



The Authority (Ofgem), the SEC Panel, SEC Parties and other interested parties

1 April 2019

Dear Colleague,

**Government response to the January consultation on the introduction of a new condition in the DCC licence relating to the planning and implementation of Enduring Change of Supplier arrangements.**

On the 9 January 2019, BEIS published a consultation seeking stakeholder views on proposed changes to the DCC licence to require the DCC to develop and implement plans to support Enduring Change of Supplier arrangements.<sup>1</sup> The primary changes proposed were:

- A new licence condition that requires the DCC to develop, consult upon, and submit to the Secretary of State for approval a plan to implement (including migration to) the Enduring Change of Supplier arrangements.
- The licence condition permits the Secretary of State to direct that the plan be modified if he considers this to be necessary and for the DCC to resubmit the modified plan for approval if so directed.
- Following the approval of the plan by the Secretary of State the DCC would be required to give effect to the plan including, amongst other things, progressing the necessary changes to existing Relevant Service Capability and procuring new Relevant Service Capability and to facilitate migration to that Service. These activities would be governed by the provisions of the DCC licence including, for example, Condition 16 which governs the DCC's procurement of Relevant Service Capability and Condition 5 that includes obligations on DCC relating to acting economically and efficiently in providing its services.
- The licence condition also permits the Secretary of State to direct that a wholly new plan be produced and implemented if this is considered necessary.

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<sup>1</sup> The Enduring Change of Supplier arrangements are a set of arrangements for effecting changes of suppliers' Security Credentials held on or in relation to Devices when a change of supplier event takes place. Changing the Security Credentials results in a transfer of control of the functionality of such Devices from the old to the new supplier. The existing arrangements for transferring such control, the "Transitional Change of Supplier" arrangements, were introduced as a temporary set of arrangements.

## Government Response

The Government response attached at Annex A sets out our conclusions to the consultation. Following consideration of the responses we have decided to make the licence changes as proposed.

The legal text implementing the regulatory changes set out in Annex B to this letter will be laid before Parliament in line with the procedure under section 89 of the 2008 Energy Act. For administrative reasons, we are currently planning to lay the text before Parliament in May 2019. Subject to the parliamentary process, we expect to bring the licence changes into effect in July 2019.

## Next Steps

As noted in the January consultation, government plans to consult on the further related matters:

- Options for the Enduring Change of Supplier arrangements (in Spring 2019)
- Changes to the Smart Energy Code (and potentially licence conditions) need to reflect the chosen Enduring Change of Supplier arrangements
- A DCC Baseline Margin Project Performance Adjustment Scheme to place any additional Baseline Margin associated with DCC's ECoS implementation costs at risk in a manner to appropriately incentivise DCC's delivery of the necessary changes.

Kind regards,



**Duncan Stone**

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Smart Metering Implementation Programme

## List of Annexes to this letter

(These are published separately at: [https://smartenergycodecompany.co.uk/latest\\_news/](https://smartenergycodecompany.co.uk/latest_news/))

<b>Annex A</b>	Government Response Document
<b>Annex B</b>	Legal text of new DCC licence condition