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# Minutes

## Minutes DCG Subgroup 2 Meeting 11

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| Minutes of the eleventh meeting of the DCG Subgroup 2 Meeting held on 23 February 2011 | From | Ofgem |
| | Date and time of Meeting | 10:00am, 23 Feb 2011 |
| | Location | Ofgem, Room 8 |

## 1 Present

| Name | Company |
|---|---|
| Chris Spence | EDF Energy |
| Iain Mathews | Scottish Power |
| Jason Brogden | ERA |
| Lisa Harris | ICOSS |
| Liz Kenny | RWE Power |
| Mark Knight | SSE |
| Rosie McGlynn | British Gas |
| Steve Rafferty | SBGI |
| Keith Tait | SBGI |
| Tim Newton | E.ON UK |
| Dora Guzeleva | Ofgem |
| Andy Evason | Ofgem |

1.1 Apologies: Anna Fielder (Customer Focus).

## 2 Introduction

2.1 This meeting was requested by the group for two purposes:

(i) To discuss the options for migration from any interim interoparbility options to the DCC;

(ii) To discuss what provisions might included in interim communications contracts to make them more suitable for novation to DCC.

2.2 The Government's decisions on whether there will be any interim interoperability arrangements and, if there are to be any, what form they would take, has not yet been published. As such, it was not felt appropriate to discuss the second of these items. Therefore the meeting focused on migration options and issues. It was agreed that the topic of the communications contracts should be logged for discussion with stakeholders once the decision has been published.

## 3 Minutes of last meeting

3.1 The minutes of the tenth meeting on 9 February were discussed. Following discussion it was agreed that the minutes from the tenth meeting would not be changed, but EDF asked for the following statement to be recorded in the meeting 11 minutes: "*EDF Energy does not support the smearing of any costs across all Suppliers associated with a Supplier rolling out smart metering systems prior to a mandate. EDF Energy agrees with the principle laid out in the prospectus that all risks associated with early movers are borne by the initiating Supplier.*"

## 4 Discussion of migration options

4.1 A discussion of migration options was held. The key points from the discussions are contained within Annex A to these minutes.

## 5 Future SG2 activities

5.1 No further SG2 meetings are currently planned. Several topics were identified that would need to be discussed with stakeholders once Government's decisions have been published, as listed below, but these discussions may be via newly formed stakeholder groups rather than SG2 as currently constituted.

5.2 The topics identified for future stakeholder discussion include:

(i) Any terms or conditions that should be included in interim contracts between suppliers and communications service providers to facilitate novation to the DCC, if this is required once the Government's decisions are published.

(ii) A discussion of what factors should be taken into account in setting the guaranteed number of meters that the DCC would need to agree to adopt, subject to the associated contracts meeting the adoption criteria.

(iii) The optimum strategy for migration from any interim interoperability arrangements to DCC, once the details of the Government's decision as to whether there will be any interim interoperability options, and if so, what they should be, is known. This may eventually include the development of a cost benefit analysis for the different migration options.

(iv) Detailed design of any interim interoperability arrangements resulting from the Government's decision.

## 6 Any Other Business

6.1 No other business was raised.

## 7 Date of Next Meeting

7.1 No further meetings are planned.

# A. Options for migration from Interim Interoperability Arrangements to DCC

## A.1. Introduction

A.1.1 This note summarises the key points from a discussion of the options for migration from any pre-DCC interim interoperability arrangements to DCC services. The discussion took place at the DCG Subgroup 2 meeting on 23 February 2011.

## A.2. Assumptions

A.2.1 The discussion of the migration options was conducted before the Government's decision was published in respect of whether there are to be any interim interoperability arrangements and, if so, what form they should take. As such, it was necessary to make some assumptions for the purposes of the meeting, but it was recognised that these assumptions may or may not be valid once the Government's decisions are published.

A.2.2 The assumptions made were as follows:

(i) Compliant smart meters will be rolled out in volume before DCC services become available.

(ii) Some form or interim interoperability arrangements are in place to enable consumers to change supplier before DCC services become available.

(iii) The enduring arrangements have more functionality than any interim interoperability arrangements and therefore the consumer experience/benefits will improve/increase as a meter migrates to the DCC.

(iv) Once a meter has been migrated to DCC, there is no option for it to migrate away from using DCC services in the domestic market.

(v) DCC will adopt communications contracts that satisfy agreed adoption criteria, possibly subject to a limit on the number of meters that must be adopted. The options discussed in this note only cover the migration of meters with communications contracts that satisfy the adoption criteria.

(vi) Once DCC services are available, only DCC communications services should be used for new or replacement meter installations.

(vii) Suppliers in the smaller non-domestic market can opt to use DCC services or not, so they can chose whether and when to migrate in or out.

(viii) Suppliers operating in the smaller non-domestic market may be able to opt to use DCC services or not, and as such, may migrate in any out of using DCC services at any time. In effect this means that there may be a background level of meters migrating in and out of using DCC services with any of the options.

A.2.3 It was noted in the context of assumption (v) that:

(i) There was a risk that suppliers would be left with stock of pre-DCC communications equipment and that avoiding this might lead to a reduction in roll out rate close to the time when DCC services become available. It was thought that this need not be a major issue because the date at which DCC services would be known in advance so suppliers could plan accordingly.

(ii) It would have to be assumed that interim interoperability arrangements would be allowed to continue to operate after DCC services become available for any options apart from Option 1 to be viable. This will need to be taken into account in drafting any regulatory documents, such as, for example, any relevant prohibition order, supplier licence conditions or smart energy code conditions.

## A.3. Pre-requisites for migration

A.3.1 In discussion a number of pre-requisites for migration were identified that would be the same for any migration option, namely:

(i) That the data associated with any smart meters to be migrated to DCC would be 'clean'.

(ii) That all migration processes and activities had been trialled and tested at realistic scale.

(iii) That all relevant parties had been able to undertake any due diligence acticvities, for example:

- DCC service provider(s) confirming that any meters to be migrated were certified as compliant;
- DCC confirming that any contract satisfies the adoption criteria prior to migration;

(iv) That the migration activities would not impact adversely on ensuring the correct start up of DCC service provision.

A.3.2 Ensuring that all of these pre-requisites are met will require migration to be run as a project or programme in its own right, with full planning, resourcing and risk and issue management being undertaken.

## A.4. Factors to be considered

A.4.1 Factors to be considered when comparing options included:

(i) Consumer impact;

(ii) Costs and benefits;

(iii) Risks;

(iv) Compatibility with timescales;

(v) Security – with any option an acceptable level of security would need to be achieved;

(vi) Impact on DCC operation and DCC users;

(vii) Impact on suppliers and their service providers;

(viii) Variations for smaller non-domestic;

(ix) Potential for market distortion. For example, if being migrated gives an element of commercial advantage, then if meters are migrated sequentially then the suppliers that migrated their meters last may feel that they are relatively disadvantaged compared to those migrating first.

## A.5. Options discussed

A.5.1 The options that were identified for discussion were as follows:

(i) Option 1: Full migration as soon as DCC services are available;

(ii) Option 2: Migrate at end of rollout period;

(iii) Option 3: Migrate on CoS or other event;

(iv) Option 4: Individual supplier decision;

(v) Option 5: Staged migration;

(vi) Option 6: Full migration once DCC service provision has stablilised.

A.5.2 Options 1 to 4 had been identified prior to the meeting. Options 5 and 6 were identified during the meeting.

## A.6. Option 1: Full migration as soon as DCC services are available

A.6.1 This option is illustrated in Figure 1.

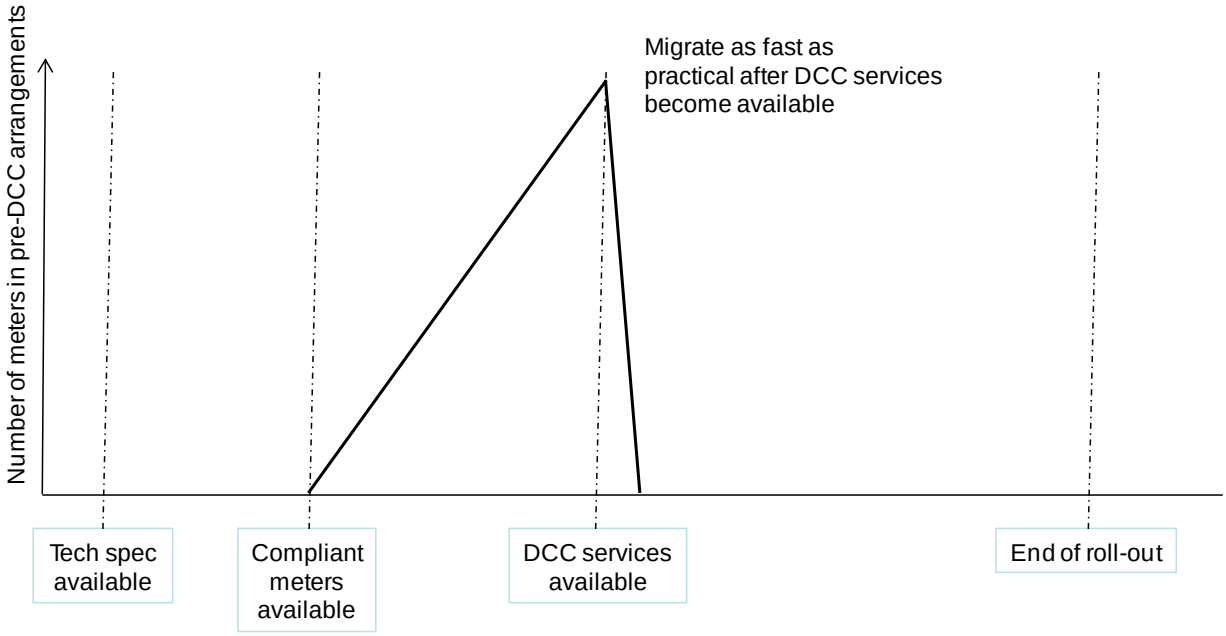


*Figure A1: Option 1 - full migration once DCC services are available*

A.6.2 The comments about this option were as follows:

(i) It has a high risk associated with it, because the migration activitity will take place at the same time as the DCC services are being brought into service. This is the most likely time for any issues with the core DCC services to be realised and the focus of the programme will need to be on stablilising the core services rather than on supporting migration.

(ii) This option means that any Interim Interoperability Arrangements (IIAs) will only be in use for a short period (perhaps 12-24 months). As such, the capital costs of any IIAs can only be spread over a short period, resulting in relatively high IIA costs compared to options for which IIA are operated for longer.

(iii) This option has the advantage that suppliers only need to operate IIA for a short period of time. There was a view expressed that suppliers would wish to transition their meters to DCC as soon as practically possible.

(iv) It was noted that the cost and risk of any transition strategy would be reduced if the interfaces to IIA were similar as those for the enduring solution.

(v) Since the consumer and other benefits are higher for the enduring solution, the early migration to DCC with this option should maximise the consumer experience and overall programme benefits.

## A.7. Option 2: Migrate at end of rollout period

A.7.1 This option is illustrated in Figure 2.

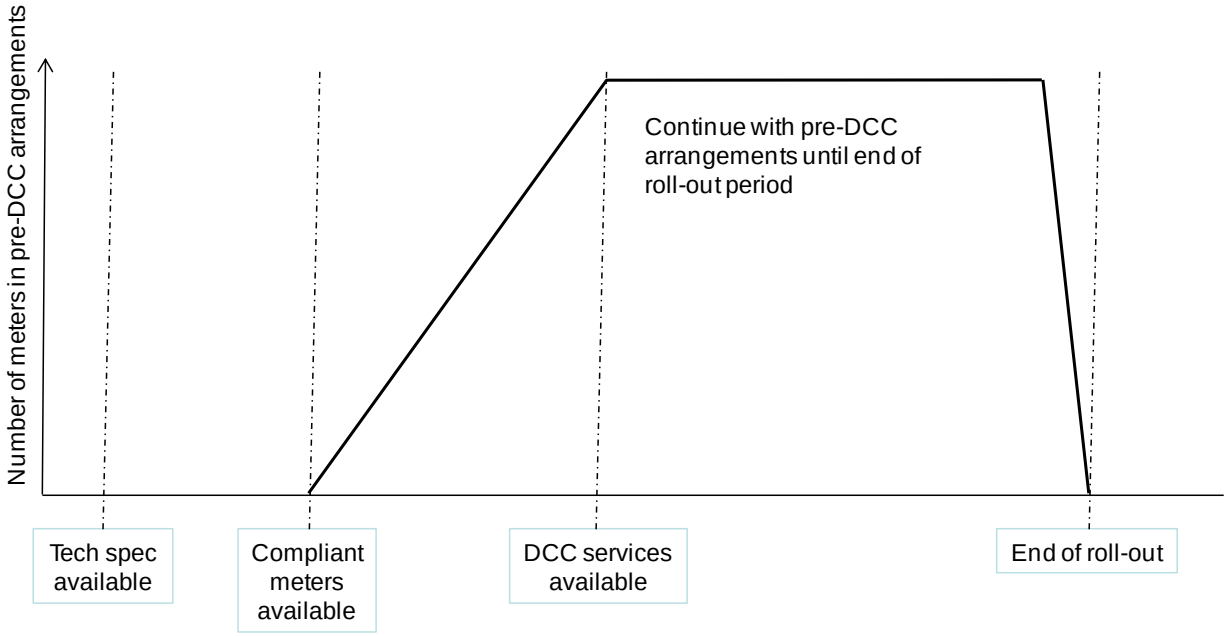


*Figure A2: Option 2 - Migrate at end of rollout period*

A.7.2 The comments about this option were as follows:

(i) The technical risk should be reduced compared to Option 1 because DCC will have several years to 'bed down' its services before the migration takes place.

(ii) It should have the lowest benefits, because it is the option with meters in IIA for longest, and the benefits with the IIA are lower than when the DCC services are used.

(iii) Consumers with non-migrated meters may have a poorer experience than those using DCC services for a number of years.

(iv) As meters would not migrate to DCC until the end of the roll out, the number of meters operated by DCC in the early years will be lower than otherwise, which may reduce DCC economies of scale and hence increase the DCC service charges. However it was noted that this is likely to have a small effect because the number of meters installed pre-DCC will only be small.

(v) It uses the IIA for the longest time, thus providing the maximum period to amortise capital costs of IIA over, and this reducing the IIA cost per meter per month. However, the total cost of the IIA may be greatest with this option.

## A.8. Option 3: Migrate on CoS or other event

A.8.1 This option is illustrated in Figure 3.

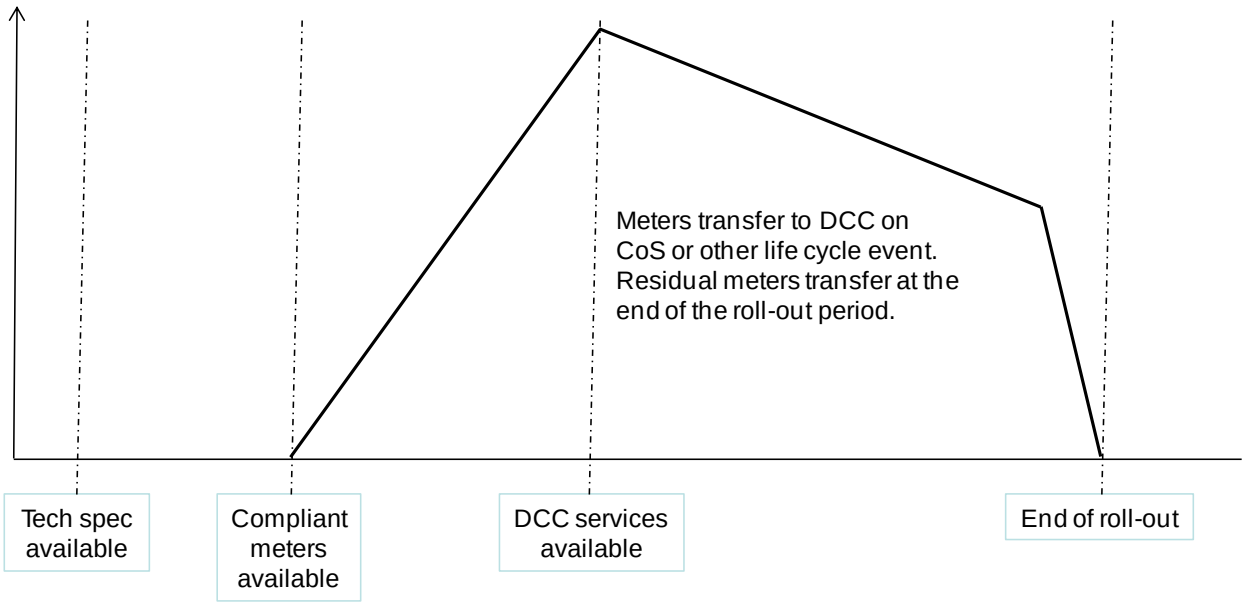


*Figure A3: Option 3 - Migrate on CoS or other event*

A.8.2 The comments about this option were as follows:

(i) There will be a large number of consumers with meters using IIA for a long period of time, so the consumer experience and overall benefits will be better than option 2 but lower than option 1.

(ii) Continuous migration driven by events will result in some uncertainty for DCC as to the rate of migration, although it is likely that churn rates will be relatively stable so that predictions as to migration rates could be made reasonably by DCC.

(iii) Continuous migration might be less efficient than mass migration in a short period of time. It was also noted however that migration could essentially become a business as usual activity, since there would be an ongoing need for migration to DCC for suppliers in the smaller non-domestic market opting in to use DCC services.

(iv) If suppliers are only able to migrate meters to DCC on CoS or other events, and meters connected via DCC services provide a better consumer experience, there is a risk of market distortion. This is because new suppliers will be able to offer a better quality service to a consumer than their existing supplier solely because a new supplier is able to use DCC services while the incumbent supplier is precluded from doing so.

(v) Meter replacement would not be a cause for a migration event, since the new meter would be treated as any new meter.

## A.9. Option 4: Individual supplier decision

A.9.1 This option is illustrated in Figure 4.

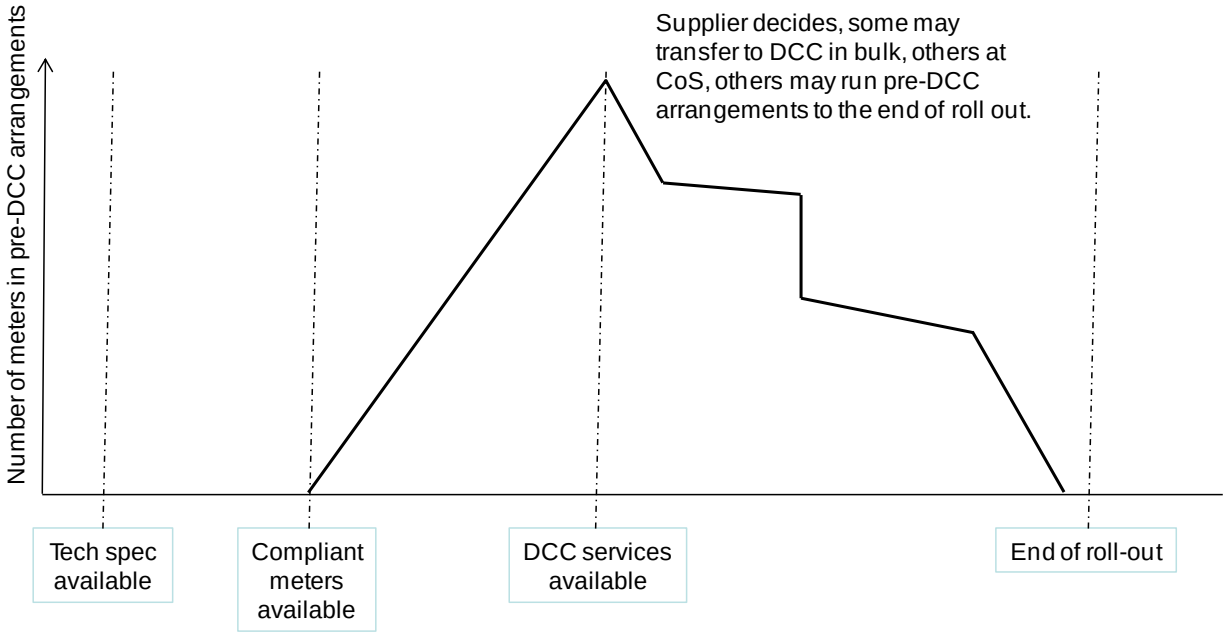


*Figure A4: Option 4 - Individual supplier decision*

A.9.2 The comments about this option were as follows:

(i) It gives suppliers greatest flexibility – essentially each supplier can adopt the migration strategy that is in its best commercial interest.

(ii) It presents DCC with the maximum uncertainty, both in terms of the number of meters that it will need to support and the times at which it will need to undertake volume migrations.

(iii) The risk is likely to be reduced compared to option 1 because the migration is likely to be in a number of tranches, giving a lower migration rate.

(iv) It may not be as efficient for DCC as a single bulk migration (ie Option 1 or 6), although again it may be that DCC will treat migration as a business as usual activity in this case because of the background trickle of migrations as smaller non-domestic meters are transferred to use DCC services.

(v) The uncertainty for DCC could be reduced by requiring suppliers to put forward their plans and allowing DCC to develop an overall plan – but this would essentially be a variant of Option 5 (Staged migration) which is discussed next.

## A.10. Option 5: Staged migration

A.10.1 This option is illustrated in Figure 5. With this option DCC would work in conjection with the suppliers to agree a staged approach to migration. The staging might be by supplier, by comms provider (eg migrate all meters using comms provider X), by interim service provider where a number of suppliers are using a common data service provider to manage their meters, etc.

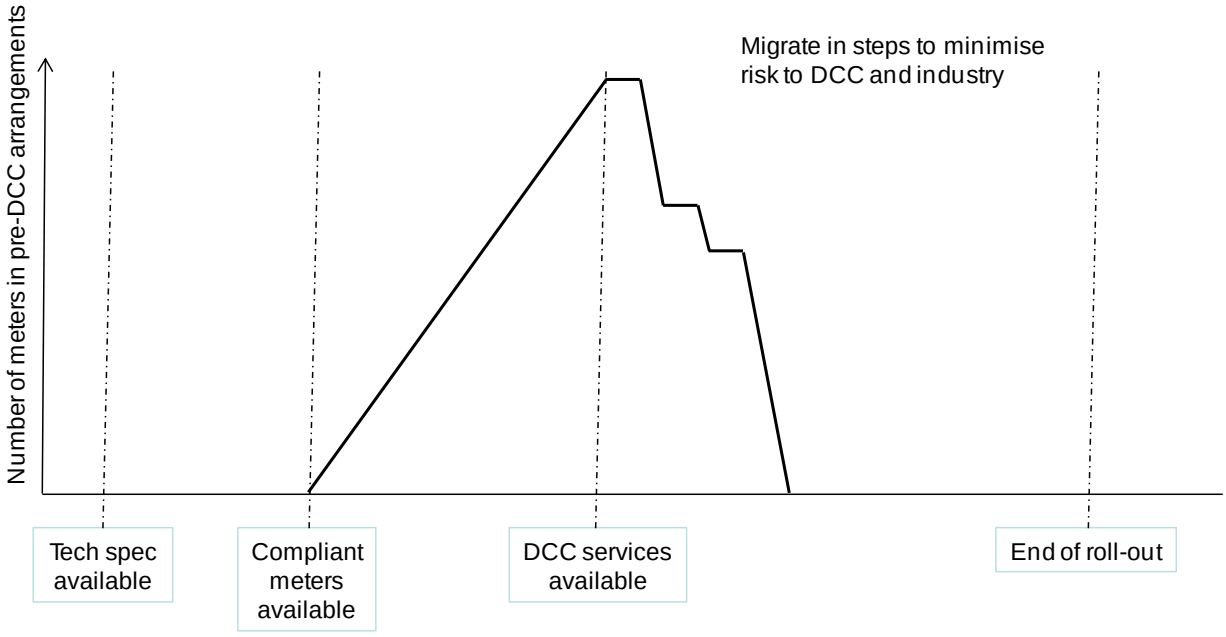


*Figure A5: Option 5 - Staged migration*

A.10.2 The comments about this option were as follows:

(i) DCC is able to optimise the migration to meet its needs. In doing this it would be expected to take into consideration the readiness of the different suppliers and their desires in terms of when their meters were migrated, as well as consumer interests and the overall cost/benefit analysis.

(ii) This option gives the energy suppliers less choice – while they can put forward what they would prefer, DCC will have the final decision as to the timing and sequence of migration.

(iii) There is a risk of market distortion if suppliers feel that they are disadvantaged by their position in the staged migration plan.

(iv) It is assumed that DCC would plan any staged migration to minimise the risk associated with the migration, both to migration itself and to the delivery of DCC services.

## A.11. Option 6: Full migration once DCC service provision has stablilised

A.11.1 With this option, migration would be undertaken as quickly as practical once it is agreed that DCC services have transitioned to business as usual. This option is illustrated in Figure 6.

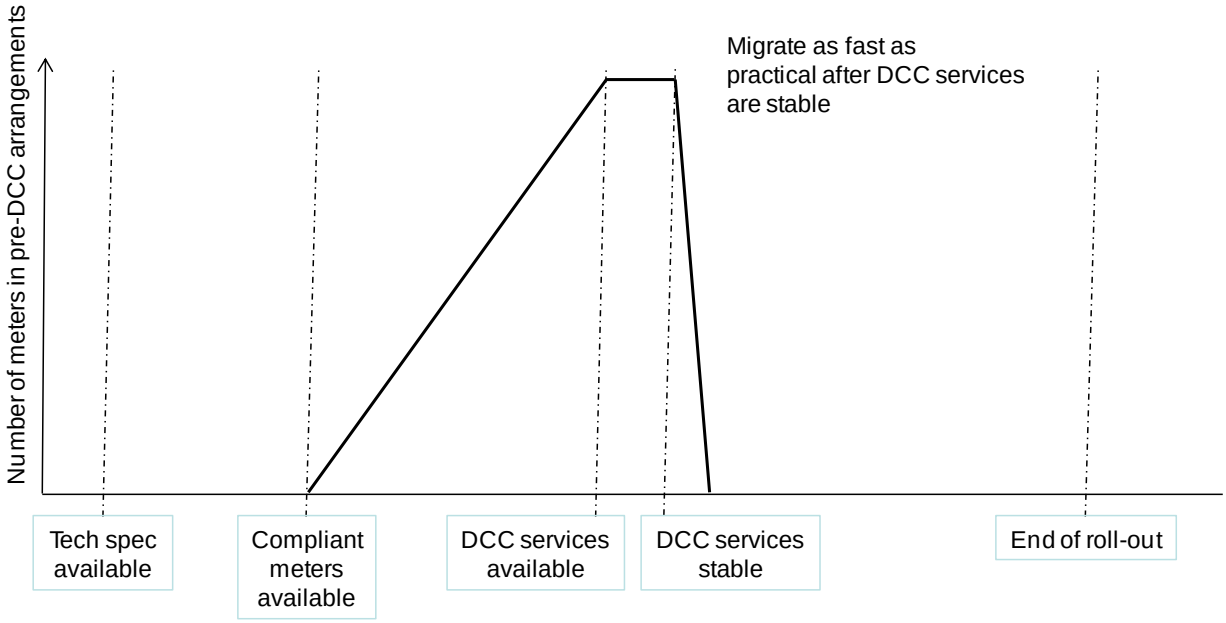


*Figure 6: Option A6 - Full migration once DCC service provision has stablilised*

A.11.2 This option is broadly the same as Option 1 except that it would have a lower risk because the peak of activity for migration is delayed until after DCC services have been allowed to bed-in. It may also be slightly cheaper for DCC because the team involved in getting DCC services into operation could move onto migration activities, giving greater efficiency.