

Energy UK Response to BEIS Consultation on SEC Changes to permit DCC to develop and use a Production Proving Capability

14th March 2018

About Energy UK

Energy UK is the trade association for the GB energy industry with a membership of over 90 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Our membership encompasses the truly diverse nature of the UK's energy industry – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership. Our members turn renewable energy sources as well as nuclear, gas and coal into electricity for over 26 million homes and every business in Britain. Over 619,000 people in every corner of the country rely on the sector for their jobs with many of our members providing lifelong employment as well as quality apprenticeships and training for those starting their careers. The energy industry adds £83bn to the British economy, equivalent to 5% of GDP, and pays over £6bn in tax annually to HMT.

Energy UK Response

We welcome the opportunity to respond to this consultation, and confirm that this response is not confidential. Our response is intentionally high-level capturing overarching key points on behalf of our members. We expect our members to respond separately on detailed points of the consultation. This Energy UK response provides our view on the proposed SEC change to allow DCC to carry out Production Proving; however, it does not comment on the draft changes to the SEC legal text.

Energy UK broadly supports allowing DCC to carry out Production Proving on its Live systems; however, our support is dependent (and therefore provisional at this stage) on DCC addressing the concerns we are highlighting in our high-level views on the specific consultation questions in the table below – we would not be supportive of the proposals unless our concerns are addressed by DCC. We understand the rationale for the need to undertake such a key activity, and we agree with the security controls intended to be in place for it (as noted in the BEIS consultation letter). In terms of the specific consultation questions, our high-level views are captured in the following table:

Consultation Questions	Energy UK High-level Views
<p><i>1: Do you agree with BEIS's view that the SEC should be amended in order to permit the DCC to carry out Production Proving in line with DCC's proposed Option 3?</i></p>	<p>We broadly support BEIS' view to permit DCC to carry out Production Proving subject to our concerns being addressed; however, the BEIS consultation letter notes that the changes proposed will be done in a manner that permits DCC to carry out the Production Proving activity, but not require it to do so.</p> <p>We suggest it would be helpful to understand from BEIS / DCC:</p> <ul style="list-style-type: none"> • The rationale behind not making Production Proving a formal requirement. • If there are specific criteria that DCC needs to satisfy itself with when deciding whether to invoke Production Proving or not. • If there are specific criteria as referred to in the above bullet, then how will DCC advise industry on its intentions to carry out Production Proving at a given future point in time (e.g. will

	<p>industry be consulted on plans, will there be an advance notice period provided to industry, etc...). It is important that DCC ensures appropriate consultation with industry is done given the level of indicative costs being quoted – see also our response to Question 3 below.</p>
<p>2: Do you have any comments on BEIS's proposed SEC changes to allow DCC to carry out the Production Proving Function?</p>	<p>We have no specific overarching points to make on the proposed changes to the SEC legal text.</p>
<p>3: Do you have any other comments on the proposals within this consultation?</p>	<p>Whilst we broadly agree with DCC's proposal to proceed on the basis of Option 3 ("DCC Production Proving Function"), we have a number of overarching points that we seek clarity from BEIS / DCC on:</p> <ul style="list-style-type: none"> • It is unclear why DCC is proposing Production Proving at this stage; for example is it as part of DCC's Readiness to Scale programme to ensure future resilience of DCC systems? Our members have previously suggested DCC should be carrying out Production Proving as part of the DCC Live delivery. Given the number of testing defects and Production incidents currently on DCC systems, it could be argued that Production Proving should be a requirement on DCC (rather than choice). • The consultation material does not appear to refer to potential impacts on or support to future DCC releases (e.g. Release 2 and the Enrolment & Adoption delivery) and the milestones associated with them. It would be helpful to understand if this has been considered in terms of when Production Proving is intended to be invoked and what DCC's plans are if significant defects in existing DCC systems are identified. • The consultation material notes Production Proving being done post releases; however, it does not make it clear whether one is planned for post the R1.x Release (i.e. ahead of Release 2 code being deployed in the Live environment): <ul style="list-style-type: none"> - Subject to the outcome of this consultation and BEIS' decision, our assumption is that DCC intends to carry out its first Production Proving in time for Release 2 delivery. - Therefore, it could be argued that the value (indicative costs) of Production Proving should be linked to delivery in time for Release 2 and so if this is not possible for Release 2 then DCC should look to reduce the indicative costs quoted. • We have previously raised concerns with BEIS, Ofgem and DCC on escalating DCC costs. Given the current spotlight on this¹, we seek the following from DCC: <ul style="list-style-type: none"> - Confirmation the business case stacks up – DCC is quoting indicative cost estimates of £600k - £870k set-up costs and £300k - £500k operating costs per year. - Any summary output of benchmarking exercises done by DCC – this would help provide evidence that DCC is looking to ensure value for money (this should be a key driver for DCC).

¹ Ofgem's recent decision document for DCC Regulatory Year 2016/17 Price Control consultation recommended DCC improvement on costs transparency and highlighted industry's unhappiness with the level of transparency and influence over DCC's costs and performance.

	<ul style="list-style-type: none"> - Views on whether DCC has budgeted / forecasted for these costs in its future charging within its budget forecasts/Price Control submissions – our current working assumption is that the indicate costs estimates will be additional. - Clarity on whether the annual operating costs are expected to be over the full term of the DCC Licence. - A view from DCC on the level of certainty it has on these indicative costs. Furthermore, we would strongly suggest an appropriate cap is applied to these indicative costs to give industry a level of certainty going forward. - DCC puts in place a future checkpoint to further consult with industry once it has a better view of costs before deciding to commit to Production Proving – as briefly referred to in our response to Question 1 above. It is important that DCC consults with industry based on an accurate view of costs and benefits before committing to any future spend, especially as these costs will ultimately be on consumers. <ul style="list-style-type: none"> • It is unclear from the consultation material whether any support is required from industry / energy suppliers to DCC when carrying out Production Proving. • Validation of our working assumption that DCC has considered the wider GDPR obligations in respect of the potential use of dummy registration data (including dummy MPXNs) to limit its exposure to these obligations.
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I hope that these overarching key points are helpful. Please let me know if we can provide any further clarity or assistance. We would also be happy to facilitate any engagement with our members should BEIS or DCC see merit in such engagement.

Yours sincerely,

Daisy Cross
Head of Smart Programme