



Making a positive difference  
for energy consumers

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## **Ofgem's Response to the Department of Energy and Climate Change's April 2016 further consultation on non-domestic smart metering: the DCC opt-out**

We welcome the opportunity to respond to your further consultation on non-domestic smart metering. Ofgem regulates the gas and electricity markets in Great Britain. Our principal objective is to protect the interests of existing and future gas and electricity consumers. We also play a key role in monitoring and, where appropriate, enforcing compliance with any new regulatory obligations relating to smart meters.

We support effective competition where this can benefit consumers by driving down costs and improving service quality. In our 18 June 2015 response to DECC's previous DCC opt-out consultation we identified a number of technical issues that could make it difficult to operate SMETS 2 smart meters outside of the DCC. These issues could potentially reduce value for money and compromise the consumer experience due to lack of interoperability. As such, we hold the view that the centralised model for data and communications is the most efficient option and would best support technical and commercial interoperability. We believe this model should remove barriers to a consumer with a smart meter switching supplier and guarantee that a minimum set of services are available to the consumer regardless of which supplier provides their energy.

### **Removing the DCC Opt-Out: Implementation Approach**

Ofgem supports DECC's proposal to extend the Enrolment and User mandates to cover non-domestic premises in the event that the opt-out is removed. Amendments to a number of terms used in the energy supply licence conditions, the Smart Energy Code (SEC) and DCC licence conditions would be required as described in paragraphs 24 to 27 of DECC's April 2016 consultation paper.

### **Controls on DCC's Activities**

Activities of the DCC are controlled by the terms and conditions of its licence and subject to our regulatory oversight. DCC's revenues are restricted through a price control to counter its position as a monopoly provider of communications services for domestic smart meters. Our principal means of regulating the DCC is via the price control arrangement used to ensure that the costs incurred by the DCC are economic and efficient. We continue to ensure the DCC price control process aligns the interests of the DCC with those of consumers, and creates value-for-money outcomes for consumers. This includes encouraging the DCC to improve the quality of its services and manage costs to be no higher than needed to achieve this objective. We have no reason to believe that the existing controls in the regulatory framework are inadequate if the opt out is removed.

We support a consistent charging approach that is non-discriminatory and gives non-domestic suppliers equal access to the DCC's smart metering services regardless of their location. We do not have cause for concern in moving to uniform fixed charging given that aligning the Charging Methodologies across both sectors should simplify the determination of costs and could result in cost savings.

It is predicted that the number of energy suppliers that may use the opt-out is small and therefore the costs to facilitate it are unlikely to be proportionate. As such, we consider that there is limited evidence that the benefits of the opt-out policy would outweigh the costs of administering it. We look forward to the Government's conclusion on this matter.

Yours sincerely,

Laura Nell

**Head of Smarter Metering  
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