

# Energy UK response to BEIS Consultation on Maximising Interoperability in first generation (SMETS1) meters.

24th May 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.

## Executive Summary

Energy UK welcomes the opportunity to respond to this consultation on the proposed changes to Electricity Supply Standard Licence Condition (SLC) 54 and Gas Supply SLC 48 to place obligations on Suppliers to enrol all eligible SMETS1 meters to the Data Communications Company (DCC) or replace them with SMETS2 within 6 months. Energy UK is supportive of the principle of interoperability of smart meters and believes that this should cover all SMETS compliant installations. Delivery of this critical outcome for consumers will embed the benefits of the smart metering foundation installations and enable important advances in the Switching (Change of Supplier) process. It is reasonable that efforts should be concentrated on delivering this objective for SMETS1 meters as it should already exist for SMETS2. However, Energy UK has multiple concerns over the proposed approach to obligating Suppliers to deliver interoperability within 6 months of DCC eligibility or replace them with SMETS2.

In addition, Energy UK asks BEIS to consider the approach and consultation period provided for a consultation with such far reaching industry wide impacts. Implementation of either of the options outlined are likely to result in the unnecessary and costly early replacement of millions of SMETS1 meters, further damaging the reputation of the smart programme and not delivering the intended rapid transition to seamless switching of SMETS1. The consultation time provided of 5 weeks may be insufficient considering the scale of impact and it does not compare favourably to other energy industry Code related consultations of similar magnitude. Energy UK is also concerned that of the two options presented, do not appear to have been conducted in accordance with BEIS own consultation principles: <https://www.gov.uk/government/publications/consultation-principles-guidance>, which raises the potential of imbalance in assessment of the costs and benefits of each option by both BEIS and the respondents to this consultation. We suggest that BEIS undertakes further industry consultation before making a final decision.

Energy UK does not believe that it is a beneficial approach to focus on mandating all SMETS1 meters within an artificial time limit to resolve the issue of lack of interoperability for dormant meters. However, if BEIS is firm in its belief that a time limit is required then we would suggest that the time limit proposed should be no less than 18 Months from the availability of a stable DCC capability for the eligible Cohort and sufficient DCC Capacity to migrate the required volumes within that window. Energy UK is convinced that the proposals outlined in Options 1 and 2 will drive unintended outcomes that will be detrimental to the smart experience of many consumers with fully functional SMETS1 meters and IHDs. We firmly believe that the priority should be on ensuring that stable, reliable and

resilient DCC systems are available at the soonest point that enable a sensible transition towards full interoperability with dormant meters be prioritised. This approach is likely to provide a better consumer experience and enable the restoration of smart functionality to churned SMETS1 meters within a shorter timeframe.

The approach should enable a reasonable amount of time to ensure eligible meters are truly interoperable and both installing and churn suppliers have had the opportunity to test and prove they can operate smartly. Once enrolled, eligible meters churned to other suppliers must be operated in smart mode to comply with their Operational Licence Condition, hence it is essential these suppliers have had suitable time to test and put in place systems to operate those meters. A review of the LC13 plan is essential and should consider the need for all suppliers to be able to support churn when a cohort is migrated.

Specific responses to the questions raised in the consultation are in appendix A below.

I trust that this response is helpful. Should you wish to discuss any aspect of this response with Energy UK, either in isolation, or with our members collectively, please do not hesitate to contact me directly.

Yours sincerely,

Daisy Cross  
Head of Smart Metering – Energy UK

## APPENDIX A – Energy UK responses to consultation questions

### **Question 1: Do you agree with the proposal that suppliers should be required to take all reasonable steps to enrol eligible SMETS1 meters in the DCC, or replace with SMETS2, within a specified timeframe?**

Energy UK understands why such a proposal as set out in the Question is being suggested by BEIS; we consider that should the DCC be the most cost effective and consumer positive approach to providing SMETS1 interoperability then Suppliers should take all reasonable steps to enrol eligible meters or replace them by the end of the smart metering roll out. Proper consideration should be given to all options, in terms of service provision, to ensure that adequate challenge and due diligence is completed ensuring the best consumer outcomes in terms of service and value. Some of our members favour option 1 and some favour option 2 both have immediate positives and negatives in terms of simplicity, enhanced services, flexibility and competitive price control. Without a full cost benefit analysis of both options it is difficult at this point to conclusively support option 1. It is unlikely that linking any obligation to enrol to a timeframe shorter than 18 Months would enhance either the value or service outcomes and even 18 Months may not be long enough. This uncertainty is driven by the continued lack of detail on Cohort specific issues within the DCC enrolment and migration planning.

A number of key issues such as the potential for additional SMETS1 incremental firmware deployments to compliant devices prior to enrolment to resolve compatibility or configuration issues and current low DCC estimates for daily migration volumes raise genuine concerns that migration of some Cohorts to DCC may take significant time, if not years, after initial DCC operational capability is provided. The process of migration is not only limited by DCC capacity but also by the rate of exceptions generated and Supplier capacity to resolve them. A backlog of exceptions would be costly and have unacceptable consumer impacts. Further, since it is not clear what the trigger would be for any window of obligation to enrol, we can only assume it would be linked to DCC capability releases and as such would most likely be unachievable. This outcome may drive suppliers to make early decisions to start replacing all SMETS1 meters with SMETS2 as the most effective way of achieving compliance with the new obligations, to the detriment of the customer experience.

We therefore consider that the timeframe for enrolment must be dependent on the stability and confidence in DCC's operational capability, and the resilience of its systems / capacity; this would then provide for realistic timeframes to achieve compliance. Energy UK suggests this can be achieved by recognising the challenges of the current plan and concerns of suppliers over the robustness of the proposed systems and migrations testing.

Further, it would be helpful if DCC provided further clear definition of the activities required to be undertaken to enrol the eligible meters. Energy UK recognises the challenge presented by large scale migrations of 'live' smart metering systems and urges closer collaboration between DCC and all parties including Suppliers, Smart Metering Service Operators (SMSOs), Meter manufacturers and more to develop a robust, efficient and cost effective solution that is fit for purpose. Energy UK, also urges BEIS to consider if the current pressure to enrol all SMETS1 meters within high risk time limits is in the best interests of the market and ultimately consumers?

### **Question 2: Do you agree with the proposal that suppliers should have six months from the point at which a SMETS1 meter can be enrolled to either enrol it or replace with a SMETS2 meter? Please provide evidence for any differing views on window length.**

Energy UK does not support the current proposal for a 6-month window. It is not clear what would be the trigger for such a timeframe and how that would be governed. Energy UK suggests that readiness for enrolment is measured using criteria such as;

- Testing fully completed by Suppliers and DCC
- Firmware updates required by the device(s) to enable them to be enrolled has been tested, approved and deployed
- Robust and thorough testing of the migration process, including the process for resolving migration exceptions, has been successfully completed

- All material risks have been mitigated; for example rollback procedures have been developed and tested.

this is not a definitive list and is merely for example.

The migration window should be based on testing of the time required for the end-to-end migration process for the various asset(s) and then factored up based on the number of assets to be migrated. The obligation should also consider the complexity of migrating 11 Cohorts and the need to be able to test on a parallel basis which is likely to impact on any timescales. The critical path is likely to be the speed at which exceptions can be resolved to avoid backlogs and needs to be considered in any planning. The period for replacement where devices cannot be migrated needs to be considered separately to the migration window to ensure minimal impact on the enduring rollout but also to ensure devices are only replaced where they cannot be enrolled following a suitable retry strategy to optimise on the migration.

Energy UK notes that there is a risk that the imposition on suppliers of such an obligation for a migration process over which they have little control is likely to result in significant non-compliance as they are neither able to enrol SMETS1 meters fast enough or manage the replacement of them with SMETS2 meters within that timeframe. For cohorts of significant size achieving enrolment within the timeframe would require a peak migration rate in excess of 70,000 per day aligned with no serious defects or issues emerging and no requirement for deployment of new firmware over and above SMETS1. Energy UK asks BEIS to consider if this is a reasonable expectation, given the DCC issues to-date with operating at scale. Our response to Question 1 above outlines an appropriate range for the timeframe, if BEIS continues to be firm on requiring a timeframe.

It must also be recognised that within Cohorts will be various segmentations of customers that will require different rates of migration and levels of service support, for example Suppliers would not intend to migrate pre-payment consumers at the same pace as credit ones. There would also be different approaches to consumers with vulnerability and any consumers undertaking trials with Electric Vehicles or other innovations paired with smart meters. Finally, such an artificial timeframe would not recognise that Migration is season and weather sensitive and Suppliers would be reluctant to push through volumes of consumers during peak winter months when operational resources are already at their limits. The imposition of a 6 month obligation across the board may end up distorting the market by forcing some Suppliers to undertake potentially reputation damaging migrations in winter periods whilst others benefit from calmer summer months, depending on their meter Cohorts. Energy UK considers that all SMETS1 compliant Cohorts should be given the maximum opportunity to be enrolled before they are replaced, especially if they are operating and not causing detrimental consumer smart experience in any way.

**Question 3: Do you agree with the proposal that where a supplier gains a SMETS1 meter that can be enrolled but is unenrolled, it should either enrol it or replace with a SMETS2 meter within six months of the point at which it gains the meter?**

Energy UK agrees with the proposal as outlined in the Question. This is a sensible approach and recognises our suggestion that any obligation focuses on ensuring consumers who switch or have switched supplier maintain their smart benefits from SMETS1. Obligating Suppliers to maintain or restore smart services to any gained meters is the most straightforward approach to this and in low volume should be achievable within a 6 months' timeframe. This also aligns with existing 'no backward step' Supply Licence Conditions to pay smart rental or replace within 6 months. Energy UK notes that DCC are proposing in their Transition and Migration Approach Document consultation to assume deemed consent to enrol any dormant meters to DCC. Existing licence conditions will then compel suppliers to operate those meters on DCC from the moment they are commissioned, consideration needs to be given to the potential challenges facing suppliers to be ready to meet this commitment. In line with our response to question one, churn suppliers should have had sufficient time to test their ability to operate the SMETS1 meters before they are encouraged to enrol or replace the meters.

**Question 4: Do you agree with our current expectation that energy suppliers would consider enrolment of eligible SMETS1 meters to be more desirable than replacing them with SMETS2? If you do not share this view please provide evidence to support your response.**

Energy UK agrees that replacing perfectly capable SMETS1 meters with SMETS2 meters would be an unnecessary distraction and wasteful use of resources and costs at a time when the focus should be on maximising the penetration of the smart metering roll out. In addition, Energy UK believes that the replacement of operating SMETS1 meters presents a poor customer journey and will generate negative publicity adversely affecting the roll out. This is however a complex and commercial matter which different Suppliers may determine different outcomes based on volumes of SMETS1 and the terms of any deemed or contractual agreements with Meter Asset Providers. Other factors such as simplified systems or service offerings may drive Suppliers to determine they only wish to operate SMETS2 meters. Finally, if issues become apparent with specific Cohorts this may drive service decisions to replace them rather than operate. Suppliers may also determine that they prefer to operate prepayment only with SMETS2 meters for commercial reasons.

**Question 5: Do you agree with the proposal that any unenrolled SMETS1 meters should be replaced with SMETS2 meters by the end of 2020?**

Energy UK agrees that all SMETS1 meters should be enrolled into a solution that provides market wide interoperability or replaced by a SMETS2 meter or later version, eventually. However, based on all available information from DCC and this consultation we are concerned that it is not feasible to complete enrolment of all eligible Cohorts by December 2020. Energy UK believes it is improbable that large scale migrations on SMETS1 meters to DCC will begin until the first quarter of 2019 and that it may take at least two years to complete them. Later Cohorts with the largest volumes of SMETS1 meters will face the biggest challenges to meet this date. Finally, Energy UK suggests that a grace period is granted to Suppliers who inherit an unenrolled meter through Change of Supplier within 6 months of any end date. Where compliant S1 meters are un-eligible for enrolment but are operating smart in the registered Supplier's systems then it would be sensible to allow the continued operation for the asset life or until the connected SMSO service becomes commercially unviable.

**Question 6: Do you agree with the proposal that once a SMETS1 meter has been enrolled in the DCC it should not be possible for a supplier to withdraw it and operate it outside of the DCC?**

Energy UK agrees with this proposal. Having competing systems for interoperation of SMETS1 devices and repeated migrations of devices between systems is not in the consumer interest. If permitted, the implications of migrations between systems for costs and security would no doubt be detrimental to the consumer experience and a drain on all parties' resources and will attract associated costs.

**Question 7: Do you have comments on the government's views regarding the likely challenges of delivering the alternative option (Option 2) in a timely manner on a market-wide basis?**

Energy UK notes and agrees with some of the noted challenges of Option 2 in particular the access to smart data for third parties and DSOs. However, Energy UK does not believe that there is enough transparency of costs, benefits, timelines or impacts of either a DCC operated SMETS1 service or an industry led alternative to make any clear judgment that one would be more effective and efficient than the other. It is clear that both will require significant investment and a lengthy period of time to complete.

**Question 8: Do you agree that the legal drafting in Annex A implements the policy intention? If not please explain why not.**

Energy UK has no comment to make on this Question.

**Question 9: Do you have any additional comments on the legal drafting?**

Energy UK has no comment to make on this Question.

