

Minutes DCG Subgroup 2 Meeting 8

Minutes of the eighth meeting of the DCG Subgroup 2 Meeting held on 22 December 2010

From
Date and time of Meeting
Location

Ofgem
10am, 22 December 2010
Ofgem

1. Present

Name	Company
Geoff Hatherick	DECC
Hayley Dunlop	Elexon
Lisa Harris	ICOSS
Chris Spence	EDF
Mark Knight	SSE
Tim Newton	EON
Jason Brogden	ERA
Liz Kenny	NPower
Andrew Pearson	BG
Ross Mackie	SP
Ted Hopcroft	Ofgem
Iain Matthews	Scottish Power
Dora Guzeleva	Ofgem
Maxine Frerk	Ofgem
Nigel Nash	Ofgem
Jenny Boothe	Ofgem

2. Introduction

2.1. Ofgem gave a high level presentation indicating that the purpose of the group was to undertake analysis to assist in answering the following questions:

- “What is needed to help ensure commercial interoperability?”
- “Do any measures need to be in place to facilitate rollout in the periods before DCC service availability and the transition of service by DCC, for example requiring DCC to take communications contract meeting certain predefined criteria?”

2.2. The group had a brief discussion during which some assumptions for use during the meeting were identified, namely:

- That there will be standard messaging services and interfaces;
- That the smart metering system includes an IHD meeting minimum display requirements;
- That small non-domestic sites are in-scope.

3. The group discussed the potential problems that may be encountered by the gaining supplier upon change of supplier.

May not be able to agree terms with the meter asset provider?

- 3.1. The group noted that this could be a problem and noted that a further complication in the smart world would be that the gaining supplier may not be able to agree terms with the communications provider and/or smart service provider where the supplier needs to use the losing supplier solution or agent.
- 3.2. Also, the lack of transparency around charges may result in additional functionality being charged which is not used.
- 3.3. In the domestic sector there is a mixture of charging regimes where, for legacy sites, charges are amortised but for newer meters installation costs are charged upfront. However in the non domestic sector SME contracts usually have an average length of 2 years which essentially equates to the consumer paying for installation costs upfront.

May not be able to agree suitable terms with the communications provider?

- 3.4. The group discussed that fair and equitable changes in a transparent, structured and consistent approach would be needed to facilitate commercial interoperability. It was noted that current charges vary and include different components e.g. cost of the communications, meter, HAN. However it was noted that the cost of the IHD would be borne by the suppliers. Also it was noted that the structure of the charges may vary – currently the cost of the SIM is included in the rental charge paid by suppliers to their communications provider. The situation may be further complicated by the differing models that are adopted by metering agents. For example, the supplier may contract with the MAP which in turn contract with the communications service provider. Alternatively the supplier may contract directly with the communications provider.
- 3.5. It was suggested that to deal with these issues suppliers were likely to contract with all communication providers rather than adopt supplier to supplier communication contracts. The group noted that the terms of any communication contract are likely to be volume based with the unit cost spread across the number of sites. Contracts would require standard terms including provision for novation of contracts to the DCC. Further it was noted that most comms/MSP services are bundled with the SIM being rented from the comms provider by the supplier.
- 3.6. It was noted that some MAMs own the WAN module therefore to obtain full transparency of costs charges will need to be unbundled. It was noted that:
 - Consideration should also be given to transfer of the WAN module to the DCC service providers on adoption of contracts;
 - Charges need to be fair and reasonable with respect to whether additional functionality is used by the gaining supplier after change of supplier.

May not have suitable Head End to facilitate data flow from the meter?

- 3.7. The gaining supplier may not have the appropriate Head Ends (HE) to communicate with the meter. The group was informed that the assumption is that there would be standard messaging protocols in place. However it was noted that HEs may be required where additional functionality is required or where a legacy smart meter is acquired that does not conform to the prevailing standard messaging protocols.
- 3.8. The group noted that the primary concern is not the communication interface between the DCC and the meter as this could be standardised (e.g. DLMS) but between the DCC

and the suppliers where the messaging interface may be through DLMS or another means (e.g. SML). The group took the view that there may be a need for additional translation services in this instance.

- 3.9. The group noted that pre Smart Energy Code and DCC there would need to be agreed governed business flows and that it would be useful if the industry bodies could consider how registration of smart meters should be managed. The group also considered that certain information will need to be passed on to the gaining supplier including charging mechanism, meter identity, communications protocols and security information. However it was noted that the latter would depend on the interim option adopted. It was noted that the security of the E2E system needs to be designed into the final solution.
- 3.10. It was noted that early development of an Industry Data Model (IDM) is needed, based on the enduring solution, and that early conformance to the IDM by all parties (including early movers) will be needed to ensure easy transition to the enduring arrangements. A number of group members noted that they had already provided a 'straw man' IDM to DCG SG1 to progress development.
- 3.11. One member noted that there may be a case where there may have to be two communication links because the consumer has changed from dual fuel to single fuel. This would raise issues as to who should be responsible for the WAN module i.e. communications provider.

May not be able to obtain information needed to operate the meter even if it has suitable Head End?

- 3.12. The group noted that the technical details of any meter are known now and expect this to be the same¹ for smart meters. A process must be adopted to ensure that standard is received by the gaining supplier therefore the gaining supplier needs to know who the MAP² is and we need to consider whether the existing dataflows are able to accommodate this data.
- 3.13. The group noted that clear datasets and definitions need to be agreed upon to allow transition to the DCC, which can be mitigated by early agreement and compliance to an IDM.

Any other problems?

- 3.14. The group noted that the impact of the NEXUS project on the foundation stage needs to be fully understood. It was agreed that the xoserve stakeholder letter should be circulated.
- 3.15. The Group suggested that there will need to be compliant systems in place which are secure end-to-end and anticipated some level of commissioning of existing systems. The group were advised that the interim systems are to be fully compliant in terms of security.
- 3.16. The group noted that there are other areas which needed clarity. A member of the group felt further clarity was needed with respect to the security design. Also, if the WAN module is in the electricity meter:

- (i) Will a standalone gas meter be compliant?

¹ It was noted that there will be new technical details for smart meters and therefore the gaining supplier needs to be aware of the full configuration to operate the meter. This information is currently transferred via MAM to MAM flows. Where the supplier operates a meter directly, they will need access to this information.

² It was noted that there is a need to agree a standard for MAP appointment, eg by the MAM/MOP and recommended by the supplier for both gas and electricity.

- (ii) Who is responsible for rental of the WAN module?
 - (iii) Where common assets are used by 2 suppliers who is responsible – need rules?
- 3.17. It was thought that two suppliers will not be able to use the same communications module and an action was raised to invite Steve Rafferty to the next meeting to explain the reason for this.
- 3.18. The group noted the need to agree service levels based on roles and responsibilities.
- 3.19. The group was informed that some Mops had been concerned that 2 suppliers will not be able to use the same communications module.
- 3.20. The group noted the following additional potential problems:
- (i) May not be able to appoint a competitive Data Retrieval agent
 - (ii) Suppliers may not be able to re-use system changes for enduring leading to increased costs to the consumer
 - (iii) Suppliers may not be able to influence service providers to adopt changes;
 - (iv) Participants may interpret services / interfaces differently and therefore not interoperate
 - (v) Participants may not provide robust solutions to the aggregated volumes
 - (vi) Suppliers may not get the same level / quality of service
 - (vii) Participants may incur unnecessary costs due to multiple HEs
- 3.21. **ACTIONS:**

Action	Person – By
Circulate xoserve stakeholder letter	Ofgem
Invite Steven Rafferty of Siemens to next meeting	Ofgem

4. The group discussed the potential problems that may be encountered by the losing supplier upon change of supplier

Risk of having stranded costs?

- 4.1. One group member indicated that the MAP is paid for the functionality of the meter therefore a dumb price is paid for a smart meter operating in a dumb mode. The group noted that the minimum functions will need to be specified and considered that any additional functions of the meter will be at the suppliers own risk.
- 4.2. The group noted that the risk of stranded cost would be reduced if the smart functionality is maintained on CoS. Also if compliant functionality is maintained then there would not be a need for a risk premium to be built into the contracts to deal with premature replacement.
- 4.3. An agreed definition will be required to allow for consistency relating to a compliant meter, compliant meter installation and complaint functioning of the smart metering system. In this arrangement the group noted that there needs to be clarity as to how compliance will be assured including determination of market readiness and associated testing.

May incur communication termination costs?

4.4. It was noted that this may be an issue and will need to be considered further.

4.5. It was noted that consideration should be extended to MAP early termination charges.

5. Potential Solutions***Asset Transfer******What commercial arrangements are needed to facilitate transfer of meters and other devices?***

- 5.1. The discussion was predicated on a compliant metering system pre and post DCC. It was noted that it would be the transfer of the rental responsibility from one supplier to another. To facilitate this charges needed to be fair and equitable and the components of the charges need to be transparent.
- 5.2. It was proposed that a licence obligation should be placed on suppliers to facilitate commercial interoperability. The group considered the nature the obligation. First, the group considered whether the obligation should be on the gaining supplier to offer to adopt the meter. It was noted that there will be a need to mitigate failure to agree terms and the level of termination charges. An alternative obligation could be to oblige the losing supplier to give the gaining supplier access to the meter.
- 5.3. It was considered that there should be an obligation on the losing supplier to offer fair and reasonable charges for the provision of communication services with the meter (i.e. HE services and communications)
- 5.4. The group noted that whatever regime is adopted it must be adopted consistently across the market.
- 5.5. With respect to prepayment it was noted that the basic PPM services should be included in the standards. The group discussed that the customer relationship with the vendor/paypoint would remain the same but the relationship between the supplier and the paypoint system pose a commercial risk to the suppliers. However it was agreed that these relationships should be left to suppliers to manage. The group considered that the business processes underlying the relationship between the supplier/DCC and meter should be standardised.
- 5.6. It was considered that an obligation could be placed on agents to ensure fair terms through a code of practice (CoP), with an obligation on suppliers to only use agents accredited to the CoP (as in the Gas Meter Asset Managers CoP and Gas SLC 12.18). It was noted that some agents are already seeking early termination charges. The group considered that an appropriate Code of Practice (CoP) could be applied to MAPs.

Installing supplier offers metering and communication services (including Head End services) directly or via agents, to gaining supplier.

- 5.7. It was noted that communication providers and agents already provide smart metering services. It was noted that for this arrangement to work there will need to be defined services with standard secure interfaces and standard translation services.
- 5.8. The installing supplier would contract with its communications provider. If standard protocols are adopted then the gaining supplier may be serviced by the in situ agent but payments would be made to the installing supplier. On any further Cos the incoming supplier would always get its services from the installing supplier agent. It was considered that this will introduce unnecessary cost and inefficiency given that this

is only necessary as a transitional measure. One view given was that the agents providing the service will need to be accredited similar to accredited agents that provide services in the AMR sector (MOP/DA/DC). It was noted that if the installing supplier agent undertakes the communication provision then confidence in the activity of the agent will need to be designed into the procedures. Some members of the group felt that the systems adopted need to be accredited and that the agents need to demonstrate the capacity to meet these requirements.

5.9. One member noted that the services needed include communications, standard messaging, standard interfaces to incoming supplier, compliance with security standards and clear roles and responsibilities around services provided to the new supplier.

5.10. It was agreed that suppliers would consider the regulatory means of implementing standard charging methodologies with respect to smart meters.

5.11. ACTIONS:

Action	Person – By
Suppliers/ERA to report back to next meeting on possible mechanisms for implementing standard charging methodologies with respect to smart meters	Suppliers/ERA

5.12. It was noted that there will then need to be an accreditation body and further obligations on suppliers to ensure that their agents are fully accredited.

5.13. Installing supplier provide meter/ communications technical and contractual information to gaining supplier.

6. Any Other Business

6.1. No other business was discussed.

7. Date of Next Meeting

7.1. Wednesday 12 January 2011.