

# Energy UK response to BEIS Consultation Enrolment of SMETS1 meter cohorts with the Data Communications Company

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 enrolment of SMETS1 Cohorts containing Aclara, Elster and Itron meters in the Data Communications Company (DCC) SMETS1 Initial Operating Capability release (IOC) and L&G and Elster meters with Vodafone communications in the Middle Operating Capability Release (MOC). Energy UK also thanks BEIS for attending the meeting we hosted to gather more detail on this and the consultation on maximising SMETS1 interoperability. It is important that clarity has been provided on the Cohorts proposed to be included in the initial phases of SMETS1 migration which can give Suppliers clear milestones and dates to target for readiness. This consultation goes some of the way to meeting these aims, however there remain significant barriers to Suppliers triggering internal investment and full business readiness activity to match the aspirational 30th November DCC IOC release date. These include conclusion of the SMETS1 Security Architecture review by the Smart Energy Code (SEC) Panel Security Sub Committee (SSC), the Go No Go decision expected by BEIS in July and resolution of outstanding design issues such as prepayment UTRN generation. Energy UK believes these can be resolved if all parties engage in high levels of co-operation and transparency in communications to find workable and economically viable solutions.

Energy UK must also note concerns of our members that meters manufactured by Secure are not yet included in one of the Capability milestones. There is justified concern that not including them in this consultation will have immediate market impacts on Meter Asset Provider risk pricing for these meters and create a distortive comparison versus meters included in this consultation. Further, the delay of inclusion of these meters prevents DCC users from understanding the full economic impact of Enrolment of SMETS1 meters to DCC and the challenges of migrating large numbers of pre payment customers which require significant additional pre and post migration activity. Failure to manage the inclusion of Secure meters could lead to widescale replacement with SMETS2 by the end of 2020 with substantial costs, effort and consumer detriment.

The amount of outstanding decisions and documentation related to the SMETS1 service provision, and migration of Cohorts to it, create a genuine risk that Suppliers systems and resources will not be ready to engage with DCC in systems testing or enrolment in line with the LC13 plan. The LC13 plan is subject to challenge and review as it currently does not include testing, business readiness, pre-migration activities or reflect the reality of Migration profiles being developed in the Transition and Migration workshops. Energy UK notes that a number of documents including the Transition and Migration Approach Document (TMAD) have been published by DCC around 3 months later than planned. Energy UK would expect to see this eventually be reflected in the published capability

release dates for IOC, MOC and Final Operating Capability (FOC). There remains a significant unknown in the number of defects and issues uncovered when testing begins and the impacts this may have on timelines due to necessitating new firmware deployments to meters / devices or changes to DCC systems. We are also concerned on the timing of the migration when Industry is focused on establishing robust SMETS2 DCC systems operating at scale, followed by a planned upgrade for R2.

The Energy UK hosted session with BEIS on the 10th May gave some reassurance to our members that the risks of protracted migration windows and delays caused by additional changes for security or necessary firmware upgrades beyond SMETS1 compliance have been factored into the Cost Benefit Analysis (CBA) for the Cohorts in scope for IOC and MOC, but not yet into the LC13 plan. However, Energy UK is disappointed that only additional costs on DCC have been taken into consideration and not the potential significant costs on Suppliers should they be required to contract and fund any firmware uplift beyond SMETS1 compliance with manufacturers. It should be noted that any such requirement is likely to unfairly and disproportionately impact Suppliers who were early supporters of the roll out of SMETS meters in Foundation. Suppliers will also face extensive resource costs from extended migration windows, it should however be noted that it is not only DCC migration capacity that restricts volumes. Suppliers will also want to control volumes of migrations daily to enable them to effectively manage any volumes of exceptions being generated and therefore minimise consumer impacts and any adverse effects.

Finally, Energy UK is concerned that there is little mention of consumers in this consultation and recognition that each of the estimated 15million SMETS1 meters installed by the SMETS1 end date in October 2018 will be in a consumer's home. Suppliers face significant costs contacting each and every consumer during the Transition and Migration of SMETS1 meters to DCC to at a minimum confirm their data collection preferences and in some cases, such as prepayment customers, advise them of steps taken to protect them and who to contact should anything go wrong. Suppliers will face a complicated and costly impact of arranging site visits for replacement of faulty SMETS1 systems where migrations fail and potentially on a much larger scale if obligated to enrol or replace within 6 months of DCC capability (please refer to our separate response to that BEIS consultation).

Specific responses to the questions raised in the consultation are in appendix A below. Please note that Energy UK is not providing any aggregated data from our members to support our comments. Our members will provide any evidence they can as part of their own submissions.

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 that the DCC should offer SMETS1 services for Aclara, Itron, Honeywell Elster and Landis+Gyr meter cohorts?

Energy UK agrees that if that the costs benefit analysis is positive and the DCC service can be delivered on time and to budget then DCC should offer services to the Aclara, Itron, Elster and Landis+Gyr meter Cohorts. Provision of a solution that provides a single interface and set of services to enable interoperability for SMETS1 meters can only be in the best interests of consumers and should provide opportunity for costs reductions and efficiencies for Suppliers and ultimately consumers. Energy UK does however have concerns that the service will not be delivered on time or nor on budget based on the experience of the SMETS2 roll out to date and the significant number of remaining commercial contracts and service design / device migration issues still to be resolved and agreed. Energy UK notes BEIS assurances that sufficient optimism bias has been included in the Cost Benefit Analysis to ensure that enrolment of these SMETS1 Cohorts to DCC remains Net Present Value (NPV) positive, even with additional costs related to Firmware, Security, Design issues or a protracted migration period. Energy UK is unable to verify the accuracy of these assumptions with the level of access to detailed calculations provided in this consultation. As such, we recommend an independent review of the assumptions used to develop the positive NPV, together with a review of the LC13 plan ensuring all deliverables, dependencies and milestones are included to minimise the potential for delays and the increased costs associated therein. Energy UK would also request that DCC and BEIS provide assurances over the future inclusion of Cohorts not included in this consultation and that the material impacts and benefits will be considered as a whole with the Cohorts that are included now, to provide a clear overall view of the SMETS1 enrolment CBA.

### Question 2: Are there any other types of cost arising from enrolment of these SMETS1 meter cohorts that you believe should be considered?

Energy UK has identified areas of additional costs for Suppliers not taken into account in the consultation CBA. The key areas are:

- Operational costs of migrations including proactive communications to consumers and handling of increased consumer contact
- Costs incurred in providing additional customer support to prepayment customers during migration. This is likely to include the write off of some amount of energy consumed during the migration whilst temporarily set in credit mode or with non-disconnect periods in force
- Costs incurred from resolving exceptions and industry data errors created by or identified in the Transition and Migration to DCC. Additionally, it is likely that costs will also be incurred as DCC's focus with SMETS1 (like the SMETS2 approach) is on the "happy path" / "sunny day scenario" – DCC's current coverage of exception conditions is not comprehensive
- Costs incurred from simultaneous user testing prior to IOC for all parties so that they are ready to operate any installed or churned metering systems as per their Operational licence conditions. Which is still undefined awaiting publication of the Migration Testing Approach Document (MTAD)
- Costs associated with preparing for and undertaking 'Migration process testing'
- Costs incurred in procuring, testing and deploying any firmware required to meet DCC service specifications or resolve issues identified in testing.
- Increased costs from being required to stand up operational migration support for a significant period due to restricted DCC capacity or delays in Migration
- Increased costs due to the omission of activities and dependencies not included in the plan but essential for a robust and successful migration delivery
- Reduced benefit realisation caused by delays to the delivery of the DCC solution.
- Reduced benefit realisation caused by protracted migration
- Reduced benefit realisation caused by non-qualification of key cohorts for migration

Energy UK notes it is not possible to ascertain the completeness of the costs included or potential for additional costs from the level of detail included within the consultation.

### Question 3: Are there any other types of benefits arising from enrolment of these SMETS1 meter cohorts that you believe should be considered?

Energy UK has only identified one potential additional benefit. We do not believe that the consultation calculations include any benefits related to debt reduction created by enabling mode change and prepayment capability for all SMETS1 meters. Currently only about 30-40% of SMETS1 meters with prepayment capability can operate in prepayment mode due to limitations in SMSO services or Supplier interfaces. We also believe benefits will be accrued from increased governance against current bespoke arrangements together with a more cost-effective access to the full suite of S1 services.

**Question 4: Are there any other factors that we should consider in arriving at our conclusion?**

Energy UK believes that BEIS and DCC should carefully consider the additional risk created by undertaking SMETS1 E&A at a time when DCC r1.x is not stable or operating at volume and DCC R2.0 is not stable, is inadvisable due to the prioritisation these releases will have over User resources. There needs to be consideration of the consequences of any non-enrolled devices/cohorts and the consequential costs of premature replacement and disruption to the rollout of SMETS2, and poor customer experience. The impact of these costs need to be factored into the overall CBA.