

Proposed variation:	Distribution Connection and Use of System Agreement (DCUSA) DCP153 – Service Level Agreement for Resolving Network Operational Issues		
Decision:	The Authority ¹ has decided to reject proposal DCP153		
Target audience:	DCUSA Panel, Parties to the DCUSA and other interested parties		
Date of publication:	20 September 2013	Implementation Date:	n/a

Background to the modification proposal

Suppliers are required by Government to roll out smart meters by 2020². In the course of this roll out electricity suppliers, or their agents, may identify issues with network assets which require remedial action to be taken by the distribution network operators (DNOs). These could include issues with assets that may pose a danger to the customer or their property, as well as issues that may be less serious but could still prevent the supplier from exchanging the meter.

Due to the nature of the roll out, a larger number of issues could be reported than has historically been the case. A number of related changes to industry processes have already taken place. For example, a new set of 'Asset Condition Codes' have been agreed as part of the Master Registration Agreement³ and changes have been made to the Data Transfer Catalogue⁴ which standardises the methods for reporting issues and obliges the DNO to inform the supplier when an issue is rectified.

The modification proposal

This modification proposes to introduce service level agreements (SLAs) for DNOs to rectify issues reported to them by suppliers or their agents. SLAs are only proposed for the most serious issues. The proposer (British Gas) suggests that these are categorised either as Category A or Category B. Category A and B issues are defined in the proposed legal drafting as follows –

- *Category A: means a situation in which the Company's Electric Lines or Electrical Plant does (or is likely to) pose a danger, including danger of death or injury to persons and/or danger of damage to or destruction of property.*
- *Category B: means a situation in which the condition of the Company's Electric Lines or Electrical Plant prevents metering work from being carried out or prevents a meter from being exchanged but where the situation is not a Category A Situation.*

The proposed modification also includes reporting requirements on DNOs to report when they have rectified Category A and B issues, as well as reporting how many issues were incorrectly reported by the suppliers, or the suppliers' agents.

The proposed modification would also require suppliers to report their roll out plans per Distribution Services Area⁵ to the DNOs. Under the proposed modification suppliers would report the number of meters they forecast to exchange in the future. For periods more than a year away suppliers would report annually (until 2020); for periods between six

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 <https://www.gov.uk/smart-meters-how-they-work>

³ <http://www.mrasco.com>

⁴ <http://dtdc.mrasco.com>

⁵ This term appears in the Standard Conditions of the Electricity Distribution License and specifies or describes the area within which, and the extent to which, the licensee will be obliged to comply with the requirements of the standard conditions of Section B of this licence.

months and a year away they would report quarterly; and, for the month in which the forecast is being issued and the following two months suppliers would provide a monthly forecast. Finally, the proposed modification would release DNOs from their SLA obligations if suppliers attempted to roll out more than 115% of the smart meters they had forecast in a given period.

The proposer considers that the modification would better achieve DCUSA General Objectives 3.1.1, 3.1.2 and 3.1.3.

DCUSA Parties' recommendation

The Change Declaration for DCP153 indicates that DNO and Supplier parties were eligible to vote on DCP153. In the DNO party category there was less than 50% support for the proposal and for its proposed implementation date. In accordance with the weighted vote procedure, the recommendation to us is that DCP153 is rejected. The outcome of the weighted vote is set out in the table below:

DCP153	WEIGHTED VOTING							
	DNO		IDNO/OTSO		SUPPLIER		DG	
	A	R	A	R	A	R	A	R
CHANGE SOLUTION	46	54	N/A	N/A	100	0	N/A	N/A
IMPLEMENTATION DATE	25	75	N/A	N/A	100	0	N/A	N/A

Our decision

We have considered the issues raised by the proposal and the Change Declaration dated 8 August 2013. We have considered and taken into account the vote of the DCUSA Parties on the proposal which is attached to the Change Declaration. We have concluded that implementation of the change proposal DCP 153 will not better facilitate the achievement of the General DCUSA objectives.⁶

Reasons for our decision

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

There are various uncertainties associated with the roll out of smart meters. The primary uncertainty is how many will be rolled out and when. To allow DNOs to prepare for dealing with the issues they may face, the modification proposes that suppliers would report their planned roll out schedule to DNOs on a regular basis. DNOs would not need to meet their SLA requirements if suppliers, or their agents, attempted to roll out more than 115% of the smart meters they had forecast in a given period. A number of DNO parties observed when voting on the proposal that the 115% threshold was too high given the level of interventions they expected to have to make. One DNO expected that two per cent of smart meter exchanges would require some form of remedial work by the DNO.

In our Decision on Strategy⁷ for the RIIO-ED1 price control we said we understood that the intent of this change proposal was to introduce SLAs which would cover DNOs delivering remedial work to properties in set timeframes, in exchange for granular planning information from suppliers. We expect suppliers to provide data of sufficient granularity to allow DNOs to ensure they have sufficient resources in place to respond to issues identified by suppliers or their agents. This means that the level at which DNOs are released from their obligations needs to be set so that DNOs have an efficient level of

⁶ 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.

⁷ <https://www.ofgem.gov.uk/publications-and-updates/strategy-decision-riio-ed1-overview>

resources in place and suppliers are incentivised to provide an accurate forecast of roll out.

We welcome the development of the SLAs. However, based on our understanding of the circumstances we consider that the level of staff and equipment that DNOs would need to have in place to comply with the 115% threshold would not be efficient. We also consider that the threshold does not sufficiently incentivise suppliers to provide an accurate forecast of the number of meters they expect to exchange. For these reasons we do not consider the proposed modification better achieves this objective.

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 Change Report notes that the proposed modification will better achieve this objective as it will allow suppliers to manage their relations with customers more effectively. We consider that the proposal should allow suppliers to communicate to their customers in a timely manner when works that are outside the control of the supplier will be undertaken (ie in situations where an issue has been identified that requires the DNO to undertake works). While we welcome the development of the SLAs, we consider that any potential marginal benefit against this objective, is outweighed by the concerns we have discussed above.

We therefore do not consider that the modification better facilitates the DCUSA general objectives overall.

Other issues

We note that there is widespread support for SLAs. We agree that an appropriate modification to introduce SLAs could in principle support the delivery of the efficient roll out of smart meters. We therefore urge DNOs and suppliers to give further consideration to the issues discussed above and to develop further modifications in the future, if appropriate.

We note the intention was to implement the proposed modification, if approved, relatively soon after our decision. We note that that most DNO parties considered that more time would be needed to change their business practices so that they could comply with the obligations that would have been introduced by the proposed modification. One DNO said that it might need to seek a derogation if the modification was introduced on the proposed date. In light of these concerns, we urge industry to give further consideration to the appropriate implementation timescales associated with any potential further change brought forward to address this issue.

Decision notice

In accordance with standard licence condition 22.14 of the Electricity Distribution Licence, the Authority has decided that modification proposal DCP153: *'Service Level Agreement for Resolving Network Operational Issues'* should not be made.

Andrew Burgess

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Signed on behalf of the Authority and authorised for that purpose