



Department for  
Business, Energy  
& Industrial Strategy

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Industrial Strategy  
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The Authority (Ofgem), the SEC Panel, SEC Parties, UNC  
Parties and MRA Parties and other interested parties

26th March 2020

Dear Colleague,

**Smart Metering Implementation Programme: Government response to January  
consultation on Code and Licence Changes**

On 14 January 2020 we published a consultation seeking stakeholder views on proposed amendments to the standard conditions of gas and electricity supply licences, the DCC licence, the Smart Energy Code (SEC), the Uniform Network Code (UNC) and the Master Registration Agreement (MRA).<sup>1</sup> The changes covered a variety of matters including, for example, proposals to modify the SMETS1 enrolment obligations in supply licences, to introduce device specific technical specifications and to introduce a temporary period of time during which the DCC must submit certain information to the Secretary of State relating to material proposed new, additional or changed Relevant Service Capability.

We received seventeen responses to the consultation, which closed on 18 February 2020. We have considered the stakeholder views and the document at Annex A includes the Government response.

On 16 September 2019, the Government published its proposals to develop a policy framework for smart meters post 2020.<sup>2</sup> This included proposals to change the DCC's charging methodology that would apply from April 2021. Twenty-nine responses were received to this aspect of the consultation.

We have considered stakeholder views and the consultation response at Annex A includes the Government response to the January 2020 consultation and to the DCC charging methodology aspects of the September 2019 consultation.<sup>3</sup>

The final draft legal text set out in Annex C (which incorporates changes for both of the charging aspects of the September 2019 consultation and all of the January 2020

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<sup>1</sup> <https://smartenergycodecompany.co.uk/latest-news/consultation-on-changes-to-standard-conditions-of-gas-and-electricity-supply-licenses-conditions-of-the-dcc-licence-the-sec-the-unc-and-the-mra/>

<sup>2</sup> <https://www.gov.uk/government/consultations/smart-meter-policy-framework-post-2020>

<sup>3</sup> We are in the process of analysing all the responses and the evidence provided on other aspects of the post-2020 consultation, to ensure that the points raised by consultees are fully considered. At this stage we are unable to confirm the precise time for publication of the Government response.

consultation) has also been laid in Parliament in line with the procedure under Section 89 of the Energy Act 2008.

Yours faithfully,



**Duncan Stone**

Deputy Director & Head of Delivery  
Smart Metering Implementation Programme

**List of Annexes to this letter**

<b>Annex A</b>	Consultation response in relation to:  1) the DCC Charging Methodology proposals within the September 2019 consultation; and  2) the January 2020 consultation.
<b>Annex B</b>	Draft direction letter for issuance under new DCC Licence Condition 16.6C(a)
<b>Annex C</b>	Legal changes - attached separately (in tracked changes) <ul style="list-style-type: none"><li>• Attachment 1 – Gas supply licence conditions</li><li>• Attachment 2 – Electricity supply licence conditions</li><li>• Attachment 3 – DCC licence conditions</li><li>• Attachment 4 – SEC Section A</li><li>• Attachment 5 – SEC Section E</li><li>• Attachment 6 – SEC Section G</li><li>• Attachment 7 – SEC Section K</li><li>• Attachment 8 – SEC Section L</li><li>• Attachment 9 – Uniform Network Code</li><li>• Attachment 10 – Master Registration Agreement</li></ul>

# Annex A: Consultation Response

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# **1. General Information**

## **Purpose**

Following consideration of responses to the smart metering consultations on:

- 1) changes to the DCC Charging Methodology to apply from April 2021 issued on 16 September 2019; and
- 2) changes to the standard conditions of gas and electricity supply licences, the DCC licence, the Smart Energy Code (SEC), the Uniform Network Code (UNC) and the Master Registration Agreement (MRA) issued on 14 January 2020,

this government response provides conclusions on the changes proposed. The final legal text has also been laid before Parliament in line with the procedure under Section 89 of the Energy Act 2008.

## **Issued**

26 March 2020

## **Enquiries**

Smartmetering@beis.gov.uk

## **Territorial extent**

This government response applies to the gas and electricity markets in Great Britain.

## **Legal drafting**

The legal drafting should be considered to be definitive in the event that there is any inconsistency between it and the explanatory text.

## 2. Introduction

### Background

1. Smart meters are replacing traditional gas and electricity meters across Great Britain as part of an essential national upgrade that will make our energy system cheaper, cleaner and more efficient. Millions of households are already benefitting from smart meters, which will enable technologies such as electric vehicles, smart tariffs and microgeneration to be efficiently and cost effectively integrated with renewable energy sources. Without the flexibility enabled by smart metering, modelling for the Committee on Climate Change estimates the costs of delivering net zero emissions by 2050 could be up to £16 billion higher each year.

### The September 2019 Post 2020 Framework Consultation

2. In September 2019, a consultation was issued proposing changes to standard conditions of gas and electricity supply licences and to the SEC. The principal purpose of the document was to consult on a number of proposals to help inform the policy framework for energy suppliers to continue installing smart meters after 31 December 2020, when the current rollout duty ends.
3. The consultation also put forward proposals for changes to the DCC Charging Methodology to modify the way that DCC would charge for its services from April 2021. The consideration of this issue was separated from other aspects of the consultation, to provide clarity to stakeholders and to ensure that the DCC is able to progress the necessary preparatory work.
4. Of the respondents to this consultation, the 29 respondents below provided views on the proposed changes to the DCC Charging Methodology:

Sector	Organisation	
Energy Suppliers	Bristol Energy	Smartest Energy
	Drax Group plc	Centrica plc
	E (Gas and Electricity) Ltd	Npower Group Ltd
	EDF Energy Ltd	SSE Business Energy
	E.ON UK	SSE Energy Services
	Ovo Energy Ltd	Utilita
	Shell UK Ltd	Engie
	Scottish Power	
Network Operators	Electricity North West Limited	Scottish and Southern Electricity Networks (SSEN)
	SP Energy Networks	Western Power Distribution
Trade Bodies	Association of Independent Meter and Data Agents (AIMDA)	The Industrial & Commercial Shippers & Suppliers (ICoSS) Group
	Energy UK	
Other	CyanConnode Limited	Stark

	Data Communication Company (DCC)	Toshiba
	Siemens	One private individual
	SMS Plc	

### The January 2020 Consultation

5. In January 2020, a consultation was issued proposing amendments to the standard conditions of gas and electricity supply licences, condition of the DCC licence, the SEC, the UNC and the MRA. The changes proposed dealt with a variety of matters including, for example, measures to modify the SMETS1 enrolment obligations in supply licences, to introduce device-specific technical specifications and to introduce a temporary period of time during which the DCC may be required to submit a business case to the Secretary of State for approval prior to procuring material new or amended Relevant Service Capability.
6. A total of 17 written consultation responses were received from the following organisations:

Sector	Organisation
Energy Supplier	Centrica PLC
	Drax Group PLC
	EDF Energy Ltd
	E.ON UK
	Ovo Energy Ltd
	Npower Group Limited
	Scottish Power Energy Retail Limited
	SSE PLC
Network Operator	Electricity North West
	Northern Gas Networks Ltd
Trade Body	BEAMA Limited
	Energy UK
	The Energy and Utilities Alliance (EUA)
Other	Alt HAN Company
	Calvin Asset Management Ltd
	Data Communication Company (DCC)
	Xoserve Limited

7. In light of the responses to this consultation, we have decided to engage further with interested parties on two of the areas in relation to which changes were proposed in the January 2020 consultation:
  - Device-Level Technical Specification Versioning; and
  - the use of an Incompatibility Matrix, rather than a Compatibility Matrix.
8. We have also decided to defer implementing our proposal to introduce a new type of Organisation Certificate - an “XML signing” Certificate - until we

conclude our forthcoming consultation on measures in support of the Enduring Change of Supplier (ECoS) solution to include Registration Data identifiers of energy suppliers within the certificate. The deferral will ensure subscribers for the new Certificates are able to populate them with the required Registration Data identifiers from the outset. We do, however, confirm our intention to introduce the new certificate type once we conclude the further planned consultation.

## 3. Analysis of Responses and Government Conclusions

### 3.1. Charging Proposals in the September 2019 Consultation

#### Summary of issue and proposals

9. In the September 2019 consultation on the post 2020 policy framework for smart meters<sup>4</sup>, we proposed changes to the way that the DCC charging arrangements would work in the period after 2020.<sup>5</sup>
10. We proposed to introduce a new charging period, the Completion of Mass Rollout (“COMR”) period which would apply from 1 April 2021 and end on 31 March in a year determined for such purposes by the Secretary of State.<sup>6</sup> During the COMR period, the DCC’s Fixed Charges and Fixed Alt HAN Charges would be recovered based on market share for both Domestic and Non-Domestic Suppliers.
11. The changes were proposed to reflect developments since the existing SEC provisions were implemented.<sup>7</sup> If the existing provisions were to continue to apply, whereby the charging base for domestic and non-domestic premises after 2020 would be based on the number of enrolled smart meters, this would lead to a substantial reduction in the charging base for domestic suppliers and result in prices per Enrolled Smart Metering System that were substantially higher than current charges per Enrolled Non-Domestic Smart Metering Systems and Mandated Smart Metering Systems for Domestic Premises. This would have a detrimental impact on those suppliers who have rolled out most smart meters as a proportion of their portfolios.
12. The proposed changes recognised that, in certain circumstances, energy suppliers to non-domestic consumers can install Advanced Meters rather than Smart Meters and that an adjustment for this was necessary (as they are not operated via the DCC). Section 3.6 of this document deals with change to the UNC and the MRA to provide DCC with the data to make this adjustment.

#### Summary of Responses

#### **Question 13: Do you agree with the proposed changes to DCC charging arrangements in the period after end-2020?**

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<sup>4</sup> <https://www.gov.uk/government/consultations/smart-meter-policy-framework-post-2020>

<sup>5</sup> A previous consultation amended Section K of the Smart Energy Code so that the current DCC charging arrangements extend to 31 March 2021. See: <https://smartenergycodecompany.co.uk/latest-news/beis-response-to-september-2019-consultation-on-proposed-amendments-to-the-sec-and-the-dcc-licence/>

<sup>6</sup> The enduring charging methodology (based on number of Enrolled Smart Metering Systems) would take effect as planned after the end of the COMR period. The September 2019 consultation noted that, on the basis of the proposed post-2020 framework, we would expect the COMR period to end on 31 March 2025.

<sup>7</sup> In particular, non-domestic suppliers were previously permitted to opt-out of using the DCC, and we expected energy suppliers would have largely completed their smart meter rollouts by end-2020.



13. There were 29 responses received, 10 respondents agreed outright with the proposal, 11 respondents agreed with caveats, three respondents disagreed, and one respondent disagreed with caveats. Four respondents provided neutral responses. Those who agreed generally considered that the proposed amendments to DCC charging arrangements would mitigate the risks under the current approach of increased costs after the end of 2020 for energy suppliers who have a higher proportion of smart meters in their customer portfolio by this point.
14. In terms of additional points made by respondents, two respondents agreed that there is a need for a mechanism to accurately identify Advanced Meter sites to ensure appropriate costs calculations. This issue was consulted on in the January 2020 consultation and this is discussed in section 3.6 of this document.
15. One respondent requested clarification on whether the calculation would be based on domestic and non-domestic portfolios separately or on the total number of meter points falling within the mandate. They noted their preference would be for DCC to undertake separate calculations.
16. One respondent commented on the need for further work to understand the costs which may arise from this proposal, both for DCC and affected industry parties.
17. Two respondents were concerned that the proposal could be used as a mechanism to incentivise deployment of smart metering over advanced metering, when in their view the latter is more appropriate for non-domestic customers. One respondent would like to see much more discipline applied to DCC spending given the costs already spent over the Smart Metering Programme due to a range of reasons. They would like to see DCC spending including DCC charging be more exogenous, clear, up front, open to challenge and pre-approved.

**Question 14: Do you agree that the legal drafting in Annex 3<sup>8</sup> implements the policy intention?**

18. There were 13 responses to this question with broad agreement with the legal drafting: ten respondents agreed of whom two provided caveats; two respondents disagreed with caveats; one neutral response was received.
19. One respondent suggested that we had inadvertently deleted text relating to the calculation of Charging Group Weighting Factors in section K.13. One respondent agreed the legal drafting delivered the policy intent but would not support the drafting unless it is amended to reflect the points they raised in response to question 13 regarding the management of DCC spending.

## **Government response**

20. In the light of the broad support from respondents, we intend to implement the consultation proposals and move the DCC charging methodology to a market-share basis for both domestic and non-domestic energy suppliers from 1 April 2021. As proposed in the consultation, this period would extend to the end of a Regulatory Year to be determined by the Secretary of State.

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<sup>8</sup> This question refers to Annex 3 of the September 2019 consultation  
<https://www.gov.uk/government/consultations/smart-meter-policy-framework-post-2020>

21. We note the concerns that were raised about the proposal. However, without making the changes we are proposing, DCC charges per Enrolled Smart Metering System would have been significant from April 2021 for all energy suppliers – since a substantial proportion of DCC costs would have been recovered across Enrolled SMSs for both domestic and non-domestic suppliers.
22. In response to the question over whether domestic and non-domestic charges would be based on separate calculations for those portfolios, we note that whilst the details of how DCC performs the calculations would change – as both domestic and non-domestic portfolios would be calculated on a market share basis – there would continue to be no differentiation between domestic and non-domestic suppliers’ DCC charges: the amount paid by a domestic supplier per Mandated Smart Metering System (i.e. market share basis) is currently the same as the amount paid by non-domestic suppliers per Enrolled Smart Metering System. The proposed changes would not affect this, save that both domestic and non-domestic suppliers’ charges would be based on a market share basis.
23. In response to the comment on understanding the costs of the proposal for the DCC, the DCC has confirmed that it does not expect the impact on its systems, nor the costs associated with implementing the changes, to be significant. In response to the comments on the DCC’s record of spending, we note that Ofgem is responsible for reviewing the costs incurred by the DCC and determining whether they have been economically and efficiently occurred. We therefore do not consider that more wholesale changes are necessary.
24. On reflection, we agree that text in section K.13 should be retained and we no longer propose to delete it. We have also taken into account other minor suggestions to improve the drafting.

## Conclusion

25. In the light of the broad support for the proposed change to the DCC charging methodology, we intend to implement the changes we consulted on.
26. The proposed approach recognises that in certain circumstances Advanced Meters may be installed, hence it has a mechanism to identify Advanced Meter sites to ensure they would not be included in the calculation as discussed in section 3.6 below.

## 3.2. SMETS1 Enrolment Obligations

### Summary of issue and proposals

27. In the January 2020 consultation we explained that standard conditions 48 and 54 of the gas and electricity supply licences respectively require energy suppliers to enrol SMETS1 Smart Metering Systems within 12 months of the Smart Metering System becoming Eligible for Enrolment (or such longer period as the Secretary of State may direct). In addition, the licence conditions require energy suppliers to take all reasonable steps to replace any unenrolled SMETS1 Smart Metering System with a SMETS2+ Smart Metering System by 31 December 2020 (the “replacement duty”).
28. We noted however, that the current end-2020 replacement duty was introduced on the basis that all SMETS1 cohorts eligible for enrolment would have a 12-month enrolment window that ended before the deadline set by the replacement duty.
29. To reflect the revised enrolment timetable,<sup>9</sup> we proposed to amend the replacement duty such that energy suppliers would be required to take all reasonable steps to replace any unenrolled SMETS1 meter with a SMETS2 meter by the end of 2021, rather than the end of 2020. Views were sought on this policy proposal as well as the draft legal text.

### Summary of Responses

#### **Question 1: Do you agree with the proposal to amend the existing replacement duty, whereby energy suppliers would be required to take all reasonable steps to replace any unenrolled SMETS1 meters with SMETS2 meters by the end of 2021?**

30. Eleven responses were received to this question. Of these, ten respondents agreed with the proposal of whom five provided additional points, and one provided a neutral response. Those who agreed generally considered that the proposed amendment is necessary to reflect the revised enrolment timetable. A number of respondents also noted that it would ensure energy suppliers have at least 12 months from the point SMETS1 meters are eligible for enrolment before the replacement duty applies.
31. In terms of the additional points made by respondents, one respondent considered that DCC should also have obligations in its licence to enrol all eligible meters within a specified timeframe and assist energy suppliers’ enrolment activity. The respondent also noted that DCC and SMETS1 Smart Metering System Operators are responsible for the preparation and migration of dormant meters, not energy suppliers, and considered that this should be recognised in licence conditions (and further amendments made accordingly).
32. One respondent noted that the proposed end-2021 deadline addresses concerns over the unnecessary replacement of working smart meters due to delays to the enrolment programme. However they felt that the proposed fixed replacement duty date adds complexity and risk and would prefer it was removed in favour of an obligation to enrol or replace any SMETS1 meter

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<sup>9</sup> Revised enrolment milestones are included the Joint Industry Plan v7.0.

within 12 months of publication on the Eligible Products Combination List (EPCL), or the point the meter is gained on change of supplier.

33. Two respondents considered that any further changes to the replacement duty should be done without consultation.
34. Several energy suppliers raised issues regarding various aspects of the process for enrolling SMETS1 meters in the DCC, including:
- The view that active Device Model Combinations (DMCs) should not be placed on the EPCL until energy suppliers are able to migrate them. DMCs should have separate EPCL entries for dormant and active meters, allowing them to be added to the EPCL on different dates where necessary.
  - The view that split SEC party IDs means migration of active meters is not possible at EPCL entry, which would risk needing to back-end the necessary work.
  - The lack of clarity regarding DCC testing plans, for example how they will manage overlaps between different cohorts and ensure there is no test environment contention.
  - A lack of confidence in the DCC's migration planning and concern as to whether daily migration volumes can be met.
  - A concern that DCC service requests supporting the maintenance of SMETS1 meters with auxiliary load control functionality would not be available when the operational capability for the relevant meter set goes live.

#### **Question 2: Do you agree that the proposed legal drafting delivers the policy intent?**

35. Eight responses were received to this question. All respondents agreed that the proposed legal drafting delivered the policy intent with four providing additional points.
36. One respondent sought clarity that the intention is always to leave a full 1-year enrolment period for all SMETS1 meter types even if there are further delays.
37. One respondent considered it appropriate that the legal text should apply to both dormant and active SMETS1 meters to accommodate uncertainties and slippages which have already been experienced.
38. Two respondents agreed subject to their comments in response to question 1.

#### **Government response**

39. In response to the point regarding obligations and responsibilities for migrating dormant SMETS1 meters, we note that DCC have overall responsibility for this and are required by the Transition and Migration Approach Document to take all reasonable steps to enrol dormant SMETS1 meters as soon as reasonably practicable. In addition, a high percentage of dormant meters are reliant on a firmware path being applied that enables them to be enrolled – and DCC are reliant on the installing energy supplier to provide this, with energy suppliers obliged to take all reasonable steps to support DCC.

40. We do not agree that removing the replacement duty and instead requiring energy suppliers to enrol or replace SMETS1 meters within 12 months of EPCL entry or the point an unenrolled SMETS1 meter is acquired on churn would be appropriate. As noted in the consultation document, this approach could remove incentives on market participants to take the necessary steps for getting SMETS1 meter sets onto the EPCL as soon as practicable, which would risk delivery of the consumer and industry benefits of timely enrolment in the DCC.
41. Regarding the point made about BEIS making further changes without consultation, we note that the proposed legal drafting would allow the Secretary of State to set a later replacement duty date by direction. We consider it may be appropriate to consult prior to amending the replacement duty date in order to ensure stakeholders are able to provide their views before any decision is taken.
42. We note the points raised regarding aspects of the SMETS1 enrolment process and intend to further explore these issues with stakeholders through existing SMETS1 enrolment governance fora.
43. In response to the point made regarding our intentions for the enrolment window, we consider that energy suppliers should have a reasonable period to enrol SMETS1 meters but this would not always necessarily equate to a 12-month enrolment window. We note that SMETS1 enrolment obligations (both the enrolment window and the replacement duty) are subject to energy suppliers taking 'all reasonable steps.'

## Conclusion

44. In light of the broad support for the proposed change to the replacement duty we intend to implement the changes we consulted on. Subject to completion of the Parliamentary process, this would require energy suppliers to take all reasonable steps to replace any unenrolled SMETS1 meters with SMETS2 meters by the end of 2021.

### 3.3. Device-Level Technical Specification Versioning and Incompatibility Matrix

#### Summary of issue and proposals

45. In the January 2020 consultation, we explained that the SEC currently contains a number of “versions” of the Smart Metering Equipment Technical Specifications (SMETS). Each version of the SMETS sets out the technical specification for a number of different Devices (e.g. ESME, GSME, HCALCS, PPMID and IHD).
46. Different versions of SMETS have different Installation Validity Periods (IVPs) and Maintenance Validity Periods (MVPs) and different associated Applicability Periods for versions of the GB Companion Specification (GBCS). These periods are used to determine which versions of SMETS (and GBCS) smart metering devices must comply with on installation to count towards energy suppliers’ smart metering rollout licence obligations and subsequently when being maintained in accordance with energy suppliers’ licence obligations relating to maintenance.
47. In particular, for example, the MVP of a version of SMETS might be terminated if there is, say, a material security issue found in the specifications for one of the devices specified in it. The consequences of termination of the MVP would be that energy suppliers would be required to take steps so that all devices, not necessarily just the type experiencing the issue, will need to be upgraded to be compliant with a version of the specifications that has a valid MVP.
48. In order to avoid the need for this, we proposed to make changes to introduce the concept of individual device-specific technical specifications so that the IVP or MVP or GBCS Applicability Period can be set independently for specific device types.
49. In the January 2020 consultation, we also noted that Section F2.11 of the SEC requires the SEC Panel to create, keep up-to-date and publish on the SEC website a matrix setting out which versions of the technical specifications have been designed to be compatible with which other versions.
50. In light of the proposals described above to move to device-specific versioning for SMETS, we suggested that this matrix would become relatively large and complex. Furthermore, we suggested that there would be a benefit in the Panel providing a brief explanation of the nature of any design constraints on the interoperability between versions of technical specifications.
51. Consequently, we proposed to change the SEC to require the SEC Panel to produce an incompatibility matrix instead of the current compatibility matrix. Where minor operational constraints exist between two Technical Specifications that do not affect the fundamental behaviour of the relevant devices, then these specifications would be considered to be “compatible”, but the matrix would set out the general nature of the constraints.

## Summary of Responses

### Consultation Questions

- |    |  |
|----|--|
| 3. | Do you agree with the proposal to make changes to introduce device specific technical specifications with their own version numbers? |
| 4. | Do you agree that the proposed legal drafting delivers the policy intent?  |
| 5. | Do you agree with the proposal to have an incompatibility matrix, rather than a compatibility matrix?                                |
| 6. | Do you agree that the proposed legal drafting delivers the policy intent?  |

52. Eleven responses were received to our device-level versioning proposal, of which 9 were supportive, one respondent disagreed, and one offered a neutral response but sought clarification on a number of issues. The key points made by one or more respondents included:

- A number of respondents highlighted the value of supporting guidance and communication, or qualified their support by seeking more clarity on how the measures would operate in practice.
- A number of respondents highlighted the value of the work carried out by BEIS and Industry to discuss and refine these proposals outside of the BEIS Transition Governance forums (TBDG and TSIRS).
- One respondent suggested that having two specifications that are valid and applicable to the same device, running concurrently, will cause problems and issues with both identification of the correct version and managing the device itself and sought clarification on how BEIS's envisioned this would operate.
- One respondent noted that the TSAT table featured in the appendix has had the MVP dates removed. They sought clarification on this issue. They also highlighted ongoing issues relating to establishing the applicable DUIS version and sought clarification in this area about how BEIS would approach the issue.
- One respondent highlighted concerns from device manufacturers as to how the changes will reflect in the functionality of the Commercial Product List administered by SECAS.
- One respondent disagreed believing the current approach was widely recognised and understood and were concerned that change would lead to confusion. They were also concerned that the proposal would increase the testing burden on manufacturers. Similar concerns relating to testing were also raised by another respondent (although they did not specifically object to the proposal).

53. All eight who responded on the proposed legal drafting agreed that it captured the policy intent of our proposals.



54. On our related proposal for an Incompatibility Matrix, 11 responses were received, with eight supporting the proposals in full or in principle. Those who qualified their support wished to see an example of the matrix. One respondent, who did not offer a firm answer, also wished to see an example. A number of respondents stressed the importance of further guidance to support the implementation of the proposal.
- One respondent sought confirmation that there is no expectation that Device Manufacturers will undertake additional work and/or testing (to verify compatibility (or incompatibility)) if the Device-Level Technical Specification relevant to a particular device type does not change.
  - One respondent objected to the proposals, citing more general concern about the introduction of device-level versioning and its consequential impact on the device matrix.
  - All eight who responded on legal drafting agreed that it delivered on BEIS's policy intent. One respondent sought clarification on a point of legal drafting. Specifically they suggested the wording 'known to have been designed' (sic) as incompatible, potentially leaves a gap if the incompatibility is found retrospectively (unless the intimation is that this will not happen, and non-designed incompatibility will be corrected prior to release). They sought clarification on how this will be identified and agreed.

## Government response

55. Having considered the consultation responses received we acknowledge that the majority of respondents recognised the value of, and supported our proposals to, adopt device level versioning and associated proposals to introduce an Incompatibility Matrix.
56. We remain of a view that the proposals are sensible; simplifying and streamlining current arrangements. The introduction of device specific technical specifications allows IVPs, MVPs and GBCS Applicability Periods to be set per device and, in particular, allows these periods to be end-dated if necessary for one device specification without affecting other specifications (and hence other devices) within the same SMETS document. It reduces the number of device versions where there is no change to behaviour and therefore reducing the number of permutations for testing.
57. However, we also recognise that some respondents raised concerns regarding the impact of the changes and also note that a number of respondents suggested that the implementation of the measures would benefit from supporting guidance and communications.
58. Consequently, we believe it would be useful to engage further with interested parties to explain and refine our proposals and share more details of how they would be implemented in practice. We plan to pursue this engagement through the Technical and Business Design Group (TBDG) – a transitional industry forum that provides, amongst other things, technical advice to the Smart Metering Implementation Programme.
59. As we set out in January's consultation, one consequence of the proposed move to device-specific versioning for SMETS is that the current device compatibility matrix will become relatively large and complex. As a



consequence we said it would be sensible to adopt an Incompatibility Matrix approach. We still believe this to be the case. However, we recognise that it would be useful to engage industry further on a worked example.

60. We note respondents raised a number of detailed points and matters for clarification. We would plan to address these in our planned engagement with industry.

## **Conclusion**

61. Government has decided to defer implementing its proposals on device-level technical specification versioning and the adoption of an Incompatibility Matrix to enable further engagement with interested parties.

### **3.4. Completion of Implementation in the DCC Licence**

#### **Summary of issue and proposals**

62. Following consultation in September 2019<sup>10</sup>, we have now modified the SEC to allow the remaining provisions of Section X to continue to prevail until Completion of Implementation, rather than the earlier of 31 December 2020 and Completion of Implementation. In the January 2020 consultation, we proposed also to make corresponding changes to references within the DCC licence to “31 December 2020” in the context of the licence definition of Completion of Implementation.

#### **Summary of Responses**

63. There was broad agreement to this proposal with all nine respondents on this point expressing support.
- One respondent, whilst agreeing with the proposal, sought clarification of the implication of the changes for the transitional governance mechanisms that are currently in place, such as TBDG.
  - One respondent sought clarification on a number of related issues, although none of direct relevance to this specific proposal.
64. One respondent provided minor suggestions on legal drafting (relating to the implications of removing Clause 5.7 of the DCC Licence and the resultant renumbering of subsequent clauses in this section).

#### **Government response**

65. We are grateful for observations made on the detailed drafting of legal text (relating to the implications of removing Clause 5.7 of the DCC Licence and the resultant renumbering of subsequent clauses in this section) which we accept.

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<sup>10</sup><https://smartenergycodecompany.co.uk/latest-news/beis-response-to-september-2019-consultation-on-proposed-amendments-to-the-sec-and-the-dcc-licence/>

66. In respect to points raised on the implications of the changes for transitional governance, we highlight our recent update to TBDG (October 2019) on the transition to enduring governance and will continue to keep the transition under review.
67. In view of the unanimous support for this proposal we have decided to amend the DCC licence as proposed.

## Conclusion

68. Subject to the minor legal drafting changes highlighted above we have decided to amend the DCC licence as proposed.

## 3.5. Changes to Section G (Security)

### Summary of issue and proposals

69. In the January 2020 consultation we proposed to clarify that DCC must use Cryptographic Modules whenever its processing involves the “use” of a Private Key that creates a Digital Signature that is intended to be part of a Command that could be processed by a SMETS2+ Device. This would include, for example use of the Recovery Key, WAN Provider and the Access Control Broker Digital Signing Keys to Digitally Sign Commands.
70. We also proposed a further change to Section G to clarify the circumstances in which the DCC must set Anomaly Detection Thresholds (ADT), specifically we proposed to require DCC to do this in circumstances in which a Critical Command can be generated when there is no corresponding Service Request. Examples include when DCC is using the Recovery Key or the Contingency key, or when WAN Providers Digitally Sign Commands to upgrade the firmware on Communications Hubs. We therefore proposed a change to Section G to clarify that DCC must set ADTs for such Commands.

### Summary of Responses

#### Consultation Questions

- |     |   |
|-----|---|
| 9.  | Do you agree with proposal to clarify the circumstances in which DCC must set an Anomaly Detection Threshold and which Private Keys must be stored in a Cryptographic Module? |
| 10. | Do you agree that the proposed legal drafting delivers the policy intent?   |

71. There was broad support for the proposals, with seven respondents expressing support and two respondents providing neutral responses to the proposal. No respondent objected to the proposals.

- A number of respondents sought confirmation that proposals have been fully considered by and agreed with the SEC Security Sub-Committee (SSC).
- One respondent suggested that the drafting around the use of cryptographic modules was unclear and could cause confusion. They requested that further explanation be provided as to why it is not necessary to process recovery keys in a cryptographic module when those keys are split, and only combined in the module as part of the Smart Metering Key Infrastructure (SMKI) recovery procedure.
- Two respondents highlighted that there were not SEC provisions regarding how quickly separated Private Keys needed to be re-constituted. One urged BEIS to consider any potential impact this may have on operational use of the Data Services Provider, Communications Service Provider and smart meters.

## Government response

72. In view of the broad support for our proposal we have decided to implement the changes to Section G of the SEC as set out in our January consultation.
73. We confirm that the measure has been discussed and agreed by the Security Sub-Committee of SEC.
74. With regard to observations as to why it is not necessary to process recovery keys in a cryptographic module when those keys are split. We highlight that the keys when split are unusable until recombined within the cryptographic module as part of the SMKI recovery procedure.
75. With regard to observations that there were no SEC provisions regarding how quickly separated Private Keys needed to be re-constituted, given that the Recovery Procedures are tested every year by DCC, we would expect that any issues regarding the speed with which Private Keys are reconstituted will be identified and remediated appropriately. Consequently, we do not believe it necessary to specify a particular time limit in this respect, and trust that both DCC and the SMKI PMA would take steps to deal with this matter (for example by raising necessary SEC modifications or requiring changes to the relevant Certification Practice Statement) were it to become an issue.

## Conclusion

76. In view of the broad support for our proposal we have decided to implement changes to Section G of the SEC to:
- clarify that DCC must use Cryptographic Modules whenever its processing involves the “use” of a Private Key that creates a Digital Signature that is intended to be part of a Command that could be processed by a SMETS2+ Device.
  - clarify the circumstances in which the DCC must set Anomaly Detection Thresholds (ADT), specifically we proposed to require DCC to do this in circumstances in which a Critical Command can be generated when there is no corresponding Service Request.

## 3.6. Data for DCC Charging

### Summary of issue and proposals

77. In the proposed changes to the DCC's Charging Methodology set out in the September 2019 consultation, we noted that under the proposed approach, a mechanism would be needed for DCC to identify advanced meter sites to ensure that non-domestic energy suppliers are not charged for DCC services in respect of those sites.
78. We therefore proposed changes to the Uniform Network Code (UNC) and to the Master Registration Agreement (MRA) to require this information to be sent to the DCC.

### Summary of Responses

#### Consultation Questions

- |     |   |
|-----|---|
| 11. | Subject to the Post 2020 charging proposals being put into effect, do you agree with the proposal to make this additional information available to DCC? |
| 12. | Do you agree that the proposed legal drafting delivers the policy intent?   |

79. There were eleven responses on this policy proposal, with nine supporting the measures fully or in principle, one respondent objected, and one raised no specific objections to the proposals but reiterated a more general objection to the wider post 2020 regulatory regime. Ten responses were received on the question as to whether the legal drafting delivered our policy intent, with two respondents objecting to the drafting, five agreeing that the drafting delivered our policy intent, and three qualifying their agreement in some way. A summary of the key points made by respondents is as follows:

- One respondent argued that the level of detail proposed in our approach is counter to that currently adopted by the UNC. They stated that UNC is trying to move away from definition of the data items in the UNC text in favour of specifying this within the Data Permissions Matrix which forms part of the UK Link Manual. They argued that this approach provides better flexibility if parties need to amend the request for data over time without recourse to a UNC modification.
- One response highlighted that there was currently a UNC modification in development (0697) which will, amongst other things, amend the UNC to enable the DCC to receive data in accordance with the Data Permissions Matrix. They proposed changes to align BEIS's proposals to align them with the existing principles of UNC governance. They also sought views on how BEIS proposals might be subsequently aligned with those delivered by UNC Modification process (0697) – noting that this would take longer to be delivered.

- One respondent sought clarification on how Domestic Premises which have an Advanced Meter installed, for example where the meter is a Current Transformer Meter, would be treated for the purposes of DCC charges.
- One respondent argued that the release of relevant information to DCC was not additional information and that the provision of this data to the DCC was already covered under the UNC Section V5 and Annex V-10.
- One respondent did not agree with our proposed legal drafting. They argued that whilst the legal drafting is appropriate, its inclusion in the Uniform Network Code is not justified. Instead, they argued that the proposed legal drafting relating to Gas Advanced Meters should be applied to the SPAA, given this will support subsequent integration into the Retail Energy Code in due course. They noted that a change has already been raised in the UNC for this change. Should it be determined that the change will be included in the UNC, it is essential that an equivalent change is raised for the IGT UNC.
- A number of other suggestions for detailed legal drafting were also provided by respondents.

## Government response

80. With regard to concerns raised relating to a proposed modifications to the UNC (Modification 0687) which would amend the UNC to enable the DCC to receive data in accordance with the Data Permissions Matrix: whilst we recognise that the proposed UNC Modification may indeed deliver our policy objective, we wish to implement the changes now to provide certainty that DCC will receive the required data in the necessary timescales, and it is not a foregone conclusion that the UNC modification will be made, since it is still subject to the relevant governance process. Nonetheless we accept our changes may be superseded by the subsequent modification to the UNC and are content that, subject to the revised approach to data permissions implemented by the modification continuing to support the provision of this data to DCC, the specific changes we are making here may be undone. We have discussed this proposed approach with the respondent who raised this issue and they have raised no objection to Government proceeding on this basis.
81. In response to the comment that domestic AMR sites should also be excluded from the calculations, whilst we agree that in principle it might be appropriate to do so, the number of such sites is very small – less than 0.1% of domestic sites. Consequently, we do not consider it would be efficient to incur the costs of making the legal changes and arranging for the data to be sent to DCC in order to take them into account, and therefore we do not propose to do so.
82. In response to comments that we may also need to make available data to DCC under the iGT UNC, we do not think this is necessary because we believe this data is available also under the UNC; we have discussed our approach with Xoserve, the Central Data Service Provider (CDSP) for the gas market. We have, however made a small modification to the UNC drafting to make it clear that the iGT data can be shared with DCC.
83. In view of the broad support for our proposal, but noting comments received, we have decided to implement our proposal with minor amendments to legal drafting.

84. Finally, we highlight the need for this data provision requirement to be supported under the Retail Energy Code in the future. Ofgem are responsible for the Retail Energy Code and we understand that the necessary changes will be progressed by them.

## Conclusion

85. In view of the broad support for the proposal we have decided to proceed with proposals with a minor change to confirm and clarify that the data to be sent to the DCC under the UNC provisions shall include also data in respect of iGT supply points (as this is data known to the service provider).

## 3.7. XML Signing Certificates

### Summary of issue and proposals

86. In the January 2020 consultation, we explained that recent discussions in the SMKI PMA11 and the Security Sub-Committee had indicated that there would be a benefit in the differentiation of the Private Keys used to Digitally Sign GBCS Payloads and those used to sign XML<sup>12</sup> wrappers.
87. As a first step in facilitating this, we proposed to introduce a new type of Organisation Certificate - an "XML signing" Certificate. This would allow users and Registration Data Providers to become subscribers for these new types of Certificates and permit them to use the associated Private Key to sign the XML wrappers, while reserving their "DigitalSigning" Private Keys for signing GBCS payloads.
88. We proposed changes to the SEC to allow for these new types of Certificate. We also proposed to consult on consequential changes to Appendix B (Organisation Certificate Policy), Appendix D (SMKI Registration Authority Policies and Procedures) and Appendix M of the SEC (SMKI Interface Design Specification), in tandem with a consultation on changes to SMETS as a result of the introduction of these new Certificate types.
89. We also proposed a minor clarificatory change to L10.30(c) to reflect the fact that the Contingency Public Key is encrypted using the Contingency Symmetric Key.

### Summary of Responses

#### Consultation Questions

- |     |   |
|-----|---|
| 13. | Do you agree with the proposal to introduce XML signing Certificates?     |
| 14. | Do you agree that the proposed legal drafting delivers the policy intent? |

<sup>11</sup> The Smart Metering Key Infrastructure Policy Management Authority.

<sup>12</sup> Extensible Markup Language – a means of prescribing the structure of the communication within the wrapper to ensure it is well formed. XML wrappers are applied to Service Requests and Signed Pre-Commands by DCC Users and the resulting communications are Digitally Signed.

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90. Ten responses were received to this proposal, with the majority offering support or voicing no particular objection. One respondent objected to the proposal, and one felt unable to support the proposals without further information to enable a fuller assessment of the impact on their systems and processes. A summary of the key points made by one or more respondents to this question is as follows:

- A number of respondents highlighted that in order to subscribe to these new types of Certificates, changes will be required to the various DCC Adapter products and sufficient time will need to be allocated for the design, development and testing of this (including by energy suppliers).
- A number of respondents also highlighted the need for suitable scrutiny and challenge to be applied to the associated DCC delivery timescales and costs for the creation of the new of certificate.
- Clarification was sought by a number of respondents as to why BEIS had progressed the measures under transitional governance and not through a SEC Mod. One highlighted Draft Proposal (DP104 – “XML Signing Key”) which has been raised by the SSC. They proposed that it would seem more sensible to incorporate this change within that proposal rather than progressing them under separate governance.
- Two respondents said that they were not able to comment on the benefit of these proposals based on the limited information, and user impacts, detailed within the consultation document. One stressed the importance of this if they were subsequently to be required to implement a new key type that would result in system changes and, as yet, unknown costs.
- One respondent did not agree that the legal drafting delivered on the policy intent.

### **Government response**

91. We have engaged with the Security Sub Committee (SSC) and the SMKI Policy Management Authority (SMKI PMA) throughout the consultation process and all agree that such Certificates should be introduced as soon as possible allowing users to start to make use of the new Certificates over an extended period.

92. There is an existing requirement for user systems to use separate keys for signing XML wrappers of Service Requests and Signed Pre-Commands from those keys that are also used to sign the GBCS Commands. The changes that we proposed in the January consultation did not require the use of the new Certificate type but would allow users to make use of them as their existing Organisation Certificates expire. Separately SSC have raised SEC Modification (104) which seeks to ensure that the XML wrappers of Service Requests and Signed Pre-Commands are not signed with Private Keys that are also used to sign the GBCS Commands. This means that the use of Private Keys associated with XML Signing Certificates to sign XML would, in time, be required if and when this SSC led SEC Modification is implemented.



93. 92. The BEIS-led change is for DCC to allow a new remote party role code to be used in a Certificate. This is in addition to the existing list of role codes that can be used. We recognise that the changes we propose, although not expected, may require changes to DCC Adaptor products to use Certificates with the new remote party role.
94. Making a change to allow Users to be Issued with XML Signing Certificates now will allow them to start using Private Keys associated with these new Organisation Certificates when they replace their existing Certificates prior to the end of their ten year life as and when they are ready to do so, allowing a phased transition.
95. With regards to comments received as to why Government had progressed these proposals under transitional governance, BEIS considers that introducing XML Signing Certificates is part of the ECoS reforms, which BEIS is implementing, and making the Certificates available at the earliest possible date reduces the cost and burden to start using those Certificates in user systems, due to being able to migrate to the new Certificates as and when development and testing schedules allow.

## Conclusion

96. Given the benefits in enabling users to differentiate between the Private Keys used to digitally sign GBCS Payloads and those used to sign XML wrappers, we have decided to progress with the changes set out in our consultation.
97. However, we have also now progressed key elements of our design for the Enduring Change of Supplier systems (ECoS) and plan to consult on proposals for one of the fields in the new XML Signing Certificates to optionally be populated with Registration Data identifiers of energy suppliers. This would allow for the establishment of a cryptographically assured relationship between a Registration Data identifier and a single supplier Party. This relationship would then be relied upon when the DCC carries out checks as part of processing Service Requests associated with change of supplier events in ECoS.
98. Consequently, whilst we have decided to progress with proposals to introduce a new type of Organisation Certificate - an "XML signing" Certificate, we have also decided to defer implementing the changes until we conclude on our consultation on enabling the inclusion of Registration Data identifiers of energy suppliers within the certificate as part of the ECoS solution<sup>13</sup>. This is to ensure subscribers for the new Certificates are able to populate them with the required Registration Data identifiers from the outset.

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<sup>13</sup> We plan to publish this consultation within the next few weeks.



### 3.8. Alternative Home Area Network Exempt Premises List

#### Summary of issue and proposals

99. In the January 2020 consultation we explained that arrangements relating to the Exempt Premises List (EPL) for Alt HAN<sup>14</sup> were intended to permit energy suppliers to establish an EPL where an Alt HAN is either technically not practical or would only be practicable at a disproportionate cost. A requirement for Secretary of State approval of the EPL was imposed to ensure necessary Government oversight of this process given the potential impact on consumers. We explained that whilst the original policy intent was to permit the submission of an EPL, the legal drafting itself currently has the effect of mandating this since the approval of an EPL is necessary prior to Alt HAN Services being made available. We therefore proposed changes such that an EPL was not mandatory, albeit we do anticipate that energy suppliers will submit one for approval in due course.

#### Summary of Responses

100. Eight responses were received to this policy proposal from energy suppliers and the Alt HAN Forum, all expressed support for this proposal; citing the flexibility this will allow them to undertake the necessary tasks as and when candidate premises for the Exempt Premises List emerge. On the question as to whether the legal drafting delivered on its policy intent, three respondents made suggestions on drafting or sought clarification, with one respondent objecting to the proposed legal text. The concerns raised centred on the move from a mandatory to an optional EPL.
- One respondent also sought clarification as to whether energy suppliers were still required to co-operate on the creation of an EPL.

#### Government response

101. Having considered stakeholder responses and the broad support for our proposals we have decided to implement changes such that the submission of an EPL will not be required prior to energy suppliers making available Alt HAN Services. This change is consistent with our original policy intent of permitting, rather than mandating, the submission of an EPL, and enables Alternative HAN Equipment to be provided for some properties before any EPL is finalised and approved. The change helps support the widest practicable access to the benefits of Smart Metering.
102. Government still anticipates that energy suppliers will submit an EPL for approval in due course when they have sufficient evidence to suggest there are premises which they consider should be exempt from their obligations to extend HAN coverage. There is a sufficiently strong incentive on energy suppliers to bring forward an approved EPL at an appropriate time, since without one they will still be subject to the Operational Requirements (LC 49.4(c)(i) in the Electricity Supply Licence and LC 43.4(c)(i) in the Gas Supply

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[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/486339/Consultation\\_on\\_Alternative\\_HAN\\_Solutions.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/486339/Consultation_on_Alternative_HAN_Solutions.pdf)

Licence) to extend the HAN. For the avoidance of doubt, if energy suppliers decide to establish an EPL it must be maintained in conjunction and co-operation with all other relevant energy suppliers. We do not consider changes to the legal drafting to be required to clarify this further.

## **Conclusion**

103. Having considered stakeholder responses and the broad support for the proposal we have decided no further changes are required to the proposed legal text and we will proceed with the changes as set out in our consultation.

## **3.9. DCC Proposed Relevant Service Capability**

### **Summary of issue and proposals**

104. In the January 2020 consultation we explained that the DCC was considering plans to procure potentially material new, additional or changed Relevant Service Capability in order to maintain its Core Communication Services in the long term.
105. We explained that Government has an interest in this proposed activity since it has the potential to impact the business case of the Smart Metering Implementation Programme, both because the activity may preserve or increase overall smart metering benefits and because the activity could increase costs. We therefore proposed a scrutiny role for Government in respect of DCC plans to procure new, additional or changed Relevant Service Capability. This scrutiny role is ultimately to enable the Secretary of State to discharge his duty to ensure the interests of current and future consumers are protected.
106. As such we proposed changes to the DCC Licence to require, for a temporary period determined by the Secretary of State, that DCC submit documentation we require to understand the case for and impacts of any planned procurement of material new, additional or changed Relevant Service Capability. The DCC would be required to gain Secretary of State confirmation. We also explained that we would expect DCC to have meaningfully engaged all relevant stakeholders on the proposed capability, and for the outcomes to be set out in the information provided to the Secretary of State. Finally, we said that this process would need to be proportionate, including in defining its scope, which we would work with DCC on.
107. Additionally, we noted that when procuring Relevant Service Capability, the DCC Licence Condition 16.11(d) requires that it incorporates flexibility to adapt to changing service user requirements. We proposed a change to the DCC licence to make it clear that, in line with the original policy intent, such flexibility may not include that which DCC might deem useful in the interests of offering Permitted Business Services.

### **Summary of Responses**

108. There was strong support for these proposals with five respondents expressing support and one providing a neutral response. Five responses were

received on the proposed legal drafting, with four supporting the proposal and one raising points for clarification.

- A number of respondents highlighted the benefits of the scrutiny role before DCC starts significant investment decisions.
- A number of respondents emphasised the need for appropriate DCC stakeholder engagement with industry on its future plans ahead of such decision-making.
- One respondent floated a potential alternative mechanisms for achieving the same policy intent, with a view to ensuring the process was as efficient as possible.
- The same respondent also sought to clarify the policy intent underpinning the changes to LC16.12A of the DCC Licence, in particular, to what extent capability procured for Mandatory Business Services can be used to support Permitted Business Services.

## Government response

109. Following the strong support for our proposed policy from the consultation, we will now take it forward to implementation. As part of this, we have been in discussion with DCC around the content of a direction letter to remove immaterial activity from the scope of Secretary of State scrutiny. The draft letter is included at **Annex B** of this document. We expect this to limit the scope of our oversight in practice to a small proportion of DCC's overall plans for the delivery of new, amended or changed Relevant Service Capability.
110. Following consideration of the alternatives available to deliver our policy intent, we continue to consider there to be a need to amend the DCC Licence. This is considered to be a necessary and proportionate way to provide the Secretary of State with the tools needed to ensure the principal objective and general duties under the Electricity and Gas Acts can be fulfilled in the interests of current and future consumers.
111. Further to discussions with one of the respondents to the consultation on the proposed legal drafting, we have made some modifications to ensure the best fit with the nature and scope of our policy objectives and other parts of the DCC Licence.
112. In relation to the request for clarity regarding our policy intent underpinning the proposed changes to LC16.12A of the DCC Licence, Relevant Service Capability is capability procured only for the purposes of securing the provision of Mandatory Business Services. However, once in place, we can confirm that it is our policy intent that DCC is able to offer Permitted Business Services utilising that capability.

## Conclusion

113. We have decided to proceed with changes to DCC Licence Condition 16, with some minor modifications to legal drafting of LC16.6 noted above.

### 3.10. Corrections

#### Summary of issue and proposals

114. In the January 2020 consultation, proposed corrections to Section L (Smart Metering Key Infrastructure) of the SEC and to Section A (Definitions & Interpretation) to clarify the definitions of Symmetric Key and Contingency Symmetric Key and, implicitly, Secret Key Material.

#### Summary of Responses

##### Consultation Questions

- |     |   |
|-----|---|
| 15. | Do you agree with the proposed changes?                                   |
| 16. | Do you agree that the proposed legal drafting delivers the policy intent? |

115. Seven responses were received on these proposals. All supported the proposals, although one respondent questioned the deletion of the definition of Contingency Key Pair in Section L10.30.

#### Government response

116. Having considered stakeholder responses and the unanimous support for the proposals we have decided to proceed with the proposed changes. We note that in relation to the definition of Contingency Key Pair, we have not deleted this from the SEC, but instead moved the detail of the definition into Section A, rather than retaining it in Section L10.30.

#### Conclusion

117. We have decided to proceed with the proposed corrections to Section L (Smart Metering Key Infrastructure) of the SEC and to Section A (Definitions & Interpretation) to clarify the definitions of Symmetric Key and Contingency Symmetric Key and, implicitly, Secret Key Material.

## **Annex B: DRAFT direction letter for issuance under new DCC Licence Condition 16.6C(a)**

On [INSERT DATE] new conditions<sup>15</sup> were added to the DCC Licence regarding proposed new, additional or changed Relevant Service Capability. Under these licence conditions, DCC must submit certain information to the Secretary of State relating to the proposed Relevant Service Capability. DCC may only provide the Relevant Service Capability once it has obtained confirmation from the Secretary of State that he does not object.

As outlined in our consultation and consultation response documents on the new licence conditions, we intend to ensure that the process is proportionate and limited to a small proportion of relevant DCC activity that could have a material impact on current and future energy consumers. Pursuant to condition 16.6C(a) of the DCC Licence, the remainder of this letter constitutes a direction from the Secretary of State on the type of proposed Relevant Service Capability to which condition 16.6A of the DCC Licence does not apply.

### **Direction**

This direction is made for the purposes of the smart meter communication licences granted under the Electricity Act 1989 and the Gas Act 1986 (such licences being the “DCC Licence”).

Words and expressions used in this direction shall be interpreted in accordance with the DCC Licence.

Pursuant to Condition 16.6C(a) of the DCC Licence, the Secretary of State directs that, with effect from [INSERT DATE], Condition 16.6A of the DCC Licence shall not apply if (or to the extent that):

1. The proposed Relevant Service Capability is reasonably estimated to involve, in aggregate, sums payable to an External Service Provider of less than £10m (excluding VAT) in total over the anticipated lifetime of the contract (provided that the proposed Relevant Service Capability has not been subdivided with the effect of bringing it within this sub-paragraph, unless justified by objective reasons);
2. The proposed Relevant Service Capability supports the provision of the Centralised Registration Service;
3. The proposed Relevant Service Capability is directly and expressly required to give effect to a plan approved by the Secretary of State under Condition 13 or 13A of the DCC Licence;
4. The proposed Relevant Service Capability arises from:
  - a. Any change to the Smart Energy Code;
  - b. Any change to the DCC Licence; or
  - c. Any change to the Retail Energy Code;

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<sup>15</sup> Licence Conditions 16.6A-C

5. The proposed Relevant Service Capability relates to any professional advisory services (including without limitation legal support, expert technical, financial, systems security advice); or
6. The Secretary of State has provided confirmation in Writing that Condition 16.6A of the DCC Licence does not need to be complied with in relation to the proposed Relevant Service Capability, either generally or during a specified period.

This direction is also being notified to the SEC Administrator.