

Smart DCC
Ibex House
2nd Floor
42-47 Minories
London
EC3N 1DY

Ofgem
10 South Colonnade
London
E14 4PU

By email to: FWP@ofgem.gov.uk

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Re Proposed Ofgem Forward Work Programme 2019-2021

Thank you for providing the opportunity to respond to the consultation on Ofgem's forward Work Programme for the regulatory years 2019/20 and 2020/21.

This letter represents the views of Smart DCC Ltd and I can confirm that we are content for this to be published on the Ofgem website.

Summary

In responding to this consultation, we have focussed our comments on the proposals which impact directly upon Smart DCC. However, we do also have a number of more general comments which relate to Ofgem's approach, and also some more specific observations on other parts of the Energy market.

In general terms, we are very supportive of the proposals presented by Ofgem in its Work Programme. In particular, we believe that Ofgem's decision to take a longer term view, in the form of a two-year programme, is very sensible, given the extent of change within the Energy market and the level of both uncertainty and inter-dependency between different sectors in the market.

The clear statement of priorities for the period and how these will translate into benefits to consumers provides a useful framework within which to categorise the more detailed proposals. It also gives reassurance that there is balance in Ofgem's proposals and that they are not unduly weighted towards one part of the market.

We also endorse Ofgem's consideration of whether it is placing an unnecessary regulatory burden on energy companies, and the need for Ofgem to operate efficiently. However, what is striking is the breadth of activities which Ofgem is proposing to pursue. We would be concerned if Ofgem embarked on this work programme without adequate resources to deliver it effectively. Ofgem will need to balance its level of ambition with the need to ensure that it has sufficient people available to deal with issues in a timely manner.

Proposals relating to Smart DCC

Chapter 2 ('Enabling future markets and system arrangements') makes specific reference to Smart DCC, firstly in relation to Ofgem ensuring DCC's efficiency in supporting the smart meter rollout and secondly, in proposing a review of DCC's Price Control arrangements.

Naturally, we will continue to work with Ofgem to ensure that scrutiny of DCC's costs and outputs remains effective and that the current Price Control process improved and simplified where possible, given the limitations of the existing ex-post arrangements. We are also committed to improving the transparency of Price Control both in relation to the submission and its assessment, but also in our in-year processes, such as business planning which have a direct impact on our overall expenditure.

The current Price Control process was only intended to be a transitional arrangement and it was not envisaged that it would still be in place over 5 years after the inception of DCC, at a point when DCC's annual expenditure has grown to more than £400 million. The existing arrangements are burdensome on both DCC and Ofgem. We are well aware that there is frustration amongst customers and stakeholders about the limited insight and involvement that an ex-post framework gives them.

We believe strongly the time has come to re-examine DCC's regulatory framework and are delighted that Ofgem has signalled its intention to do so, as part of this Work Programme.

Given that such arrangements can only be introduced at the start of a regulatory year, we would favour an early start to this work with the ambition of introducing new arrangements from April 2021. This would align with completion of the SMETS2 rollout and the ramping down of much of the activity related to the adoption of SMETS1 meters and the DBT phase of Faster Switching.

Although there is still a pipeline of significant development work underway within DCC, and this does bring uncertainty over timescales and costs, there are large parts of the organisation that have now achieved a level of maturity that in our view, would lend themselves to an ex-ante treatment.

Equally, there is scope to introduce a more sophisticated set of incentives, linked to the delivery of outputs which are recognised and valued by our customers and stakeholders.

We are ready and willing to work with Ofgem on this initiative and would be happy to undertake any preparatory work which might contribute and indeed kickstart the process.

Further to this, whilst Ofgem refers to a review of the Price Control framework, we consider that this review will need to be wider, incorporating aspects of the licence and general governance arrangements. Specifically, we would suggest this needs to focus on enabling innovation, and question whether the existing licence is sufficiently well-developed in relation to the delivery of new services.

It was intended that the DCC platform should be capable of re-use and that our customers, who pay for its development and ongoing maintenance, would see some financial benefit as a result. It will need to be considered how innovation is incentivised and funded

appropriately such that the investment into DCC's systems can be capitalised upon, for the benefit of our customers and also wider society.

We note the reference to the Ofgem Innovation Link, regulatory sandbox and the expansion to include Elexon's innovation trial derogation. We believe that something similar which enables innovation around the DCC platform would be of great value, given the considerable interest that is being shown from a variety of potential innovators.

We would be interested in exploring with Ofgem how this can be achieved, preferably in a way that minimises the need for changes to DCC's Licence.

Other Proposals

Having indicated our support for the content of the Work Programme, there are a number of other areas which we wish to comment upon:

- Within Chapters 1 and 2, there is no explicit mention of some key areas which might draw upon smart metering, for example, the creation of roles and regulation for new markets (including in relation to BEIS proposals for a Smart Export Guarantee) such as flexibility managers, aggregation, smart charge point operators etc.

With respect to the Smart Export Guarantee, this is an area which DCC has some interest in, given the support that our infrastructure might provide to such a scheme.

Likewise, DCC believes it is desirable to see further work undertaken to make the further regulatory and technical changes to facilitate DNO/DSO transition and also to underpin the role of the aggregator within the energy market.

- We expect there to be considerable focus on the potential for better load control functionality using the smart meter system and in particular for electric vehicles. It may be that this is implicit in Ofgem's consideration of future retail markets, but we thought it worth highlighting to avoid the risk of regulation not keeping up with developments in the market.
- In a similar vein, we expect to see new commercial applications of energy data across multiple industries (health etc.) and a growing demand for aggregated anonymised data for public interest purposes. Changes to the SEC and smart data privacy and access framework may well be needed to allow these opportunities to come to fruition. Ofgem do mention acting on the work of the energy data task force, but it is not clear whether the scope of this will be drawn sufficiently widely.
- Finally, we are supportive of Ofgem's intent to undertake horizon scanning and produce Future Insights papers. These initiatives are very helpful, however early visibility of the expected topics would be welcome to avoid duplication of effort.

If you wish to discuss any points in this letter, please do not hesitate to contact me.

Yours sincerely,



Siobhan Stanger
Chief Regulatory Officer