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ElectraLink's response to Ofgem's Phase 1 DCC Consultation



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Ayena Gupta
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To Ayena and the DCC Regulation Team,

ElectraLink's Response to the DCC Review: Phase 1 Consultation

ElectraLink welcomes the opportunity to respond to Ofgem's 'DCC Review: Phase 1 Consultation', which sets out proposals in relation to the future operation of the DCC pending its licence renewal. ElectraLink operates at the heart of the UK energy market with unique insights into the challenges and opportunities the industry faces. For over 20 years, ElectraLink has supported the evolution of the UK energy market with the consistent and reliable delivery of the Data Transfer Service (DTS).


ElectraLink is agnostic as to the model that is chosen for the delivery of the existing DCC functions; however, we do question why alternative models have not been considered for the additional services identified. In particular we do not believe that the role of smart meter data access has to be delivered by the DCC, and instead a Data Trust could be formed to take on the role of data governance and stewardship. We believe that this could be delivered more quickly than the timelines outlined in the consultation and enable industry and DCC to focus on delivery of core services.

We believe that to fully unlock the potential value within the smart meter network, a separated data access role should be created, and that this role should be industry led and governed, allowing for the closest parties to the data to voice their issues and requirements and maximising the value of the data. This would exist separately to the DCC infrastructure and enabling roles, allowing them to focus on delivery while this new role focuses on enabling access to the data for industry and maximising the value to consumers. This aligns with the recommendations from the Energy Data Taskforce and would help to ensure GB can realise the benefits from open energy data. This data is incredibly valuable for increasing the efficiency of the energy system, reducing costs for consumers and for the drive to net-zero.

One of the key benefits of this type of change would be the transition period. As there are pre-existing industry led structures for enabling industry governed data access, these can be piggybacked to enable a minimal transition time, allowing the value of the data to be unlocked at the earliest possible time and for opportunity costs to be minimised.

Please see our full response to each individual question below. We would be delighted to discuss our response and views in more detail, as well as our wider views on data and central bodies and their place on the energy industry. Please contact myself, (dan.hopkinson@electralink.co.uk) for further information.

Yours sincerely,



Dan Hopkinson

CEO

Question 1

Which of the two broad models do you think we should adopt as the basis for our design of the future regulatory framework for DCC and why? What are the features of your preferred option that lead to you to this choice?

ElectraLink believes that there are both positives and negatives of both option A and B for the future structure of the DCC within the energy market moving forward, with regards to the core DCC roles of providing the communication services that make up the smart meter network, enabling services including security and incident management and mandatory ancillary services such as enabling the switching programme. We are agnostic as to which option is taken forward for these key smart metering infrastructure and support roles moving forward and believe that given the correct incentive structure and principles are set out in the licence that either option can be successful.

Outside of the key smart metering infrastructure and support roles outlined above, we believe that the consultation does not consider the importance of access to smart metering data to the wider industry. We believe that as the DCC licence is being considered from a ground up level, with full consideration being given to alternate governance and regulatory methods, this is the perfect time to fully consider access to the data that is transferred across the smart meter network, and that the stark difference in the key infrastructure and support roles and the data access creation role, and the entirely different nature of these two areas are such that the latter should be separated, and that there should be two distinct roles and deliveries.

Importance of Smart Meter Data

The smart meter data created by the network of meters across the country is invaluable to the UK energy system, in ensuring that we reach net zero as quickly as possible, in increasing efficiency through the spreading of data, and in reducing end costs for consumers. This value is well understood in the energy industry and has been a focus of the industry over the past 5 years.

- The [Energy Digitalisation Strategy](#), published in 2020 states that “the value of data increases significantly when it is accessible and is joined with other data”, and that “Current burdensome processes, including varied and uncoordinated data storage methods, overprotective and bespoke data sharing agreements, and low adoption of open-source technologies prevent energy data from reaching its full potential”.
- The [World Economic Forum](#) estimates that digitalisation and data sharing has the potential to unlock up to \$1.3 trillion of value for the electricity system globally.
- The [Energy Data Taskforce](#) recommended that Government, Ofgem and Innovate UK need to Maximise the Value of Data, including using Presumed Open principles and that they need to increase the visibility and accessibility of data, allowing potential innovators to understand what data is available, so that they can create ideas and innovate based off of what is available. It is hard for us currently to understand the levels of potential that this data could have if well governed access could be meshed with datasets from other industries, for example finance.

Understanding the immense value of the smart meter data for understanding how the UK energy system works, including half hourly meter reads for the entire network following the go live of the Half Hourly Settlement programme, something needs to be done to change the way the DCC currently operates to ensure that this data is more widely shared. Currently, to be able to access the data and the value within, an industry participant needs to become (at minimum) a DCC other user which is a very lengthy (minimum 6 months) and costly process for innovators. Alongside this, becoming an Other User requires accession to specific industry codes, which is another set of

processes, and throws up a significant barrier to entry for potential innovators. Even once an innovator becomes an Other User, an adaptor may be required to fully access the data. It is clear that the current set up will never allow for the timely unlocking of value within the smart meter network, and that immediate action needs to be taken to create access to the data.

Delivery

We believe that to fully unlock the potential value within the smart meter network, a separate data trust should be created. The trust should be industry led and governed, allowing for the closest parties to the data to voice their issues and requirements and maximising the value of the data. Alongside this, the industry has more experience in the delivery of data access than a privately owned contractor and has the systems and governance already in place to allow the responsible data access needs which would be required.

We believe that the DCC should retain responsibility for smart meter security and access control, including smart meter data collection over the network that it is responsible for as part of its core services. This separation will help remove any conflicts of interest between the roles of “collector” and data trust, helping to ensure that the value of the data within is fully unlocked.

This separated data access role would have several responsibilities:

- Making the wealth of data in the network discoverable, searchable, understandable, and accessible through one point to industry participants and other innovators who have a valid use for the data.
- Ensuring the formats in which the data is shared maximise value for the industry, through metadata, common terms and other recognised data best practices.
- Provide a way for industry to govern access to the data, to ensure that all privacy and security concerns of stakeholders are considered and managed, and that access to the data feels fair for a variety of industry participants who can create value through access.
- Provide a mechanism for industry to have a say on changes to the data, including what is provided and the mechanisms by which it is provided.
- Controlling the commercialisation of the data and ensuring that the data accessed from the DCC is paid for in a fair and appropriate manner – ensuring a competitive market for access to data.

ElectraLink believes that a Data Trust, a structured, mature governance arrangement for data sharing, whereby one or more industry parties act as a steward over the data for industry and consider a spectrum of stakeholder concerns when making decisions over access and maintenance of data is the ideal way to implement this data access role.

An example of this in the industry at current is the Data Transfer Service Agreement, the agreement that details how the DTS is managed and run, including the DTS dataset. This governance structure reduces data risks (the wrong people accessing the data) and ensures independence and competitiveness, as the industry govern how industry data can be used. This includes control over the decision whether commercialisation of the data is the best option for data access on a case-by-case basis, ensuring that access to the relevant data for industry parties that require it in a fair, competitive manner.

The industry, via the DTS User Group and Ofgem, retain oversight of the DTSA and therefore, have direct visibility of any DTS performance, service or governance issues relating to data sharing. The rules of data sharing can be updated as appropriate and agreed by the industry, and this mechanism has been used to provide data to a range of market actors.

This method of data sharing as used by the DTSA has led to many improvements in efficiency and benefits for consumers. These include:

- Using consumption data and energy performance data to identify fuel poverty.
- Improving customer experience when setting up direct debits.
- Saving customer money and boosting effective competition by enabling more accurate quotes when accessing price comparison tools.

A model similar to the DTSA would allow the full value of industry smart meter data to be unlocked fully, as well as allowing the benefits to be recognised far quicker than they are being at current. The benefits that will come with the smart meter data, which is more granular could be significantly larger than the current DTS dataset, especially when compared with datasets from other industries.

Question 2

Do you agree with the way we have applied the principles in our analysis of the options? Please state your reasoning.

ElectraLink agrees with the way principles have been applied, but as above does not believe that the options A and B for the future ownership of the DCC is a binary – please see above our response to question one around the potential value of a data trust for unlocking the value of the DCC data.

Question 3

With regard to Option A, to what extent do you think that changes to the DCC licence alone could provide incentives that result in a third party investor-controlled DCC Board providing the quality and cost of service that DCC customers require, and managing DCC effectively?

ElectraLink does not have any views the extent to which changes to the Licence alone could provide incentives that result in an effective DCC.

ElectraLink believes that the licence and the proper incentive regime is the important thing to construct effectively and that the licensee who owns this licence is irrelevant if the principles and incentives that make up the licence are designed correctly, with proper consideration given to the future roles and activities envisioned by Ofgem.

Question 4

With regard to Option B, how effective do you think a non-profitmaking, stakeholder-controlled or independent DCC Board would be in providing the quality and cost of service that DCC customers require, and managing DCC effectively?

As detailed in our response to Question 1, ElectraLink believes that option B would be extremely effective in providing the quality and cost of service required by industry for the data access aspect of the DCC, which we have outlined is essential for reducing costs for customers and ensuring that net zero targets are hit.

For the core and additional DCC roles outside the data access area that we have highlighted, ElectraLink does not have a preference as to whether Option A or B is taken forward, and believes

that provided that effective controls, incentives, and principles are in place – both options have the potential to work well to the cost, innovation and quality of service levels required of the DCC moving forward.

The main way in which we believe that the industry-led approach has been successful is the way in which the DTS is managed, through the DTS User Group (DTS UG). The DTS UG is a representative group of the users of the DTS that oversees ElectraLink's delivery of the DTS and the governance of the data within. The DTS UG are able to guide ElectraLink in the needs of the users, use of the data, and vote on changes to the service.

The User Group consists of the following representatives:

- Up to 5 Members appointed by the Electricity Suppliers
- Up to 4 Members appointed by the Distributors who have received a Distribution Services Direction (as defined in Condition 3 of the Electricity Distribution Licence) from the Authority requiring the procurement of the DTN
- 1 Member appointed by Gas Suppliers that do not also hold an Electricity Supply Licence
- 1 Member appointed by the Green Deal Providers
- 1 Member appointed by the BSC Co
- 1 non-voting Member appointed by MRASCo
- 1 Member appointed by those Users that are not represented by the categories above

The purpose of the DTS User Group is to be a forum for representing the views of Users on any matter relating to the Services, the DTSA, the Data Transfer Handbook, the Data Transfer Network, the data within and the Technical Standards, including, where the User Group is given the relevant powers, considering, approving or rejecting Change Requests

We believe that this industry led approach to managing the DTS has allowed it to remain cost efficient for industry, whilst innovating effectively and providing the quality service that is required from a central system.

Question 5

Do you have any views on the details of Options A and B?

For the core and additional DCC roles outside the data access area that we have highlighted in Question 1, ElectraLink does not have a preference as to whether Option A or B is taken forward, and believes that provided that effective controls, incentives, and principles are in place – both options have the potential to work well to the cost, innovation and quality of service levels required of the DCC moving forward.

Question 6

What are your views on the options identified and the associated trade-offs for a possible licence extension?

ElectraLink believes that one of the key benefits of our proposed solution of an industry led data trust, fully detailed in Question 1, is that there are governance solutions for the sharing and access to data ready for re-use in this case. Re-use of an existing data sharing/access method will ensure that minimal transition time is needed, and that benefits from the sharing and access to data can be seen as quickly as possible.

This solution allows us to gain the benefits of option B in terms of industry-led governance and the benefits of option A in terms of timeliness, while unlocking the value of smart meter data for industry at the earliest time possible, reducing opportunity costs. An example of a ready-made governance solution is the previously mentioned ElectraLink DTSA, which has allowed for the sharing and reuse of the data that is transferred across the DTS for the benefit of the energy industry.

Even if a direct re-use of existing methods and governance structures is not appropriate in these circumstances for any reason, we believe that the benefits of this data are so important for the industry that any transition timetable and potential licence extension should take this into account, and that special attention should be paid to ensuring that the benefits of this data are fast tracked, and are not delayed for up to six years in any case, as they are essential to creating a more efficient and low carbon energy industry.

In terms of the wider idea of a licence extension, ElectraLink believes that the options identified are sensible given the potential scope of the change that would be required if Option B was to be taken forward, including work to fully define the new regime and the potential for wider changes that could occur across the industry in areas such as the code governance reform space, and other areas that have not yet been identified, given the length of the potential extension.

Question 7

What are your views on the assumptions we have made for Options A and B transition periods?

ElectraLink believes that the assumptions made for the Options A and B transition periods are both reasonable in the main for the activities and dependencies that have been identified by Ofgem.

We would re-emphasise our views in our response to Question 6 – that there is significant potential for the re-use of a governance system to ensure that minimal transition extension is required to unlock the value of the smart meter data – this is one of the main benefits of our industry data trust proposal.

Question 8

In your view, which of the considerations we have identified for the transition period are the key dependencies and why? Are there any other dependencies that should be considered?

ElectraLink agrees with the considerations identified and would like to put forward access to the smart meter data as a key consideration that needs to be considered, as per our answers to the questions above.

Question 9

What is your view on implementing incremental changes to the regulatory framework during a transition period? Which parts of the regulatory framework would be most suitable for such changes and why? Do you have suggestions for their implementation?

Any transition to our proposed data trust option for the data access could include incremental change – as above we view data access as essential to get working quickly to unlock industry and wider benefit. If option B was taken forward, then a data trust based on the re-use of existing industry governed data access could be immediately implemented

In the wider context of incremental changes to the regulatory framework that governs the DCC, ElectraLink believes that the incentives and principles should be agreed up front at the beginning of any new licence period but that the measurements that inform and back up success against the principles and incentives can evolve over time as required by the changing needs of the licence.

Question 10

Do you agree with our proposed scope of future DCC's Core Mandatory Business?

ElectraLink agrees with the proposed scope of the future DCC's core mandatory business.

Question 11

Should the future framework permit DCC to carry out any services additional to its Core Mandatory Business? What are your views on the concepts of 'mandated services', 'ancillary services' and 'additional services to users'?

ElectraLink believes that the future framework should permit the DCC to carry out additional services. We believe, as stated in our response to Question 1 that the data access expansion is a key part additional service that needs to be provided but believe that this should be separated out from the traditional DCC infrastructure and enabling roles.

Outside of this specific key case – we believe that a variety of different commercialisation options should be available, including a user pays model, direct commercialisation or in some cases a not-for-profit service. Careful consideration should be taken as to which option is chosen for each individual service, enabling the DCC to provide services that enable users to help them achieve their organisational objectives and providing value to the energy industry.

For an example of where these services are needed, ElectraLink is aware of a concern amongst the industry that firmware with meters could benefit from centralisation in DCC. This change – through additional services would help reduce costs for a variety of industry participants and is not currently an option given the current DCC licence. We can see how this example and the principles behind it could be common among a variety of other smart meter concerns, and so are in favour of the future framework permitting the DCC to provide these services.

Question 12

Do you agree with our proposed drivers for a controlled change in DCC's role? What are your views on the ways in which evolution of DCC's role can be managed?

ElectraLink agrees with the proposed drivers for controlled change, but believes that the completion of the DCC's core services to agreed industry levels should be prioritised before additional roles are considered, to ensure that the key roles that the DCC fulfils are met before remit and resources are stretched.

Question 13

Do you agree that the future framework should enable exploration of re-use of DCC's infrastructure? What are your views on the specific conditions and measures that may need to be in place to enable it?

ElectraLink agrees that any future framework should enable the re-use of the DCC's infrastructure, but similarly to our response to Question 12, the completion of DCC core services should be prioritised.

Question 14

Do you consider that a hybrid model, where some costs are regulated under an ex-ante regime and some under an ex-post regime based on the level of cost uncertainty, would be appropriate for DCC?

ElectraLink believes that the Price Control needs to be fit for purpose, transparent and fall on the appropriate parties. We do not have any specific views on this question.

Question 15

What elements of DCC's Allowed Revenue are stable (with low risk of forecasts being either under- or over-estimated) and would benefit most from an ex-ante approach by 2025?

ElectraLink believes that the Price Control needs to be fit for purpose, transparent and fall on the appropriate parties. We do not have any specific views on this question.

Question 16

What are your views on the different ways in which risk (ie the benefit of underspending and the cost of overspending) can be shared between the DCC and its customers under an ex-ante regime?

ElectraLink believes that the Price Control needs to be fit for purpose, transparent and fall on the appropriate parties. We do not have any specific views on this question.

Question 17

What are your views on whether DCC can be effectively incentivised to reduce costs at scale under an ex-ante regime?

ElectraLink believes that the Price Control needs to be fit for purpose, transparent and fall on the appropriate parties. We do not have any specific views on this question.

Question 18

Do you think that moving to an ex-ante regime could adversely affect the quality of service? What mechanisms could be used to reduce the risk of underperformance under an ex-ante regime (eg provisions to allow clawback in case of delivery failing to meet specifications)?

ElectraLink believes that the Price Control needs to be fit for purpose, transparent and fall on the appropriate parties. We do not have any specific views on this question.

Question 19

What are your views on how best to assess costs under an ex-ante approach? For example: What level of detail on costs and benefits would be appropriate? How early should DCC share details of costs with customers? How should this information be shared and evaluated?

ElectraLink believes that the Price Control needs to be fit for purpose, transparent and fall on the appropriate parties. We do not have any specific views on this question.

Question 20

Do you agree with our initial view that an ex-ante model has the potential to reduce the resource burden both for Ofgem and DCC? Please state why.

ElectraLink believes that the Price Control needs to be fit for purpose, transparent and fall on the appropriate parties. We do not have any specific views on this question.