

By email:
smartmetering@ofgem.gov.uk

Your ref DCCLicEv1

Our Ref

Date
26th March 2021

Contact / Extension
0141 614 6833

Dear colleagues,

Call for evidence: Review of the DCC licence arrangements

We welcome the opportunity to respond to this call for evidence on the Review of the DCC Licence Arrangements. Please find our comments below structured by the terms of reference in Annex 1 of your letter.

The future role of a DCC, the scope of its objectives and of its authorised business post-2025 to support smart metering across GB

We believe the DCC must have a dedicated Test Performance environment that fits the needs of the DNOs as the numbers of Smart meters increase. It is our expectation that, given the regular software upgrade cycle at the DCC, we can test all aspects of both functionality and performance before deploying to our live environment.

This is required to reduce the risk to the performance of the smart meter system within SPEN and allow it to transition to an operational solution. As a DNO, SPEN does not own a meter estate, and therefore does not have a mechanism to test end to end system impacts outside of the DCC.

The stability, consistency and penetration of the smart metering system across the GB currently is deeply concerning to SPEN, and impacts the benefits that are achievable. We therefore believe that the future role of the DCC should be to ensure the delivery of its current objectives to provide its users with a value for money service to enable best use of Smart Metering data as a priority before looking at other areas.

Given the above, we would welcome greater detail of how the DCCs role post-2025 will fit into the Reform of Energy Codes Significant Code Review.

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The extent to which the regulatory framework should enable DCC to offer additional services to the broader energy sector, and to non-energy sector users, and the potential nature of such services.

We believe the current focus of the DCC's regulatory framework should remain primarily on providing the core services it is currently contracted to provide, ensuring benefits to its current users, given the current penetration of the smart metering system across GB.

Should additional services be provided utilising current infrastructure, DNOs would anticipate the amortisation of service charges being levied by DCC across all potential future users.

The extent to which DCC should deliver its services through contracted service providers or directly itself.

The DCC should ensure that it meets its obligations to service users in a transparent, measurable and cost-effective manner, by whichever means it can justify as appropriate.

We would note, however, that services provided by any contracted service providers should be consistent, regardless of the geographic region of those the services are provided to. SPEN regard licence obligations to be with the single licensee (i.e. the DCC), and not multiple sub-contracted service providers.

We support Ofgem's decision to include an independent audit of the DCC's contract and procurement management activities in next years' DCC price control review which we believe will provide additional evidence in performance in contract management and procurement.

The effectiveness of the current regulatory framework and enduring governance structures in ensuring DCC meets its objectives and provides value for money. We invite evidence in support of alternative approaches which could drive performance in the future.

Under the current conditions there is no Service Level Agreement (SLA) in place to ensure the DCC is meeting the standards that are expected from the DNOs, and subsequently there are no financial penalties applied on failure to deliver.

Following on from the above, we feel the current governance framework favours the DCC rather than our customers. For example:

- We are compelled to pay DCC charges for all traded meters, when smart meter penetration has been under 10% and usable smart meters have been lower still.
- The failure of the communications solution in the north region to supply any sort of reliable service to retrieve meter information during 2020 and into 2021 has not led to any form of financial penalty or rebate to DNOs, for a service we are not provided with or providing to our customers. This is leading to a significant discrepancy in services between our two operating distribution licences, for SP Distribution and SP Manweb.

We welcome the enhancement of the Operational Performance Regime (OPR) and expect to see more granular and regional performance data. However, we would suggest that financial penalties are more closely linked to MSL (Minimum Service Level) or TSL (Target Service Level), so that ongoing issues such as the Northern communications issue could be directly addressed.

Furthermore, we note that the total reported costs for the DCC remain high in the regulatory year 2019/20 at £495m. We would encourage Ofgem to review the current regulatory framework is fit for purpose to ensure that it offers consumers best value for money

The key aspects of DCC's business that stakeholders consider crucial to their own activities in the present and future energy market over the timeframe to 2040.

The DCC should be seen as an enabler to DNO/DSO business, as it is primarily responsible for the provision of accurate, reliable Smart Metering data which supports network performance analysis, fault diagnosis and reinforcement. This is the DCC's primary function and it is crucial that this is performed in a seamless, consistent, cost effective manner. This will remain true in future years.

DCC's role in enabling the transition to net-zero by 2050

SPEN, with our parent company Iberdrola, have a fundamental commitment to Net Zero. The use of smart meters is inherent to our digitalisation and transition to a Distribution System Operator (DSO).

For this to be realised we need the DCC to:

- Provide a reliable and cost-effective solution to deliver smart meter data;
- Be able to adapt in an agile manner to new technology, both in homes and on the distribution network; and
- Adhere to optimal arrangements for compliance, cost control, and incentive regimes, among others.

Yours sincerely

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