

ANNEX A: Government response to the 9 January 2019 consultation on the introduction of a new DCC licence condition relating to the Enduring Change of Supplier arrangements.

1. We received a total of 5 written responses from the following organisations:

Organisation type	Respondents
Energy suppliers	EDF Energy E.ON Npower Scottish Power
Smart Meter Communication Licence Holders	Smart DCC Limited

Question 1: Do you agree with the proposed introduction of a new DCC licence condition governing planning and implementation of the ECoS arrangements?

Summary of responses

2. All five respondents expressed support for the introduction of the additional licence condition, one noting that whilst the obligations being proposed were suitably generic, it was hard to be entirely sure that they are appropriate given that the consultation was being issued in advance of the decision to implement one of the ECoS options. Another respondent stated that they did not believe that a licence condition is required to permit DCC to procure the new Relevant Service Capability, although they agreed that it was appropriate for a licence condition to be introduced that provided for oversight and control of the ECoS arrangements.

Government response

3. The Government welcomes the support for the proposed licence condition from respondents. The licence condition was intentionally drafted to be generic and largely mirrors the provisions of the existing licence condition 13 which, amongst other things, deals with DCC plans for Completion of Implementation. We consider that the provisions of licence condition 13 have operated reasonably effectively in this regard and consider that they are likely to be suitable for such purposes in relation to ECoS. We accept that in general DCC can procure Relevant Service Capability that is needed for it to provide Mandatory Business Services, however, prior to any ECoS-related SEC changes having been made, we remain of the view that the proposed new licence condition does serve to provide certainty to DCC that it can commence the procurement of the Relevant Service Capability once its plan has been approved by the Secretary of State.

Conclusions

4. We propose to introduce the new licence condition into DCC's licence.

Question 2: Do you have any comments on the legal drafting of the proposed new licence condition?

Summary of responses

5. Two respondents suggested that the licence drafting should require DCC to engage with other interested parties as part of the development and testing of its solution. One respondent was concerned that the DCC would be permitted to develop a solution that suited them, and not users.
6. Another respondent asked for further detail on how the proposed paragraphs 8(a)(i) and 8(b) were intended to be used, particularly if the ECoS1¹ model is chosen, suggesting that they might be used to require DCC to coordinate activities across all suppliers. They also stated that it was important that the new provisions did not place DCC in conflict with its obligations to deliver the Central Switching Service and sought assurance that BEIS was engaging with Ofgem.

Government response

7. We agree that the DCC should engage with other interested parties as part of the development and testing of its solution and expect the plan that is produced by DCC to provide for such engagement. The plan itself will be the subject of a consultation with the SEC Panel and SEC parties and there will therefore be an opportunity for users to comment on the adequacy of DCC's proposed industry engagement within that plan. In addition, we anticipate that a SEC Variation Testing Approach Document will need to be produced in due course covering the detailed testing arrangements and again, expect appropriate provision for testing with other interested parties to be made in that document which will also be the subject of a consultation prior to its designation.
8. We envisage that, were the ECoS1 solution chosen, it may be necessary to bring forward proposed changes to supply licence conditions to require suppliers to develop and implement the revised arrangements as well as potentially further changes to the DCC licence. It would be likely to be necessary in such circumstances for a degree of central coordination to be undertaken by one or more bodies and we would expect to address this issue further in the event that this solution is chosen.
9. More generally BEIS engages regularly with Ofgem on a variety of matters including ECoS and the introduction of the Central Switching Service. It is not obvious why the proposed new licence condition would lead to a situation under which DCC would have conflicting obligations. We expect, for example, the plan that DCC produces for ECoS implementation to take into account its plans for, and any interactions with, the delivery of the Central Switching Service. If DCC does become aware of any conflicts, we would encourage them to bring this to the attention of Ofgem and, where appropriate, BEIS.

Other issues raised

¹ ECoS1 is the approach to CoS whereby the old (losing) supplier has the role of CoS Party and so is responsible for changing the Security Credentials on the appropriate Devices to that of the new (gaining supplier). Industry would, therefore, be required to develop the solutions to effect this.

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10. One respondent stated that they were not convinced by the business / risk reduction case for moving away from TCoS and proposed that the licence condition should be amended to require DCC's plan to include an assessment of the risks associated with the existing and prospective change of supplier arrangements. A second respondent was also of the view that the case for moving away from TCoS had yet to be made and expected this to be covered in DCC's report to the Secretary of State.

Government response

11. The purpose of the Spring consultation is to determine which ECoS solution should be adopted and we expect that the consultation document will contain sufficient information for respondents to make an informed choice between the solutions considered. We do not believe that it is appropriate for the DCC's implementation plan to include an assessment of the risks associated with the existing TCoS and prospective ECoS models as the purpose of the plan is not to decide on whether to replace TCoS, nor which ECoS solution to adopt.