Department for
Business, Energy
& Industrial Strategy

Modification Proposal:	**Smart Energy Code (SEC) Modification Proposal 0004: Consideration of Inclusion of Device Serial Number data item in the Smart Metering Inventory**		
Decision:	The Secretary of State[1] has decided to reject the Modification Proposal		
Target audience:	Data Communications Company (DCC), SEC Parties, the SEC Panel, Ofgem and other interested parties		
Date of publication:	29 September 2017	Implementation date:	n/a

Background

Legacy systems supporting the Change of Supplier (CoS) process rely upon Device Serial Number (DSN) as the unique asset identifier. The Smart Metering Inventory (SMI) recognises each Gas and Electricity Smart Meter by its Globally Unique Identifier (GUID).

The Modification Proposal

The Modification Proposal (MP) recommends to extend the scope of the SMI to capture the DSN for each Gas and Electricity Smart Meter. This would allow suppliers to map the data held in the legacy systems and the SMI. When pre-notifying Gas and Electricity Smart Metering Equipment (GSME/ ESME), Installing Suppliers would be required to include the associated DSN. The then Registered Suppliers would also be required to supply DSN for each GSME and ESME that was pre-notified to the SMI before the implementation of SECMP0004. This process ('backfilling') would be managed by the DCC in order to avoid potential demand spikes that could lead to excess traffic.

The MP was raised by EDF Energy on 19 February 2016. The proposer suggested that the implementation of this MP would better facilitate SEC Objectives (a)[2] and (d)[3], because it would ensure the increased data integrity across the industry and promote competition in the market by ensuring accuracy in case of Change of Supplier events.

Change Board[4] recommendation

At the initial Change Board meeting on 19 April 2019, the Change Board unanimously voted to approve SECMP0004 on the grounds that it would better facilitate the achievement of SEC Objectives (a) and (d) for the same reasons set out in the MP and Final Modification Report (FMR). Most parties raised concerns over high DCC costs.

[1] References to the "Secretary of State", "BEIS", "we" and "our" are used interchangeably in this document. This decision is made on behalf of the Secretary of State.
[2] The first General SEC Objective is to facilitate the efficient provision, installation, and operation, as well as interoperability, of Smart Metering Systems at Energy Consumers' premises within Great Britain.
[3] The fourth General SEC Objective is to facilitate effective competition between persons engaged in, or in Commercial Activities connected with, the Supply of Energy.
[4] The Change Board is a sub-committee of the SEC Panel, established and constituted pursuant to and in accordance with Section D8 of the Smart Energy Code.

Following the send back of the MP by the Authority on 2 June 2017 and the second round of consultations, the Change Board re-considered the MP at the meeting held on 23 August 2017 and recommended to reject it by a majority vote.

The rationale of the majority for rejecting the proposal was as follows:

- incompatible with the requirement of efficiency that is set out in General SEC Objective (a);
- the delays in implementing SECMP0004 negatively impact the benefits of the modification. By the time the modification is implemented, it is likely that Parties would already have workarounds in place.

DCC Impact assessment

The DCC carried out an impact assessment on the DCC systems and submitted the final version of the IA to the SEC Panel on 1 March 2017. DCC indicated that implementing the MP would entail updating DUIS and associated XML schema, Service Requests, the Self Service Interface, DSP internal systems, screens and reports, and service management. No security concerns or impacts on the Technical and Business Architecture were reported by the Security Sub-Committee with regard to the implementation of the MP.

Secretary of State's decision

We have, in accordance with Section D9.2, had regard to

(a) the Secretary of State's objectives and statutory duties under the Electricity Act 1989 and the Gas Act 1986;

(b) whether or not the approval of the variation would better facilitate the achievement of the SEC Objectives than if the variation was rejected;

(c) the decision of the Change Board in respect of the Modification Proposal.

We have concluded that:

- Making the modification would not be consistent with the Secretary of State's principal objective and general duties under the Electricity and Gas Acts; and
- The modification, if made, would not better facilitate the achievement of the SEC Objectives, in particular the first and fourth General SEC Objectives.

The Secretary of State has therefore decided that the MP should be rejected.

Reasons for our decision

We consider this MP will not better facilitate the achievement of SEC objectives (a) and (d), in a way which is compatible with the Transition Objective (X1.2). Further to this, at the meeting held on 23 August 2017, the Change Board recommended that the MP be rejected, and we found no reason to contradict their recommendation.

(a) to facilitate the efficient provision, installation, and operation, as well as interoperability, of Smart Metering Systems at Energy Consumers' premises within Great Britain;

The proposer indicated that the implementation of this MP would better facilitate SEC Objective (a) because it would link the DCC Inventory with the existing industry data flows, avoid workarounds that have to be put in place by individual Suppliers and provide a single central point for device identification. During the Working Group consultation and first FMR consultation stages, the prevailing opinion regarding SECMP0004 was that the benefits of having a central database (SMI) for GUID and DSN would outweigh the high DCC and industry costs of the implementation of the modification. The opinion however shifted during the second FMR consultation and Change Board vote. During the second FMR consultation, equal number of party categories rejected and supported the proposal, with rejecting parties noting high implementation and DCC costs and loss of benefits through the implementation delay, as main reasons for the attitude change.

Between the first and second FMR consultations, the timing of the implementation of the MP has changed. The earliest implementation date for SECMP0004 was initially indicated as June 2018, however following the revision of possible implementation dates by the DCC, it has been revised to 2019. The consequence of this is that the MP would likely be obsolete before its implementation due to the fact that the Suppliers have or would have developed workarounds by then, which would annul the benefits case.

Whereas there are merits in having all device identifiers gathered in a single database in terms of interoperability, it is evident from the parties' responses to the consultations that Suppliers have either developed or are in the process of developing workarounds to overcome the issue. In view of the implementation date being revised to June 2019 and bearing in mind high DCC and industry costs for implementation of this MP, it is our view that the added value of having the information collected in a central database in addition to developed individual workarounds is not cost effective.

(d) to facilitate effective competition between persons engaged in, or in Commercial Activities connected with, the Supply of Energy;

The Working Group members suggested that the implementation of this MP would better facilitate SEC Objective (d) because it would avoid workarounds that are being put in place to associate DSN and GUID and potential errors of individual Suppliers with regard to incorrect associations. The arguments put forward in respect of the MP meeting SEC objective (d) do not directly tie to this Objective.

Having considered the lifecycle of the MP, including the backfilling exercise, we found that that the estimated DCC and industry costs outweigh the benefits that could be gained from the proposed change. It is our view that the implementation of the modification may also have a higher cost and be more challenging for the small suppliers, who have fewer resources to implement the changes, in particular those relating to the backfilling exercise, and fewer customers to spread the cost across. The implementation costs therefore appear to be disproportionately high for the small suppliers, which is inconsistent with SEC Objective (d).

(X1.2) The objective to be achieved pursuant to this Section X (the "Transition Objective") is the efficient, economical, co-ordinated, timely, and secure process of transition to the Completion of Implementation;

During the Working Group consultation stage, the respondents who provided monetary estimates of costs and benefits of implementing the modification indicated higher estimated costs than benefits with regard to updating their own systems. Whereas some respondents noted benefits in terms of increased interoperability, faster dispute resolution and better customer service during the CoS events, these benefits seemed to be frustrated by drawbacks in terms of high implementation costs and workarounds which will have to be put in place by the Suppliers, if not done so already, to ensure the data integrity is preserved. The implementation timetable also negatively impacts the MP, as it is expected that Suppliers will have workarounds in place ahead of the earliest implementation date for this MP, which is June 2019, making the modification obsolete.

The DCC has quoted £937,000 total costs for stand-alone implementation of this modification. During both consultations and Change Board votes, a majority of the parties expressed objections to the quoted level of implementation cost.

BEIS's analysis of the estimated costs and benefits of implementing this MP, which have been presented during the Working Ground consultation, demonstrated that the costs outweigh any benefits that would arise from the proposed change. We therefore consider that the MP is inconsistent with the Transition Objective.

The Change Board recommended that the Modification Proposal 0004 be rejected.

At the Change Board meeting held on 23 August 2017, the Change Board members voted to reject SECMP0004. Having examined the merits of the proposal, we agree with the recommendation of the Change Board.

Decision Notice

In accordance with Condition 23 of the DCC Licence, and section D of the SEC as varied by section X2.3, the Secretary of State has decided that Modification Proposal SECMP0004: *Consideration of Inclusion of Device Serial Number data item in the Smart Metering Inventory* should not be made.

DStone

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(an official of the Department for Business, Energy & Industrial Strategy authorised to act on behalf of the Secretary of State)