Smart Energy Code (SEC) Modification Proposal MP262: Extending the Installation End Date for CHTS v1.0 and GBCS v1.1

Decision	The Authority[1] has determined to reject[2] this modification[3]
Target audience	Data and Communications Company (DCC), SEC Panel, Suppliers, Meter Installers, Other SEC Parties
Date of publication:	11 December 2024
Implementation date:	

Background

The Communications Hub Technical Specification (CHTS) and Great Britain Companion Specification (GBCS) set out the requirements for Communications Hubs to be installed. Smart Energy Code (SEC)[4] Schedule 11 'Technical Specification Applicability Tables' (TSAT) sets out the Installation End Date and Maintenance End Date for Communications Hubs compliant with different combinations of CHTS and GBCS versions, which can be found in the table titled 'CHTS and Relevant Versions of GBCS'.[5] Any relevant stock remaining after this time could still be installed but would not count towards suppliers' rollout targets. Any smart metering equipment that is installed with a Communications Hub after its Installation End Date is not counted towards rollout targets.

The Installation End Date and Maintenance End Date for the combination of CHTS v1.0 and Relevant GBCS v1.1 were extended from 31 January 2023 to 30 April 2023, and from 28 February 2023 to 31 May 2023, respectively. They were extended as part of SECMP221 'CHTS v1.0 and GBCS v1.1 Installation End Date and Maintenance End Date', with the reasoning that the extension would allow sufficient time for suppliers to locate and install the then approximately 200,000 uninstalled Communications Hubs that were compliant with these specifications. However, the proposer identified approximately 122,000 uninstalled Communications Hubs which are compliant with these specifications and were not installed within the extension.[6]

[1] References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work. This decision is made by or on behalf of GEMA.
[2] This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989 and by section 38A of the Gas Act 1986.
[3] 'Change' and 'modification' are used interchangeably in this document.
[4] A full list of acronyms can be found in Appendix 1.
[5] Capitalised terms in this letter are defined in Smart Energy Code Section A – Interpretations and Definitions.
[6] MP262 Modification Report, p3

The modification proposal

SECMP262 was raised by Drax (the "Proposer") on 9 January 2024 and seeks to amend SEC Schedule 11 - Technical Specification Applicability Tables (TSAT). The Proposed Solution is to extend the Installation End Date for CHTS v1.0 and GBCS v1.1 by 24 months, changing the date from 30 April 2023 to 30 April 2025. We note that any smart metering equipment with the above-mentioned Communications Hubs that is installed between the implementation date of this modification and 30 April 2025 would be included in suppliers' rollout targets.[7]

Modification History

SECMP262 was originally progressed as a Self-Governance modification, with the original decision of the Change Board (CB) to reject the modification on 24 July 2024. The modification was then appealed to the Change Sub-Committee (CSC) on 20 August 2024, where the CSC voted to uphold the CB's decision. The CSC's decision to uphold the CB's vote was then appealed to us by the Proposer on 30 August 2024.[8]

SEC Change Board[9] recommendation

At the June 2024 SEC Change Board meeting, a majority of the Change Board considered that SECMP262 would not better facilitate the SEC Objectives, and the Change Board therefore did not recommend its approval. Change Board members expressed concerns about non-communicating devices, believing that the risk that installed devices could become non-communicating outweighs the costs of stranded stock. The Technical Architecture and Business Architecture Sub Committee (TABASC) Chair was present during the meeting and highlighted the importance of devices being upgraded in the shortest time possible to ensure they are operational. The TABASC Chair rejected the modification because if it were approved the TSAT would become insignificant as it would continue to be extended and not drive the intended behaviour of encouraging best practice of not installing older devices. Change Board members noted that the DCC would be responsible for upgrading these Communications Hubs, leaving suppliers at risk of a smart meter being non-operational if the DCC did not deliver upgrades in a timely manner.[10]

[7] MP262 Modification Report, p3
[8] Extending the Installation End Date for CHTS v1.0 and GBCS v1.1 - Smart Energy Code
[9] The SEC Panel and Change Board are established and constituted pursuant to and in accordance with DCC Licence 22.25(a).
[10] MP262 Conclusions Report, p2

Our decision

We have considered the issues raised by SECMP262 and the Final Modification Report (FMR) submitted to us on appeal on 30 August 2024. We have considered the votes of the SEC Change Board and Change Sub-Committee on the modification proposal. We have concluded that implementation of the modification proposal will not better facilitate the achievement of the SEC Objectives.

Reasons for our decision

We consider this modification proposal will not better facilitate the first SEC Objective and has a neutral impact on the other applicable Objectives.

The first General SEC Objective is to facilitate the efficient provision, installation, and operation, as well as interoperability, of Smart Metering Systems at Energy Consumers' premises within Great Britain.

We do not believe that the evidence provided has demonstrated that the implementation of this modification would facilitate the efficient provision of Smart Metering Systems (SMSs) in Great Britain. Following the 13 August 2024 Modification Report, the Proposer believes that installing the remaining stock presents minimal risks to the security of SMSs, would allow these devices to count towards smart metering rollout targets, and could allow suppliers to use the Communications Hubs as a back-up stock in the case of delays to 4G rollout.[11] While we recognise the costs faced by small suppliers in managing their stock of Communications Hubs, we do not believe that this modification, if implemented, would greatly benefit smart metering arrangements in Great Britain.

Stranded meters argument

The Proposer believes that the 122,000 uninstalled Communications Hubs represent a significant financial and environmental cost, as this uninstalled stock is not compliant with the SEC and would need to be either returned to the DCC or scrapped. The Proposer believes this modification would minimise or negate these financial and environmental costs. Furthermore, the Proposer argues that scrapping this remaining stock could result in fewer Energy Consumers gaining access to the benefits of smart metering in the immediate future.[12] We disagree with the Proposer's views for the following reasons:

- **No prohibition on installation:** While installations of Smart Metering Systems using CHTS v1.0 and GBCS v1.1 Communications Hubs do not count towards

[11] MP262 Modification report, p11
[12] MP262 Modification Report, p4

suppliers' smart metering rollout targets, the TABASC Chair stated that there is no technical blocker to the installation of these Communications Hubs.[13] This means that these Hubs can still be installed, and suppliers could use them for cases of non-qualifying smart meter installations, i.e. those that do not count towards the rollout, such as for the replacement of a malfunctioning Smart Metering System. Therefore, it is not necessarily the case that these Communications Hubs would need to be returned to the DCC or scrapped.

- **Revisits and exchanges:** One Large Supplier argued that the potential that CHTS v1.0 and GBCS v1.1 Communications Hubs could be non-communicating could lead to greater financial and environmental impacts than simply having held them as stock or returning them. The Supplier believes that the potential environmental cost saving would be negated if a second visit is necessary to exchange Hubs that fail to upgrade. Furthermore, they highlighted that the financial costs of a second visit may be carried over to a different supplier if a customer frustrated with a non-communicating meter switches supplier.[14] We agree that the potential costs and environmental benefits could be negated given the that the DCC estimated that all CHTS v1.0 and GBCS v1.1 Communications Hubs would require at least one firmware update to be upgraded, with approximately 44,000 (36%) requiring multiple upgrades and approximately 1,200 (<1%) not being able to be upgraded at all.[15] Thus, we consider the risk of an installation with a CHTS v1.0 or GBCS v1.1 Hub requiring a second site visit to be significant.
- **Impact on rollout:** The proposer has not provided evidence of any shortages on the stock of Communications Hubs that are compliant with the TSAT. Therefore, we consider the Proposer's claim that scrapping this remaining stock could result in fewer Energy Consumers gaining access to the benefits of smart metering in the immediate future to be unfounded, as suppliers could use the remaining stock available to them to install Smart Metering Systems. We agree with a Large Supplier that stated that since Smart Metering Systems installed with these old Communications Hubs have a higher chance of being non-communicating, installing them as part of the rollout could lead to a poor customer experience and negative perception of Smart Metering as a whole.[16]

<u>Mitigated risk of non-operational meters argument</u>

[13] MP262 Conclusions Report, p2
[14] MP262 Modification Report Consultation Responses, p2
[15] MP262 Modification Report, p10
[16] MP262 Modification Report Consultation Responses, p2

The Proposer believes that any risk of poor performance of the system, or limited operability of CHTS v1.0 and GBCS v1.1 Hubs can be mitigated if the DCC upgrades these devices accordingly and if suppliers adhere to the full range of smart meter regulations.[17] The TABASC noted that there are known issues between certain firmware versions not being supported after upgrading and due to the age of the devices there are concerns on prepayment support capabilities.[18] Change Board (CB) members also noted that having old Communications Hubs and firmware in the system would cause poor system performance.[19] The Proposer acknowledged these risks but suggested that the benefits of this modification outweighed the risks highlighted by TABASC and CB members[20], noting that the Security Sub-Committee (SSC) did not object to the extension of the Installation End Date. We disagree with the Proposer's views that the benefits of this modification regarding SEC Objective (a) outweigh the risks for the following reasons:

- **Poor customer experience:** On the June 2024 Change Board, a Large Supplier noted that extending the TSAT could introduce a risk that older devices may be redistributed which could have negative impacts across the industry.[21] During the Change Board vote, members who voted to reject noted that having old Communications Hubs and firmware in the system would cause poor system performance.[22] Furthermore, though the SSC did not object to the extension, they noted that older devices are not fully compliant with the latest CPA Security Characteristics and therefore have a higher risk of containing security vulnerabilities.[23] Lastly, only two models of CHTS v1.0 and GBCS v1.1 Hubs are known to be able to support prepayment customers if upgraded in a timely manner.[24] These compounded factors mean that installing older Hubs could lead to a poor customer experience with smart metering, and a negative consumer view of Smart Metering Systems as a whole. Consumer apathy has been cited as one of the main barriers to the current smart meter rollout and it is therefore a significant risk to introduce a modification that could worsen the public's perception of smart metering.[25]

[17] Self-Governance Decision Appeal Form, p4
[18] MP262 Modification Report, p12
[19] MP262 Modification Report, p13
[20] MP262 Conclusions Report, p4
[21] MP262 Conclusions Report, p2
[22] MP262 Modification Report, p13
[23] Security Sub-Committee (SSC) Statement on MP 262:
Extending the Installation End Date for CHTS v1.0 and GBCS v1.1
[24] MP262 Modification Report, p11
[25] Smart Meter Rollout: Open Letter on the roll out of smart meters for Prepayment and Radio Teleswitch (RTS) customers

- **Non-operational meters:** A Large Supplier stated during the June 2024 Change Board Vote that the potential for non-communicating devices is a bigger risk than stranded stock.[26] We agree with this Supplier and note that non-communicating meters have been a salient issue in the media and a major challenge for the Smart Meter Rollout, with around 3.8 million smart meters not operating in smart mode.[27] A negative public perception of smart metering decreases customer demand for these devices, harming the efficient provision and installation of SMSs in Great Britain. While this modification could bring benefits for the provision of SMSs for individual suppliers that have a stranded stock of CHTS v1.0 and GBCS v1.1 Hubs, there is a significant risk of the modification harming the operation of the overall Smart Metering System.

4G rollout argument

The Proposer believes that extending the Installation End Date would decrease risks of issues arising with 4G Communications Hubs by enabling suppliers to utilise CHTS v1.0 and GBCS v1.1 Communications Hubs in a compliant manner.[28] They highlighted that if issues are found with 4G Communications Hubs, suppliers may need to continue installing 2G/3G Hubs. We disagree with the Proposer's views for the following reasons:

- **Misaligned dates:** The Proposer noted that the introduction of 4G Communications Hubs is anticipated to begin in July 2025.[29] Therefore, an extended Installation End Date until April 2025 would not be enable suppliers to install CHTS v1.0 and GBCS v1.1 Communications Hubs in a compliant manner and count these installations towards the smart metering rollout during the 4G rollout.
- **No shortage of 2G/3G Communications Hubs:** We are not aware of any shortages on the stock of 2G/3G Communications Hubs that will be compliant with the TSAT during the 4G rollout. Therefore, we believe that extending the Installation End Date will not significantly contribute to the fallback stock of 2G/3G Hubs in cases where issues are found with 4G Hubs.

Additional comments

While we acknowledge that the current DCC returns process cannot support large volumes of devices being sent back in a short period, we note that another proposed

[26] MP262 Conclusions Report, p2
[27] Q3 2024 Smart Meters Statistics Report p4
[28] MP262 Modification Report, p3
[29] SECMP262 Self-Governance Decision Appeal Form, p2

SEC modification, SECMP252 'Amending the process for Communications Hub returns' is aiming to address this issue.[30]

Conclusion

In summary, while we understand that the 122,000 uninstalled CHTS v1.0 and GBCS v1.1 Communications Hubs are a significant cost to some suppliers, extending the TSAT Installation End Date for these Hubs presents a significant risk of Smart Metering Systems installed with these Hubs being non-operational. In turn, this could harm the provision, installation and operation of SMSs in Great Britain by negatively influencing customer perception of smart metering and requiring further costs for revisits on customer sites if Hubs fail to upgrade. We would also note that there is no prohibition on the installation of these Hubs currently, and that this modification would merely make their installation compliant with the TSAT and count towards smart metering rollout targets.

Decision notice

In accordance with Standard Licence Condition 23 of the Smart Meter Communication licence[31], the Authority hereby determines that modification proposal SECMP262: 'Extending the Installation End Date for CHTS v1.0 and GBCS v1.1' not be made.

Michael Walls

Head of Retail Market Operations

Signed on behalf of the Authority and authorised for that purpose

[30] Amending the process for Communications Hub returns - Smart Energy Code

[31] Smart Meter Communication Licence | Ofgem