ANNEX A: Consultation on directing the DCC to plan for the design, development and implementation of smart meter enduring change of supplier arrangements

30 May 2019

Contents

1. Executive Summary

1.1. This consultation seeks views on the Government's proposal to direct the Data and Communications Company (DCC) under its Enduring Change of Supplier (ECoS) arrangements licence condition[1] to plan for the design, development and implementation of the systems, processes and procedures on the basis of the ECoS2 solution which is to cover both SMETS2 and enrolled SMETS1 smart meters (see below). This is to be done in timescales such that Transitional Change of Supplier (TCoS) arrangements do not need to be re-procured by the DCC under the Data Services Provider (DSP) contract.

2. Consultation Background

2.1. Upon a change of energy supplier event, Device Security Credentials held on or in relation to Smart Metering Devices that relate to the Responsible Supplier are currently swapped using the TCoS functionality. While the TCoS systems are a separate limb of the DCC Live Systems, the TCoS functionality is provided by the DSP and shared Registration Data is used by both the DSP and TCoS as a key security control.

2.2. From its introduction, it was known that the TCoS arrangements did not represent a long-term robust solution for smart metering. TCoS was introduced as an interim solution given energy supplier concerns at the time regarding the impact of the changes necessary to develop that approach on their systems prior to DCC Live. However, it was recognised that TCoS would need to be replaced with a more robust enduring set of arrangements: ECoS. This has been confirmed recently through further discussion with the National Cyber Security Centre (NCSC). From a security perspective, one of the features of any ECoS model (and why TCoS needs to be superseded) is greater separation from the DSP and its ability to independently access registration data in carrying out its role.

2.3. There are two candidate ECoS solution options:

- "ECoS1" – where the Gaining Supplier uses the Losing Supplier to communicate the CoS event to Devices; and

[1] This licence condition has not yet been introduced into the DCC licence. The text of the proposed licence condition can be found here. The Government expects the licence condition to be included within the DCC's licence in the summer, subject to Parliamentary process.

- "ECoS2" – where the CoS event is communicated to Devices by a central service, similar to the existing TCoS service, but addressing the current solution's limitations.

2.4. The table below depicts the key differences in operators of the solutions:

	TCoS	**ECoS1**	**ECoS2**
Instigated by	Gaining Supplier	Gaining Supplier	Gaining Supplier
Processed by	DSP Central Service	Losing Supplier	Central service
Service provided by	DSP	Each Supplier	New stand-alone service operator

2.5. In September 2018, BEIS wrote to the DCC asking it to produce a report on the viability, cost and timescales for the changes to supplier and DCC systems that would be needed to implement the two candidate options for ECoS, as well as to assess the scale of costs and timescales of delivery and their impact on DCC Users.

2.6. DCC delivered its final assessment of the two ECoS options to the Secretary of State in May 2019. The DCC's report, entitled "Change of Supplier – DCC Solution Review" is included at **Annex B** of the covering letter to this consultation. The DCC's principal conclusions are set out as follows:

DCC's evaluation of the two ECoS options based on the available evidence indicates that ECoS 2 provides a better solution across almost all the evaluation criteria used. The estimated operating costs shown below do not include supplier costs, which means that these are likely to be significantly understated for ECoS 1:

Solution option	*Estimated implementation costs*	*Estimated operating costs (per annum)*	*Implementation timescales*	*Overall risk rating*
ECoS 1	*£174.0M - £225.2M*	*£0.9M - £1.2M*[2]	*48 months*	*High*
ECoS 2	*£37.8M - £50.1M*	*£2.3M - £3.1M*[3]	*41 months*	*Medium*

Overall, DCC's evaluation indicates that ECoS 2 represents a superior technical solution which provides better outcomes for both market participants and consumers, along with being more cost-effective and lower-risk.

[2] The DCC states that insufficient operating cost data was provided by energy suppliers. All suppliers will need to operate a CoS service and it is likely that there will be operational costs associated with this. DCC considers it highly likely that the ECoS1 operating costs will be greater than ECoS 2.

[3] The DCC states that under ECoS 2 DCC will operate the CoS service. The operating costs used for ECoS 2 are likely to be more comprehensive than for ECoS 1, where suppliers will operate the CoS service but have not provided sufficient cost information to support an assessment.

2.7. We agree with DCC that the ECoS2 solution is the superior option for the reasons set out in DCC's report.

Interaction with DSP re-procurement

2.8. The existing TCoS systems capability is provided to the DCC under the DSP contract that DCC currently has in place with CGI IT UK Limited. This contract is due to expire in September 2021, although it may be extended for up to three additional, one-year periods. The DCC has begun a programme of work to re-procure the necessary DSP services. It is important that the scope of this re-procurement is appropriately aligned with the ECoS solution in the interests of efficiency.

Interaction with the Ofgem Switching Programme

2.9. Under ECoS2, it is necessary for the new CoS service operator to be able to separately access registration data from the proposed Central Switching Service (CSS) so that it can confirm a CoS event independently from the information held by DSP systems. Currently, the DCC receives extracts of the registration data from gas and electricity network parties, however, these arrangements are being replaced as part Ofgem's Switching Programme. BEIS is engaging DCC and Ofgem to ensure that in the detailed design, the CSS can support the ECoS2 arrangements.

3. Consultation Proposal

3.1. BEIS agrees with the DCC that the ECoS2 option is the superior ECoS enduring solution. NCSC have also been engaged during this process and have confirmed that ECoS2 represents an appropriate enduring solution from a security perspective.

3.2. In light of this, the Government proposes to direct the DCC to plan for the design, development and implementation of the systems, processes and procedures intended to comprise the ECoS2 arrangements for SMETS2 and enrolled SMETS1 smart meters in timescales such that TCoS does not need to be re-procured by the DCC under the DSP contract. This consultation seeks views on the Government's proposed direction to the DCC.

Consultation Question	
1.	Do you agree that Government should direct the DCC to implement the ECoS2 solution as summarised in paragraph 3.2 above? Please provide reasons for your position and, if different from the consultation proposal, details of how you would deliver appropriately robust enduring change of supplier arrangements and why these would be superior to the ECoS2 solution.

4. General Information

Responding to this Consultation

Details for how to respond to this government consultation are set out below.

Issued: 30 May 2019

Consultation Closes: 5pm, 27 June 2019

Responses and Enquiries to:

smartmetering@beis.gov.uk

or

Smart Metering Implementation Programme - Delivery
Department for Business, Energy & Industrial Strategy, 2nd Floor Spur,
1 Victoria Street, London, SW1H 0ET

Confidentiality and Data Protection

Information provided in response to this consultation may be subject to publication or disclosure in accordance with the access to information legislation (primarily the Freedom of Information Act 2000, the Data Protection Act 2018, General Data Protection Regulation and the Environmental Information Regulations 2004).

If you want information that you provide to be treated as confidential please say so clearly in writing when you send your response to the consultation. It would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded by us as a confidentiality request.

We plan to summarise all responses and place this summary on the Smart Energy Code website (https://smartenergycodecompany.co.uk/). This summary will include a list of names or organisations that responded but not individuals' names, addresses or other contact details.