



Department for  
Business, Energy  
& Industrial Strategy

Department for Business,  
Energy & Industrial Strategy  
1 Victoria Street,  
London SW1H 0ET

[www.gov.uk/beis](http://www.gov.uk/beis)

The Authority (Ofgem), the SEC Panel, SEC Parties and other interested parties 27 March 2018

Dear Colleague,

**SMART METERING IMPLEMENTATION PROGRAMME CONSULTATION  
RESPONSE ON CHANGES TO THE SMART ENERGY CODE RELATED TO THE  
PROVISION OF COMMUNICATIONS HUBS AND TO PERMIT THE DCC TO  
DEVELOP AND USE A PRODUCTION PROVING CAPABILITY, AND  
CONSULTATION ON THE RE-DESIGNATION OF SEC APPENDICES B AND M**

This letter sets out our conclusions on two separate consultations:

- **20 December 2017:** consultation on changes to the Smart Energy Code (SEC) related to provision of Communications Hubs (CH)<sup>1</sup>; and
- **14 February 2018:** consultation on changes to the SEC to Permit the DCC to Develop and Use a Production Proving Capability<sup>2</sup>.

The related changes to the main body SEC drafting will be made using the Secretary of State's Section 88 Energy Act 2008 powers under one legal instrument and we are setting-out our conclusions in a combined consultation response.

This letter is also consulting on a date for the SEC Subsidiary Documents related to Production Proving (Appendix B and Appendix M) to be re-designated pursuant to Condition 22 of the DCC licence and Section X5 of the SEC.

---

<sup>1</sup> The consultation and supporting documents are available:

<https://smartenergycodecompany.co.uk/latest-news/smart-metering-implementation-programme-consultation-on-changes-to-the-smart-energy-code-sec-related-to-provision-of-communications-hubs/>

<sup>2</sup> <https://smartenergycodecompany.co.uk/latest-news/beis-consultations-provision-of-communications-hubs-and-production-proving-capability>

## **Consultation Response: Changes to the SEC Related to Provision of CH**

On 20 December 2017 we issued a consultation seeking stakeholder views on changes to the SEC related to the provision of CH. It covered:

- arrangements in relation to the introduction of Dual Band Communications Hubs (DBCH) and associated changes to charging arrangements (changes to Section F and Section K of the SEC); and
- inclusion of DBCH Configuration Tables and the process for changing these (changes to Section F of the SEC).

Revised SEC drafting was provided with the consultation for comment. There were also related changes to definitions in Section A and Section J.

The consultation closed on 12 February 2018 and we received eight responses from energy suppliers and from the DCC. This letter summarises the main points made by respondents to the six consultation questions and sets out our conclusions.

### **Question 1: Do you agree with the proposal to amend the charging policy for DBCH?**

Respondents supported the amendments to the Charging Methodology proposed. The amendments mean that the development costs for DBCH are recovered from energy suppliers via a fixed charge in proportion to their number of enrolled smart meter systems; and the incremental device costs are amortised and charged on a monthly basis to those suppliers installing DBCH. We intend to proceed on this basis.

A number of respondents wanted clarity on the costs and charges for DBCH. The DCC is responsible for the reporting of costs and charges under Sections J and K of the SEC. The DCC has already provided the indicative DBCH costs as part of the Release 2.0 delivery plan consultation process and through the quarterly finance updates, the latest of which was January 2018. When the changes to the Charging Methodology set out in this consultation take effect the DCC will be required to provide an updated Charging Statement.

### **Question 2: Do you agree with the proposed legal drafting changes covering incremental and development cost recovery?**

Respondents broadly agreed with the legal drafting. A number of detailed comments were received, which we have reviewed and made changes where appropriate as follows:

- A respondent queried whether there would be regional charges for CH given the drafting of K6A.3 which includes a regional breakdown of costs. There are no regional charges as the equation gives a national charge. The legal drafting does not need to be changed.

- A respondent queried whether the equations shown in K3.9 were correct. The equation shown in the final version was correct and no change is required.
- A respondent requested changes to K4 (and where K4 retains references to K3, to Section K3) to reflect the general intention in relation to DBCH incremental costs as outlined above. As we are in the UITMR Period<sup>3</sup> K4 no longer applies and no change is necessary.
- Clarity was sought by one respondent on the definition of the UITMR period set out in Section K of the SEC being aligned to Condition 39 of the Energy Supply Licence as this is incorrect for the Gas Supply Licence. We have amended the definition in Section K of the SEC accordingly.
- A respondent requested clarifications relating to K6A with regard to charging arrangements and the UITMR Period. We note that K6A is drafted to apply during and after the UITMR Period and there were some differences in approach between K5 and K6, which may have caused confusion. We have amended K6.1 to more closely align.
- Two respondents suggested it would be prudent to include a specific definition of HAN Variant within the charging methodology. We have made this amendment and included a specific definition of HAN Variant for the purposes of Section K to provide further clarity.
- One respondent suggested that the CH costs should not be broken down by Region. However, we consider that the transparency provided by this approach should be retained as it provides DCC Users and stakeholders with a useful reference point across the regions consistent with other regional costs. No changes will be made to the legal drafting.
- One respondent suggested a change to K6.3 to add an explanation of one of the algebraic points; we agree and a clarification has been added.

**Question 3: Do you agree with the proposed legal drafting covering the provision of CH in the Fylingdales area?**

In July 2017, following consultation, the DCC concluded that only DBCH would be provided in the Fylingdales area of North Yorkshire for the reasons set out in its consultation and response. To facilitate this, we consulted on changes to Section F of the SEC so that the DCC does not have to provide SBCH in this area. Respondents agreed with the proposed legal drafting and we therefore intend to proceed on the basis of the legal drafting consulted on.

---

<sup>3</sup> User Integration Testing and the Mass Rollout period as defined in the SEC

**Question 4: Do you agree with the proposal to introduce DBCH Configuration Tables into the SEC and the introduction of obligations upon the DCC and Energy Supplier(s) to ensure that DBCH are from time to time appropriately configured?**

To counter risks relating to the use of the Sub GHz bandwidth that could impact suppliers and ultimately consumers we proposed introducing DBCH Configuration Tables (configuration tables) into the SEC. There was general agreement that configuration tables should be included in the SEC.

**Question 5: Do you agree with the proposed legal drafting covering the inclusion of the configuration setting tables?**

A number of respondents noted that some elements of the configuration tables provided with the consultation were incorrect. We have corrected the tables accordingly, to match those agreed with industry and published previously.

The configuration tables include an entry 'masking' the 915 MHz bands for the Communications Services Provider (CSP) South and Central. This means that these bands are unavailable to use for the Home Area Network (HAN). During the course of the consultation, and as stated captured in DCC's response, a technical issue arose requiring the masking of these bands for the CSP North as well in order to ensure sufficient HAN performance. Following discussion with a range of stakeholders through the appropriate transitional governance groups it has been concluded that the masking of the 915 MHz bands should apply to both CSP regions. The configuration tables have been amended accordingly.

**Question 6: Do you agree that updates to the configuration setting tables should be progressed through the SEC Section D modification process?**

Respondents agreed that appropriate governance was necessary to manage changes to the configuration tables. We proposed that the existing SEC Modification process provided the appropriate governance framework. Respondents broadly agreed with this approach although a number of detailed points were made.

- A number of respondents were concerned about ensuring appropriate representation and expertise to assess changes to the configuration tables. Suppliers argued that they were the parties most impacted by change and should be centrally involved in any proposed change. We note these concerns, but consider that a standing working group (under the current modification framework) could be established by enduring governance to consider any proposed modifications for the configuration tables, with membership including energy suppliers and meter manufacturers.
- There was also concern about the length of time a modification may take and whether delays would be encountered waiting for available 'releases'. Changes to the configuration tables do not impact on DCC systems and

therefore implementation does not have to wait for an available release – a documentation only change should be capable of being implemented relatively quickly.

- One respondent noted that the DCC had no responsibility for any testing of changes to the configuration tables. We would expect appropriate testing of the revised settings to be part of the assessment of any modification proposals.
- One respondent questioned whether centralised ‘control’ of the configuration tables could be undertaken by the DCC; arguing that this could avoid cost and complexity for suppliers, especially on change of supplier. Our view is that the issue of control should be considered separately, recognising that suppliers may choose to discharge their obligations in different ways. However, we recognise there may be some potential for some centralisation of control. This would need to be carefully assessed and could be explored further by industry through enduring governance.

Following consideration of the responses we have concluded that Section D provides the appropriate governance framework for making changes to the configuration tables without the need for further changes to the SEC.

### **Consultation Response: Changes to the SEC to Permit the DCC to Develop and Use a Production Proving Capability**

On 14 February 2018 we issued a consultation seeking stakeholder views on changes to the SEC to permit the DCC to develop and use a Production Proving capability. Alongside the consultation letter were provided:

- DCC’s analysis of options
- Proposed legal drafting – New Section P
- Proposed legal drafting – Changes to Section L
- Proposed legal drafting – Changes to the Organisation Certificate Policy (Appendix B of the SEC)
- Proposed legal drafting – Changes to the SMKI Interface Design Specification (Appendix M of the SEC)

There were also related changes to definitions in Section A.

During the consultation period the proposals were widely promulgated across enduring governance groups, several existing working groups within the Smart Metering Implementation Programme and a public presentation and discussion of the proposals was also held. The consultation closed on 14 March 2018 and we received 12 responses from energy suppliers, the SEC Panel, a managed service provider and from the DCC. The main points made by respondents to the three consultation questions and our conclusions are set out here.

**Question 1: Do you agree with BEIS's view that the SEC should be amended in order to permit the DCC to carry out Production Proving in line with DCC's proposed Option 3?**

The majority of respondents agreed that SEC changes should be made to permit the DCC to carry out Production Proving, although various points of detail were made. However, one respondent did not agree with the proposal and another was of the view that a different option should be implemented.

One respondent thought that the scope and purpose of Production Proving had not been adequately set out and that there was too much uncertainty around the costs and benefits and that the benefits had not been quantified. Whilst we agree that there remains some uncertainty over the costs and benefits, the SEC changes that we are proposing would *permit*, rather than *require*, the DCC to undertake Production Proving. Any decision by DCC to implement Production Proving, and to incur the associated costs, would need to be taken in light of its licence objectives, including requirements for it to develop and operate an efficient and economical system. In addition, any recovery of the costs would need to be allowed by Ofgem. However, we agree that the DCC should keep the SEC Panel apprised as further certainty over costs and benefits emerges over time.

One respondent argued that option 2 (utilising an energy supplier to undertake Production Proving) should be implemented rather than the proposed option 3 (that DCC implements any Production Proving Facility). This was primarily because they were of the view that option 2 would re-use existing infrastructure, rather than relying on new infrastructure and would therefore have the same benefits as option 3 without the additional costs. Whilst this may be true, we consider option 2 has a number of regulatory issues that are not easily overcome. Option 2 would entail DCC entering into a contractual relationship with one (or maybe several) suppliers and paying them to assist it in carrying out Production Proving. We believe such an arrangement could be considered advantageous to those suppliers (financially and potentially from being able to avail themselves more quickly of new functionality) and consequently that such an approach may distort competition in the supply of gas or electricity.

One respondent believed it was not clear what the benefits of extending Production Proving to meters was, given that the DCC could already carry out Production Proving with CH. Our view is that there are potential benefits from DCC being able to communicate with a range of devices, in particular meters, which have substantially more functionality than CH and would enable the proving of a wider range of Service Requests than is available in relation to CH alone.

One respondent noted that the proposed approach did not include the ability to prove change of supplier functionality and stated that this could prove to be a fundamental gap. Whilst we agree that ideally this functionality would also be included within

scope, the security constraints imposed on the solution (and discussed with the SEC Panel's Security Sub-Committee) are such that this is not possible. We do not agree however that the inability to test this specific functionality means that there is no value in implementing the proposals more generally.

A number of respondents stated that it was not clear what would happen if the DCC did identify issues, with one respondent suggesting that clear procedures should be developed covering the various scenarios. We agree that additional clarity would be appropriate and we encourage the DCC and SEC Parties to consider whether further SEC modifications to support such procedures might be necessary.

A number of respondents noted that as the proposed SEC drafting was permissive it was not clear in what circumstances it would or would not be used, and that the SEC Panel should have a role in deciding this. Our view is that if the DCC does develop a Production Proving capability, it would be likely for it to be appropriate for it to be used for proving any material new release of functionality. Again we consider this is an issue that should be progressed jointly by DCC and SEC Parties so they can gain a common understanding of the circumstances in which the functionality should be used and a process through which DCC can inform SEC Parties of the proving activities it has undertaken.

Other respondents requested that a detailed plan for the implementation of Production Proving should be produced and that it should be made clear whether or not DCC will be capable of delivering this functionality for Release 2.0. We agree that it would be appropriate for the DCC to communicate more detailed plans on timescales for implementation with SEC Parties.

One respondent did not consider that BEIS should make the proposed SEC changes using Section 88 of the 2008 Energy Act, and argued that it would be more appropriate for the changes to be progressed via a SEC modification proposal. We are of the view that using Section 88 will help to ensure that the changes can be made in timescales that would allow DCC to use the functionality for Release 2.0 and for Enrolment and Adoption and consequently remain of the view that the use of Section 88 powers to make these changes is appropriate.

## **Question 2: Do you have any comments on the proposed SEC Changes to allow DCC to carry out the Production Proving function?**

A number of respondents provided drafting comments and we have made changes to the drafting in order to reflect these. The changes made include:

- avoiding the use of the acronym "PP" in relation to Production Proving in order to avoid any confusion with "prepayment";
- making a minor change to the definition of DCC Live Systems to clarify that where DCC is processing Service Requests within the Production Proving function, this forms part of Production Proving; and

- requiring DCC to notify SEC Parties of the range of MPxNs used for Production Proving.

One respondent queried whether, if the DCC was generating registration data for Production Proving purposes, this would have implications for the General Data Protection Regulations. Whilst we do not expect this to be the case, because DCC's Registration Data is not associated with actual consumers, this is a matter DCC should consider.

The same respondent queried why it was proposed that the provisions of Section G (other than G6) did not apply to DCC's Production Proving Systems. For clarity, the provisions of Section G do apply to DCC's Production Proving Systems, since they are considered to fall within the scope of the DCC Total System. The SEC drafting in question simply clarifies that, despite the fact that the DCC is acting as if it were a User when carrying out Production Proving, the User-related obligations in Section G do not apply (with the exception of G6).

One respondent queried whether the proposed cross referencing changes to the SMKI Interface Design Specification were to correct errors. We can confirm that this is the case as is the de-capitalisation of a number of terms used in Section L. They also queried whether it was appropriate to define the new Remote Party Role Codes within a new Annex to Section L rather than in GBCS. The reason for this proposed dual approach is to define those Remote Party Role Codes recognised by Devices in GBCS whilst defining those that are not recognised by Devices (i.e. the new ones for Production Proving) outside GBCS is because we wish the scope of GBCS to continue to specify Devices functionality requirements whilst ensuring that its scope is not extended to imply the need for Devices to recognise the non-device related Remote Party Role Codes.

One respondent suggested that, as they were not using Organisation Certificates to populate the supplier trust anchor cells on Production Proving Devices, firmware changes would be needed. DCC has informed us that from discussions with meter manufacturers they do not believe that such firmware upgrades would be needed.

### **Question 3: Do you have any other comments on the proposals within this consultation?**

The general tenor of the additional comments was that respondents sought additional information from the DCC over the timetable for implementation, in particular whether it would be before or after Release 2.0. Additional information was also sought on matters such as: clarity about what would happen if issues were identified by Production Proving; which Devices DCC would be using for Production Proving; and what reporting DCC would provide to explain which tests it had carried out. As set out above, we encourage DCC to take into account respondents' requests for greater clarity in these areas and to engage further with SEC Parties in order to provide them with the additional information they seek.



One respondent wished to know whether or not the costs of Production Proving had been factored into DCC's draft future charging statements. We understand from DCC that £0.5m of costs were included in its 2018/19 charging statement and that DCC will ensure that any other costs will be included in future charging statements.

### **Introduction of main body SEC changes**

Finalised versions of the changes to Section A, Section F, Section J, Section K, Section L and Section P of the SEC are provided at **Annex 1**, **Annex 2**, **Annex 3**, **Annex 4**, **Annex 5** and **Annex 6** respectively. The revised drafting will be introduced into the SEC using the Secretary of State's Section 88 Energy Act 2008 powers, subject to completion of the necessary parliamentary processes. For information, the legal instrument to be laid in Parliament is attached as **Annex 7** with the related Explanatory Memorandum at **Annex 8**.

### **Consultation: re-designation of SEC Appendices B and M**

We propose to incorporate the updated versions of Appendix B and Appendix M to the SEC (**Annex 9** and **Annex 10** of this letter) to support Production Proving on 26 May 2018<sup>4</sup> or, if necessary, within one month thereafter. This will be through re-designation of the documents pursuant to Condition 22 of the DCC licence and Section X5 of the SEC.

**We would welcome views on:** the proposed re-designation date of 26 May 2018 (or, if necessary, within one month thereafter) for Appendix B and Appendix M of the SEC as set out in Annex 9 and Annex 10 of this letter.

Comments on this proposal should be submitted **by 17:00 on 1 May 2018** to: [smartmetering@beis.gov.uk](mailto:smartmetering@beis.gov.uk);

or addressed to: Smart Metering Implementation Programme – Regulation, Department for Business, Energy & Industrial Strategy, 1 Victoria Street, London SW1H 0ET.

Information provided in response to this consultation, including personal data, may be subject to publication or release to other parties, or to disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004).

---

<sup>4</sup> The date we would anticipate the main body SEC changes to come into force, subject to the parliamentary process

BEIS may publish the individual responses to this consultation and you should therefore let us know if you are not content for your response or any part of it to be published. If you indicate that you do not want your response published, we will not publish it automatically but it could still be subject to information requests as detailed above. If you do not want your individual response to be published, or to otherwise be treated as confidential, please say so clearly in writing when you send your response to the consultation. For the purposes of considering access to information requests, it would also be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded by us as a confidentiality request.

Yours faithfully,



**Duncan Stone**  
Head of Delivery  
Smart Metering Implementation Programme

(an official of the Department for Business, Energy & Industrial Strategy authorised to act on behalf of the Secretary of State)

#### **List of Annexes to this letter**

(these are published separately at: <https://smartenergycodecompany.co.uk/latest-news/beis-consultations-provision-of-communications-hubs-and-production-proving-capability> )

<b>1</b>	Section A
<b>2</b>	Section F
<b>3</b>	Section J
<b>4</b>	Section K
<b>5</b>	Section L
<b>6</b>	Section P
<b>7</b>	Legal Instrument
<b>8</b>	Explanatory Memorandum
<b>9</b>	SEC Subsidiary Document: Appendix B (Organisation Certificate Policy)
<b>10</b>	SEC Subsidiary Document: Appendix M (SMKI Interface Design Specification)