required to agree rental terms with or else return the equipment to the relevant meter asset provider. As such, the potential issues regarding responsibility would be unlikely to occur frequently.

Implementation date

The recommendation to the Authority is to reject the proposed implementation date. Part of the reasoning provided was that some of the "other considerations" detailed above required further consideration before DCP127 should be approved. We do not think that the considerations discussed above should delay DCP127 being implemented, as they are unlikely to be significant or to occur frequently. As such, we don't propose to direct a different implementation date. We do however recognise the benefits of industry raising changes to the relevant industry codes to provide additional clarity.

Decision notice

In accordance with standard licence condition 22.14 of the Electricity Distribution Licence, the Authority hereby directs that modification proposal DCP127: 'Gas First Smart Meter Installation' be made.

Maxine Frerk

Partner Retail Markets & Research

Signed on behalf of the Authority and authorised for that purpose

¹² <https://www.gov.uk/government/consultations/smart-metering-implementation-programme-foundation-smart-market>