



Department for
Business, Energy
& Industrial Strategy

**Department for Business, Energy
& Industrial Strategy**

1 Victoria Street
London SW1H 0ET
www.gov.uk/beis

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

23 November 2020

Dear Colleague,

Smart Metering Implementation Programme: Government response to the 17 September 2020 consultation on consequential changes following confirmation of the new post-2020 policy framework, and the 23 October 2020 consultation on a proposed additional DCC licence condition relating to plans for DCC's Network Evolution Programme.

On 17 September 2020, the Government issued a consultation on a number of proposed changes to electricity and gas supply standard licence conditions, the Smart Energy Code and electricity distribution and gas transporters standard licence conditions. These proposals were consequential to the smart meter post-2020 policy framework which was confirmed in June 2020 following consultation.¹ We received 17 responses to the consultation, which closed on 19 October 2020.

On 23 October 2020, the Government issued a consultation on the proposal to introduce a new licence condition 13B into the Smart Meter Communication Licences with regards to the production and implementation of DCC plans for its Network Evolution Programme.² We received 12 responses to the consultation, which closed on 9 November 2020.

We have considered the stakeholder views received in response to each consultation and the document at Annex A constitutes the Government's response.

The legal text in Annex B has been laid in Parliament today in line with the procedure under Section 89 of the Energy Act 2008.

¹ See: <https://smartenergycodecompany.co.uk/latest-news/beis-consultation-on-consequential-changes-following-confirmation-of-the-new-post-2020-policy-framework/>

² See: <https://smartenergycodecompany.co.uk/latest-news/beis-consultation-on-a-proposed-additional-dcc-licence-condition-relating-to-plans-for-network-evolution/>

Yours faithfully,



Duncan Stone

Deputy Director & Head of Delivery
Smart Metering Implementation Programme

List of Annexes to this letter

Annex A Consultation response document

Annex B Legal Drafting (attached separately):

- Attachment 1 – Electricity Supply Standard Licence Conditions
- Attachment 2 – Gas Supply Standard Licence Conditions
- Attachment 3 – Section A of the SEC, Definitions
- Attachment 4 – Electricity Distribution Standard Licence Conditions
- Attachment 5 – Gas Transporters Standard Licence Conditions
- Attachment 6 – Smart Meter Communications Licence Conditions

Annex A: Consultation response document

Contents

1.	General Information	4
2.	Introduction	5
3.	September 2020 consultation: analysis of responses and Government conclusions. 7	
	Accounting for SMETS1 meters installed after the SMETS1 end-date in the post-2020 framework and other supply licence conditions and the Smart Energy Code ...	7
	Consequential amendments	14
	Clarificatory change relating to Additional ESMEs and SAPCs	18
4.	October 2020 consultation: analysis of responses and Government conclusions	20

1. General Information

Purpose

Following consideration of responses to the smart metering consultations on:

- 1) changes proposed in electricity and gas supply licence conditions, the Smart Energy Code and electricity distribution and gas transporters licence conditions, consequential to the smart meter post-2020 policy framework, issued on 17 September 2020; and
- 2) the proposal to introduce a new licence condition into the Smart Meter Communication Licences with regards to the production and implementation of plans, issued on 23 October 2020,

this Government response provides conclusions on the changes proposed. The final legal text has also been laid before Parliament on 23 November 2020 in line with procedure under Section 89 of the Energy Act 2008.

Issued

23 November 2020

Enquiries

smartmetering@beis.gov.uk

Territorial extent

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

Legal drafting

The legal drafting should be considered 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 effectively integrated with renewable energy sources. This flexibility will be critical to the future of our energy system, reducing the need for costly reinforcement of networks and investment in spare peak generation capacity. Without it, modelling for the Climate Change Committee estimates the costs of delivering net zero emissions by 2050 could be up to £16 billion higher each year.³

Consultation proposals

2. On 17 September 2020 and 23 October 2020, two separate consultations were issued proposing regulatory amendments on topics related to the Smart Metering Implementation Programme.
3. In the September publication, views were sought on a number of changes to energy suppliers' and network operators' licence conditions and the Smart Energy Code (SEC), consequential to the smart meter post-2020 policy framework which was confirmed following consultation in June 2020.⁴
4. The October publication sought views on a proposed new licence condition in the Smart Meter Communication Licences with regards to the production and implementation of plans by the Data Communications Company (DCC).

Responses received

5. A total of 17 written consultation responses were received to the 17 September 2020 consultation from the following organisations:

Sector	Organisation	
Energy Supplier	Centrica plc E.ON/Npower EDF Energy Drax Group plc (Haven Power/Opus Energy)	OVO Energy Ltd Scottish Power Energy Retail Ltd SSE Business Energy Utilita Energy
Trade Body	Energy UK	
Meter Operator / Meter Asset Provider	Calvin Capital Ltd Northern Powergrid Metering Ltd	Smart Metering Assets SMS plc
Network operators	Electricity North West Ltd	Wales & West Utilities Ltd

³ [Committee on Climate Change, Net Zero Technical Report, May 2019](#)

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

	Scotia Gas Networks	Western Power Distribution
--	---------------------	----------------------------

6. A total of 12 written consultation responses were received to the 23 October 2020 consultation from the following organisations:

Sector	Organisation	
Energy Supplier	British Gas E.ON/Npower OVO Energy Ltd	Scottish Power Energy Retail Ltd Utilita Energy
Trade Body	Energy UK	
Meter Operator/Meter Asset Provider	Stark	
Technology Companies	Pilot Systems	Systems Level Solutions
Network operators	Western Power Distribution	
Smart Meter licensee	Smart DCC Limited	
Other bodies	The SEC Panel	

3. September 2020 consultation: analysis of responses and Government conclusions

Accounting for SMETS1 meters installed after the SMETS1 end-date in the post-2020 framework and other supply licence conditions and the Smart Energy Code

Summary of issue and proposals

7. The definition of Smart Metering System in energy suppliers' licence conditions is determined with reference to the 'installation validity period' (IVP) of a version of SMETS. For SMETS1 meters, the IVP ended on 5 December 2018 for credit meters and on 15 March 2019 for prepayment meters;⁵ in this document this is referred to as 'the relevant SMETS1 end-date'. This means installations in premises where SMETS1 meters were installed (or made fully compliant) after the relevant SMETS1 end-date⁶ are not Smart Metering Systems and that those premises would be counted as 'Qualifying Relevant Premises' (QRP) where a new smart meter would need to be installed under the new framework that will begin on 1 July 2021.⁷ It also means that other obligations which are intended to protect consumers and deliver the benefits of smart metering would not apply to SMETS1 meters installed after the relevant SMETS1 end-date.⁸
8. The consultation proposed amendments to the definition of 'Smart Metering System' in the standard conditions of energy supply licences to ensure that premises where SMETS1 meters were installed (or made fully compliant) after the relevant SMETS1 end-date, but before 1 July 2021 when the new framework period begins, are not considered 'Qualifying Relevant Premises' under the new policy framework. This would ensure that these meters are not forced to be replaced early as they would not fall within the scope of premises in which new smart installations would need to be made. This would avoid unnecessary hassle for consumers and avoid an increase in programme costs overall. The proposed amendments would also ensure that other

⁵ See SEC Section A3 and Schedule 11.

⁶ Subject to any derogations that have been issued to individual energy suppliers. See: <https://smartenergycodecompany.co.uk/latest-news/smets1-end-date-derogations/>

⁷ The new smart metering framework introduced the concept of both a 'Qualifying Relevant Premises' (QRP) and a 'Qualifying Metering System' (QMS). QRP means a Domestic Premises or Designated Premises where there is installed neither a Smart Metering System nor an Advanced Meter (where permitted under the rollout licence condition). QMS means a Smart Metering System, an Advanced Meter installed in a non-microbusiness non-domestic premises, or a large gas or current transformer electricity meter (in a domestic or non-domestic premises) which is an Advanced Meter. The definition of QRP is used to determine how many QMSs an energy supplier must install under the new framework.

⁸ These obligations include the requirement for energy suppliers to operate smart meters in smart mode, offer In-Home Displays (IHDs) to domestic consumers, maintain smart metering equipment, enrol SMETS1 meters in the DCC or replace them with SMETS2 meters within a specified timeframe, provide customer access to data and comply with security and SMICOP requirements.

obligations in supply licence conditions which apply to Smart Metering Systems also apply to SMETS1 meters installed after the relevant SMETS1 end-date.

9. The consultation proposed retaining the current definition of Smart Metering System, including the reference to IVP, in respect of the current rollout duty (electricity supply licence condition 39.1; gas supply licence condition 33.1) and the New and Replacement Obligation (NRO) (electricity supply licence condition 39.7; gas supply licence condition 33.7). This would mean retaining the existing approach that SMETS1 meters installed after the relevant SMETS1 end-date (or outside energy suppliers' derogations⁹) would not count towards an energy supplier's obligations under the current 'all reasonable steps' framework and are not compliant with the NRO.¹⁰
10. The consultation also proposed a change to the definitions of Electricity Smart Meter and Gas Smart Meter in the SEC in order to clarify that SMETS1 Meters installed after the IVP Date are treated as Electricity and Gas Smart Meters under the SEC.

Summary of responses

Question 1a: Do you agree with the proposed approach, whereby SMETS1 meters which were installed (or made fully compliant) after the SMETS1 end-date should be considered Smart Metering Systems?

11. There were 13 responses to this question; of these, eight respondents agreed to the proposal and four respondents agreed with caveats. One neutral response was received.
12. Several respondents who agreed with the proposed approach did so on the basis that it would avoid the unnecessary cost and consumer inconvenience of replacing functioning SMETS1 meters before the end of their operating lives. One respondent supported the proposal as they felt from a customer perspective, there is little discernible difference between a SMETS1 meter which has been enrolled in the Data Communications Company (DCC) and a SMETS2 meter.
13. Among those who agreed with caveats, two respondents expressed disappointment that in their view the proposals effectively reward energy suppliers who failed to comply with their obligations by installing SMETS1 meters after the relevant SMETS1 end-date.
14. One respondent who agreed with caveats raised concerns around the proposed 30 June 2021 cut-off, as they consider it is out of energy suppliers' control to ensure that

⁹ See: <https://smartenergycodecompany.co.uk/latest-news/smets1-end-date-derogations/>

¹⁰ We note that the NRO is itself subject to 'all reasonable steps'.

restrictions which they considered could prevent suppliers from installing SMETS2 meters in all cases are resolved by then (in particular in the CSP North region).

15. One respondent requested confirmation that Post-Emergency Metering Services (PEMS) undertaken by gas network operators would not be subject to the same requirements.

Question 1b: Do you agree that the proposed amendments to the definition of Smart Metering System in Condition 1 of the electricity and gas supply licence conditions deliver this policy objective?

16. There were nine responses to this question, with eight respondents agreeing and one respondent agreeing with caveats. The respondent who provided caveats suggested amendments to the legal drafting in licence condition 1 to provide further clarity on how it relates to the definition in standard conditions 33 and 39 of the gas supply licence and electricity supply licence, respectively.

Question 2a: Do you agree with the proposed approach, whereby the ‘installation validity period’ should continue to apply in respect of the current rollout duty and the New and Replacement Obligation?

17. We received 12 responses to this question. Of these, three respondents agreed, six respondents disagreed and one respondent disagreed with caveats. Two neutral responses were received.

18. Key points made by those who agreed included:

- The proposal would incentivise the installation of SMETS2 devices.
- It is important that the SMETS1 end-date is not subject to retrospective change as this would fundamentally change the regulatory arrangements that apply under the current ‘all reasonable steps’ framework.

19. Key points made by those who disagreed with the proposal included:

- The proposal would lead to an inconsistent outcome, given other changes proposed in the consultation. For example, one respondent noted that if SMETS1 meters are considered suitable for the purposes of the post-2020 period they should also be regarded as suitable for the purposes of the current ‘all reasonable steps’ obligation.
- The proposal does not recognise that there are good reasons why the installation of SMETS1 meters after the relevant SMETS1 end-date was justified, for example the lack of a stable SMETS2 pre-payment solution in the CSP North region.

- The SMETS1 IVP should be extended to 30 June 2021, to align with the proposal for premises where SMETS1 meters were installed before the start of the new framework period not to be considered 'Qualifying Relevant Premises'.

20. One respondent who disagreed would like to see changes to licence conditions to help ensure energy suppliers do not replace SMETS1 meters which are due for enrolment in the DCC in due course.

21. The respondent who disagreed with caveats put forward an alternative approach. They proposed that, provided an energy supplier can show that they attempted to install a SMETS2 meter but were unable to do so for reasons outside their control, any premises where a SMETS1 meter is installed under the new framework and is subsequently enrolled in the DCC should not be considered a Qualifying Relevant Premises.

Question 2b: Do you agree that the proposed amendments to the definition of Smart Metering System as it applies to Parts A and B of electricity supply licence condition 39 and gas supply licence condition 33 deliver this policy objective?

22. Nine responses were received to this question, with five agreeing and four agreeing with caveats.

23. Of those who agreed with caveats, two respondents suggested amendments to the legal drafting to provide further clarity. Two respondents confirmed that they agree the drafting delivers the policy objective, but disagreed with the policy proposal itself.

Question 3: Do you agree with the proposed amendments to the definition of Electricity Smart Meter and Gas Smart Meter in SEC Section A?

24. We received ten responses to this question, with six respondents agreeing and three respondents agreeing with caveats. One neutral response was received.

25. Of those who agreed with caveats, one respondent suggested amendments to the legal drafting to ensure clarity, one respondent flagged the comments they had made in response to earlier questions, and one respondent queried why the proposed amendments were necessary.

Government response

26. In light of the significant support for the proposal, we intend to amend supply licence conditions¹¹ such that SMETS1 meters installed on or prior to 30 June 2021 are

¹¹ All amendments proposed are subject to the completion of the Parliamentary process.

considered to be Smart Metering Systems and premises with such meters installed are not counted as QRPs under the new policy framework beginning on 1 July 2021. As noted in the consultation, this will ensure that these meters are not forced to be replaced early, which would unnecessarily incur hassle for consumers and increase programme costs overall. The premises in which these meters are installed would not fall within the scope of premises in which additional smart installations are needed under the new framework.

27. This decision also ensures that SMETS1 meters installed on or prior to 30 June 2021 are considered Smart Metering Systems for the purposes of other licence conditions (with the exception of the current 'all reasonable steps' rollout obligation and the NRO, as discussed below). As noted in the consultation, this will mean supply licence conditions which protect and/or deliver benefits to consumers also apply to consumers with SMETS1 meters which were installed after the relevant SMETS1 end-date.
28. In response to the concern expressed regarding the proposed 30 June 2021 cut-off point, energy suppliers are now able to install SMETS2 meters in prepayment mode in CSP North.
29. In response to the comment regarding PEMS, we recognise that it may be appropriate to install traditional meters on an interim basis in emergency replacement situations when work is being undertaken by the energy networks but that the responsible energy supplier should then seek to restore smart metering services as soon as possible.
30. Despite a number of respondents disagreeing with the proposal, we consider it is appropriate to retain the concept of the IVP in respect of the definition of Smart Metering System as it applies to the current 'all reasonable steps' rollout duty and the NRO. This maintains the status quo, ensures a level playing field and is consistent with longstanding Government policy for energy suppliers to transition to SMETS2 installations as soon as practicable. Extending the SMETS1 end-date to 30 June 2021, as suggested by some respondents, would contradict this policy objective and amount to a retrospective change.
31. In response to some respondents' view that this would lead to an inconsistent outcome, we do not agree this to be the case. Rather, the proposal reflects that we are transitioning from the current 'all reasonable steps' framework to one based on binding annual targets from 1 July 2021. Retaining the current approach regarding the IVP in respect of the 'all reasonable steps' rollout duty and the NRO will ensure we do not undermine Ofgem's role in determining energy suppliers' compliance with the current regulatory framework.

32. In response to the point raised by some respondents that the proposal does not acknowledge the reasons why SMETS1 meters have been installed after the SMETS1 end-date, we would note that this is reflected in the 'all reasonable steps' nature of the current rollout duty and the NRO. Suppliers' compliance with the current rollout duty and the NRO is a matter for Ofgem, and as noted above retrospectively changing the approach to these obligations risks interfering with Ofgem's role.
33. As noted in the consultation document and reaffirmed above, the proposals are intended to avoid the unnecessary replacement of SMETS1 meters. In addition, the Government response to the post-2020 policy framework consultation confirmed that replacing a SMETS1 Smart Metering System with a SMETS2 Smart Metering System under the new framework would be a zero sum game as it would not reduce the number of QRPs where a smart or advanced meter needs to be installed (subject to tolerance levels). In addition, the installation would not count towards meeting the supplier's rollout duty under the new framework, since the installation would not have been made in a QRP. This being the case, we do not propose to make further amendments to supply licence conditions to prevent replacement of SMETS1 meters as was suggested by one respondent.
34. We consider the alternative approach suggested by one respondent, whereby SMETS1 meters would count towards the new framework where energy suppliers can show that they attempted to install a SMETS2 meter but were prevented from doing so by circumstances outside their control (see paragraph 21), would make monitoring and enforcement under the new framework unduly complex. For example, it would require a process to determine whether a supplier had taken all reasonable steps to install a SMETS2 meter before installing a SMETS1 meter. It would also need to be workable from the perspective of the gaining supplier where any SMETS1 meter installed is subject to change of supplier, so they understand whether the meter counts toward their obligations under the new framework or not.
35. In terms of legal drafting, we have reflected on suggestions from consultees and intend to make changes to the defined term used in Parts A and B of standard licence condition 33 (gas) and 39 (electricity), so that the condition now refers to a 'Relevant Smart Metering System'. This is intended to make it clear that the general definition in Licence Condition 1 does not apply to this part of the licence. Given these changes, we do not propose to make further amendments to the definition in Licence Condition 1 or to the SEC definitions.
36. We have considered the proposed amendments to the SEC drafting suggested by one respondent but we do not consider that further amendments, besides those proposed in the consultation, are necessary. In response to the request from one respondent to clarify the intent of the proposed amendments to the SEC, we

consider they are necessary to ensure that the concept of the IVP does not apply in respect of SMETS1 meters and SEC provisions.

Conclusion

37. Having considered responses to the consultation, and in light of the broad support for the majority of the proposals, we intend to implement the changes to energy supply licence conditions and the SEC as set out in the consultation document, with minor amendments to the definition of Smart Metering System in licence conditions 33 (gas) and 39 (electricity).
38. Subject to completion of the Parliamentary process, this would mean any SMETS1 meter installed on or before 30 June 2021 would be considered a Smart Metering System for the purposes of all supply licence conditions except the current 'all reasonable steps' rollout duty and the NRO. This will help ensure that SMETS1 meters installed after the relevant SMETS1 end-date are not at risk of early replacement during the new framework period, and that other obligations in supply licence conditions which are intended to protect consumers and deliver the benefits of smart metering apply to SMETS1 meters installed after the relevant SMETS1 end-date.
39. We consider it is necessary to retain the concept of the IVP in the definition of Smart Metering System as it applies to the current 'all reasonable steps' rollout duty and NRO to ensure a level playing field and so as not to impact Ofgem's enforcement duties.

Consequential amendments

Summary of issue and proposals

40. The Government response to the post-2020 framework consultation confirmed a number of consequential amendments would be made to standard conditions of energy supply licences in light of the extension of the current ‘all reasonable steps’ framework to 30 June 2021. It also confirmed that we would consider whether other aspects of the regulatory framework need to be amended to reflect the extension to the current framework and the September 2020 consultation considered potential amendments in the following areas.
41. **Provision of information to the Secretary of State by electricity and gas network operators:** we proposed amendments to electricity distribution licence condition 6A.9 and gas transporters licence condition 26.9, to ensure that the Secretary of State can continue to request information from network operators throughout the new framework period which ends on 30 June 2025. Without this change these powers would currently cease on 30 June 2022 (i.e. 12 months after the ARS Specified Date).
42. **Current Transformer and Large Gas Meters in domestic and designated premises:** Electricity supply licence condition 12.27 and gas supply licence condition 12.30 require that after 31 December 2020 the licensee must not supply electricity or gas to any Designated Premises or Domestic Premises through a Current Transformer Meter or Large Gas Meter, respectively, which is not also an advanced meter.¹² We proposed retaining this date on the basis of information received from energy suppliers which suggested they are aware of the obligation and are taking steps to prepare for it.
43. **Proactive install and leave and DCC Wide Area Network (WAN) coverage:** Electricity supply licence condition 49.8(c) and gas supply licence condition 43.8(c) temporarily exempt energy suppliers from the operational requirements set out at licence conditions 49.4 and 43.4, respectively, in cases where the DCC WAN is not available on the installation date but is expected to be available prior to 1 January 2021. This date reflects contractual obligations of DCC Fundamental Service Providers (FSPs) to provide WAN coverage to 99.25% of premises in the CSP Central and South Regions, and 99.5% of premises in the CSP North Region by the end of 2020. We proposed retaining this date to remain aligned with the contractual

¹² Licence conditions 12.29 and 12.32, respectively, mean that the prohibition imposed by licence conditions 12.27 and 12.30 does not apply where the licensee is unable to install or arrange for the installation of an advanced meter at the Designated Premises or Domestic Premises in question despite taking all reasonable steps to do so.

obligations and considering the FSPs are on track to deliver these contractual obligations by the end of 2020.

44. The consultation also sought views on whether other changes not considered above were necessary.

Summary of responses

Question 4: Do you agree with the proposed amendments to gas and electricity network operators' licences (conditions 26.9 and 6A.9, respectively)?

45. Nine responses were received to this question; of these, eight agreed to the proposal and one provided a neutral response.

Question 5: Do you agree with the proposals not to amend other licence conditions discussed above?

46. We received ten responses to this question, of which two agreed to the proposal and seven disagreed. One neutral response was received.
47. The main area of disagreement was around the proposal not to extend the date from which Current Transformer and Large Gas meters in domestic and designated premises must be advanced meters (subject to all reasonable steps). Respondents considered that COVID-19 had impacted energy suppliers' installation plans, access to consumers' premises and supply chains. Respondents considered that the deadline should be extended to 30 June 2021 in line with the extension of the 'all reasonable steps' framework.
48. Some respondents also disagreed with the proposal not to amend the date in respect of DCC WAN coverage and the Proactive Install & Leave licence conditions. The reasons cited included an expectation that WAN coverage would improve over time beyond what the current contracts require and thus an extension is necessary for Proactive Install & Leave to continue. Two respondents raised more general concerns with the quality of DCC's WAN coverage and service provision, which were not directly related to the question.

Question 6: Do you consider any other consequential amendments not considered above are necessary to reflect the extension of the current ‘all reasonable steps’ framework to 30 June 2021?

49. Nine responses were received to this question. Six respondents felt that further amendments, besides those which had been discussed elsewhere in the consultation, were not necessary.
50. One respondent agreed with caveats that further amendments were not necessary. They noted that they were content to retain 31 December 2020 as the date after which the licensee must not supply electricity or gas to any designated or domestic premises through a Current Transformer Meter or Large Gas Meter, respectively, which is not also an advanced meter, provided Ofgem took into account the current exceptional circumstances.
51. Two respondents felt that further amendments were necessary, but in each case referred back to points they had made in their responses to question 2a.

Government response

52. In light of the support for the proposal, we intend to make the proposed amendments to gas and electricity network operators’ licences (conditions 26.9 and 6A.9, respectively) to enable the Secretary of State to request information throughout the new framework period. This will align the timeframe of network operators’ reporting requirements with those of energy suppliers.
53. We have considered responses to the proposal regarding Current Transformer and Large Gas meters and, in light of the evidence received, acknowledge that COVID-19 has impacted energy suppliers’ ability to meet the current obligation. We therefore intend to change the date in electricity supply licence condition 12.27 and gas supply licence condition 12.30, from 31 December 2020 to the ARS Specified Date (30 June 2021), in line with the extension of the ARS framework.
54. Regarding the points made about DCC WAN availability, as noted in the consultation document the date in supply licence conditions 49.8(c) (electricity) and 43.8(c) (gas) reflects DCC FSP contractual obligations regarding WAN coverage.¹³ We note that while DCC has recently consulted on alternative solutions to T3 antennae in the CSP Central and South regions,¹⁴ DCC FSPs continue to remain subject to their existing contractual obligations regarding WAN coverage. We also note that DCC has raised

¹³ This requires provision of DCC WAN to 99.25% of premises in the CSP Central and South Regions, and 99.5% of premises in the CSP North Region, by the end of 2020.

¹⁴ See: <https://www.smartdcc.co.uk/customer-hub/consultations/consultation-on-cspcs-wan-solution-t3-antenna-and-alternative-options/>

a modification to the SEC which relates to WAN coverage post-2020.¹⁵ In this context, and as the outcome to consultation referred to above and the SEC modification has yet to be determined, we do not consider it would be appropriate to amend the date in respect of the Proactive Install & Leave licence conditions at this stage.

55. We acknowledge the concerns raised as to the viability of Proactive Install & Leave post-2020 and propose to keep the policy under review, for example through large energy suppliers' responses to quarterly data requests from Government.

Conclusion

56. We intend to amend network operators' licence conditions to enable the Secretary of State to request information from them regarding smart metering throughout the new framework period. We also intend to change the date after which Current Transformer meters and Large Gas meters in domestic and designated premises must be advanced meters (subject to all reasonable steps), from 31 December 2020 to the ARS Specified Date (currently 30 June 2021).

57. We do not intend to amend the date relating to DCC WAN availability in the Proactive Install & Leave licence conditions.

¹⁵ DP146: SM WAN coverage date. See: <https://smartenergycodecompany.co.uk/modifications/sm-wan-coverage-date/>

Clarificatory change relating to Additional ESMEs and SAPCs

Summary of issue and proposals

58. Electricity supply licence condition 52.14 provides that where an Additional ESME or a Standalone Auxiliary Proportional Controller (SAPC) was installed in a consumer premises, the installing supplier should take all reasonable steps to associate the device with a Meter Point Administration Number (MPAN) that was also associated with the electricity meter that measures the supply of energy to the premises. This is intended to ensure that control of an Additional ESME or SAPC could be taken over by the incoming supplier when a change of supplier event occurs.
59. The September 2020 consultation proposed a clarificatory change to this licence condition to deal with the relatively unusual circumstances in which a single premises has more than one connection to the electricity distribution network. In such circumstances, there may be more than one Import MPAN (or more than one Export MPAN) associated with the premises, each of which could be associated with a different electricity supplier. The consultation proposed that where this applies, the Additional ESME or SAPC should be specifically associated with the same MPAN as the electricity meter that measures (potentially in addition to other loads) the flow of electricity that ultimately flows through the Additional ESME or SAPC (the Relevant Electricity Meter).¹⁶ This would help to ensure that in such circumstances, the 'right' supplier can control the Additional ESME or SAPC.

Summary of responses

Question 7: Do you agree with the proposed amendments to condition 52 of electricity supply licences set out in Annex B to make this clarification?

60. Nine responses were received to this question; of these six agreed with the proposed amendments, two agreed with caveats and one disagreed.
61. One respondent who agreed with caveats and the respondent who disagreed flagged up the lack of clear processes for identifying and managing Additional ESMEs or SAPCs, including how Meter Operators (MOPs) would have visibility of any Additional ESME or SAPC. A point was also raised regarding the interaction with proposed modifications to the Balancing and Settlement Code (BSC).¹⁷

¹⁶ The proposed legal drafting also covered the alternative scenarios in which the Relevant Electricity Meter is associated with an Export MPAN, an Import MPAN or both. In these cases, the Additional ESME or SAPC should be associated with the Export MPAN, the Import MPAN or both

¹⁷ The respondent specifically referred to [P375](#) ('metering behind the boundary point') and [P379](#) ('multiple suppliers through meter splitting').

62. One respondent who agreed with caveats considered that the defined term 'Relevant Electricity Meter' proposed in condition 52 should be more clearly differentiated from the term used in condition 44 of the electricity supply licence.

Government response

63. We agree with the suggestion to change the proposed legal drafting in condition 52, and we have amended the drafting to address this.

64. In response to the other points raised, we note that MOPs are permitted to query the Smart Metering Inventory to identify what devices exist at a particular premises and the identity of the manufacturer and model of the relevant devices. We therefore consider that MOPs have access to the necessary information.

65. We believe it is for the BSC Modification to appropriately deal with the various real-world scenarios that may be encountered when considering changes to the settlement process. As the existence of more than one meter in a single premises is already possible we do not consider the proposed amendments introduce any new scenarios. The fact that the devices are smart and can be read over the HAN should help any integration of them into the settlement process.

Conclusion

66. We intend to make the changes consulted on, with a minor amendment to clarify the legal drafting.

4. October 2020 consultation: analysis of responses and Government conclusions

Summary of issue and proposals

67. In the October 2020 consultation, the Government proposed to introduce a new licence condition 13B into the Smart Meter Communication licences to give the Secretary of State powers to require the DCC to produce and subsequently implement plans relating to its Network Evolution Programme (NEP).¹⁸

68. Two consultation questions were asked:

Question 1: Do you agree with our proposal to introduce a new licence condition 13B into the DCC licence?¹⁹

Question 2: Do you have any comments on the proposed drafting of condition 13B?

Summary of responses

69. All twelve of the respondents to the consultation either implicitly or explicitly agreed with the proposal to introduce the new licence condition, with caveats in a number of cases.

70. The comments received included that:

- the scope of any further DCC cellular communications procurement should not be limited just to the Central and South Communications Service Provider (CSP) areas, but should also address issues in CSP North;
- the provisions should not prevent an increased scope in DCC testing, for example to take a broader role in end-to-end testing;
- the licence condition should, amongst other things, require that the plans are credible, fit for purpose and include 'gates' for consultation with SEC Parties;
- the DCC should be required to produce a cost-benefit-analysis of options, with one respondent suggesting this should be undertaken before a plan is produced, and that the plan should require tracking of benefits realisation;
- the NEP solutions should not be limited to wireless technology, nor to SMKI based security solutions;

¹⁸ The 'NEP' is a package of initiatives by the DCC that includes: changes to put in place arrangements that support the use of 4G mobile telecommunications technology for communicating with smart metering systems; the re-procurement of DCC's data services provider and its trusted services provider (i.e. the service provider that supports the SMKI Services); and further automating DCC's testing capabilities.

¹⁹ The term 'DCC licence' is used as a shorthand to refer to the Smart Meter Communication licences.

- other projects will exist that will fall outside the scope of the new licence condition and consideration should be given to how such projects should be treated on an enduring basis;
- the arrangements should not prevent the re-use of the existing DCC communications networks for wider purposes to bring down overall costs; and
- that industry engagement was very important and that the DCC should be required to engage effectively with industry throughout the programme of work.

Government Response

71. The LC13B condition proposed is a condition that allows the Secretary of State to require plans for a number of projects that DCC intends to pursue under its NEP, and is not intended to be a licence condition that controls whether those projects should go ahead in the first place, nor the nature of them. These projects were set out by DCC to SEC Panel on 16 October 2020, and include, for example, a project that would allow 4G mobile telecommunications technology to be used for communications with Smart Meters. Whether DCC should also be required to consider wider proposals to use alternative communications technologies as the principal technology or to use alternative security protocols for communications are therefore outside the scope of the new licence condition.

72. We have made recent changes to introduce conditions 16.6A, 16.6B and 16.6C into the DCC licence.^{20 21} These prevent the DCC from modifying or procuring new or additional Relevant Service Capability if the Secretary of State objects to DCC's proposals to do this. As was explained at the time, we intended that these new provisions would apply to the 'Next Generation Communications Hubs and Networks' procurements, which now forms part of the NEP. It is also likely that the DSP re-procurement project that is part of the NEP will be covered by it. These provisions require DCC to submit a business case to the Secretary of State and we set out our expectation for stakeholders to have been engaged by the DCC in the production of that business case. A key aspect of this business case is a cost benefit analysis of the project, details of which have been shared for comment with the SEC Panel and with DCC customers who use the DCC's 'Quarterly Finance Update' forum. We expect any plans produced under the new licence condition to include arrangements for stakeholder engagement through the course of any project.

73. Finally, we:

- do not believe that anything in the proposed condition 13B drafting restricts newer communications solutions procured under the NEP to certain CSP

²⁰ <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/>

²¹ <https://smartenergycodecompany.co.uk/latest-news/beis-government-response-to-consultation-on-code-and-licence-changes/>

Regions, subject to DCC being able to demonstrate the business case for its proposed geographical coverage and timings under Condition 16.6A;

- believe that the quality and adequacy of detail and content of the LC13B plan, including the requirement for DCC to engage with stakeholders going forward and include appropriate stage gates, should be dealt with as part of the development of the LC13B plan itself rather than being explicitly required within the licence condition. One of the principal reasons for proposing the new condition is to ensure that the DCC is required to appropriately engage with stakeholders when delivering the NEP arrangements;
- believe that the scope of the plans can also set out the test phases that are required and we do not believe that the new condition prevents DCC's role in testing from being suitably broad;
- acknowledge that we should continue to communicate with DCC over the scope of any plans that will be required under the new condition;
- do not believe that the new licence condition has any impact on whether the existing DCC communications networks can be used for wider purposes; and
- also acknowledge that there may be other significant DCC projects in the future that do not fall within the scope of LC13B and we will monitor these and work with Ofgem to consider the most appropriate means of governing DCC's plans in respect of them within the context of the ongoing development of the DCC regulatory framework and the continuing transition of arrangements to enduring governance.

Conclusion

74. In light of the widespread support for the introduction of the new licence condition, we intend to take the necessary steps to introduce it into the DCC licence. As explained in the responses to the comments received, we do not consider it necessary to make any changes to the draft condition consulted upon in October 2020.