

Engage Consulting Limited Briefing Note

Department of Energy & Climate Change Smart Metering Publications of 5th April 2012

On 5th April, the Department of Energy and Climate Change (DECC), on behalf of the Government published its latest set of documents associated with the Smart Metering Implementation Programme (the "Programme").

These publications describe the latest smart metering policy positions and questions from the Government in a series of consultation papers and responses, together with updated Impact Assessments describing the cost benefit case for smart metering in Great Britain for domestic and non-domestic sectors. Publication of these documents is a key delivery milestone for DECC in this Foundation Phase of the Programme. DECC has worked with industry and a variety of external stakeholders over the past year to arrive at this important policy package.

The Government sees its role as enabling an industry led delivery of smart metering and the publications are intended to provide the next level of certainty for smart metering investment and development.

DECC has provided a detailed [summary of the programme status](#) as part of its document pack. This briefing note draws on the [full set of publications issued by the Government](#) and includes:

- Highlights of the Government's Publications;
- Outline conclusions from the Government's consultation responses on:
 - Draft Licence Conditions and Technical Specifications for the Roll-out of Gas and Electricity Smart Metering Equipment;
 - Licence Conditions for a Code of Practice for the Installation of Smart Electricity and Gas Meters
- Changes in the Updated Impact Assessments;
- A timetable of key dates; and
- An overview of the subject matter of new consultations pending industry response.

Prior to the publications on April 5th, DECC consulted on the Prohibition Order required to establish the Data Communication Company (DCC) and this can be found [here](#).

Highlights of the Government Publications

- The Government confirms it will require all Suppliers to take all reasonable steps to have compliant gas and electricity smart metering systems fitted in domestic and smaller non-domestic premises by December 31st 2019. This requirement is independent of the timing of other activities (e.g. DCC go-live).
- There is no percentage completion target or interim targets attached to the smart meter roll-out obligation, implying that all installed meters will be compliant by this date. Suppliers will be required to take all reasonable steps to install smart meters.
- There is no timetable currently set for an obligation that all meters to be installed should be compliant smart metering systems (i.e. an obligation to install compliant smart metering systems for all new/replacement meters).
- There are no exemptions for non-compliant meters deployed early. Non-compliant smart metering systems will require replacement with compliant meters by 31st December 2019. However, a DCC elective service is proposed to allow DCC to adopt non-compliant meters.
- There will be multiple iterations of the Smart Metering Technical Specification (SMETS) each of which will enhance the scope of SMETS (for example adding security, Home Area Network (HAN) and communications hub specification in later iterations). The version of SMETS extant at the time of meter installation will apply for the metering system's life and all metering systems compliant with the extant SMETS will be deemed compliant.
- The first iteration of SMETS was notified to the EU on 5th April.
- In Home Displays (IHDs) must be offered by Suppliers as part of a compliant smart metering system in the Foundation phase as well as post DCC Go-Live.
- The Government is minded to introduce a licence condition obliging Suppliers to utilise smart functionality where a smart meter is installed. That is, once a smart meter is installed, it cannot be used in dumb mode. The scope of this mandated use of functionality is critical and will follow from DECC.
- Suppliers will be held responsible for the assurance of equipment that complies with the initial version of the SMETS. The Government will further consider any future assurance requirements to support interoperability and the establishment of the end-to-end-smart metering system.
- The Government is minded to place a specific obligation on Suppliers in relation to the security of their smart metering systems, through a new licence condition.
- The Government has confirmed the timetable for DCC licence application and DCC procurement, as well as a number of other key milestones (described below).
- The Government has not yet set the criteria for enrolment and adoption of compliant smart metering equipment into DCC.
- The Government will not place obligations on Suppliers to enrol compliant meters into DCC and it does not intend to apply such obligations retrospectively. However, the Government has made it clear that it prefers all compliant meters to be operated by DCC.

- The Government has indicated that, in the longer term, the DCC will be responsible for assurance of the communications and data services that it controls and user systems that are connected to DCC.
- Suppliers will be obligated to develop and comply with a Code of Practice covering the customer experience throughout the smart metering system installation. This has been prepared for by suppliers in their development of the Smart Metering Installation Code of Practice (SMICoP), which includes customer education, energy efficiency advice and help for vulnerable customers.
- The Government has stated that sales cannot be completed during the installation visit, in line with Supplier and consumer group positions.
- Suppliers will be permitted to conduct marketing activity during installation visits where they have gained explicit prior consent, which is no longer constrained to just written consent. The Government will permit any appropriate method that allows a freely given and specific indication of the customers' wishes.
- The Government is proposing that Suppliers should have access to customer data as follows:

Data Type	Access Rule
Monthly	Unrestricted for billing and regulated duties
Daily (or less granular data) for purposes other than marketing	Customer opt out
Half-Hourly and marketing	Customer opt in

- Network Operators will be required to develop and submit plans setting out how they would use granular smart metering data if permitted access and how privacy concerns would be addressed. The Government is seeking views on what arrangements might apply in these circumstances.
- Consumers can choose to share their energy consumption data with third parties (who could acquire the data directly from the DCC). Where third parties are granted access they will be required to take steps to protect the data. The Government is seeking views on what arrangements might apply in these circumstances.
- The Government recognises the importance of effective consumer engagement. The Government advocates a central consumer engagement body as a source of independent advice and information, media handling and development of common materials and messages. Scope and activities are being consulted on, including options for community outreach.
- The Government is minded that central consumer engagement body should be delivered by Suppliers, with independent oversight. The Government is considering the level of regulation that will be appropriate.
- Generally, the Government recognise the need to consider non-domestic customers and equivalent Licence Conditions through all of these policy areas.
- There has been some movement in both the domestic and non-domestic Impact Assessment. For the domestic sector net present value has decreased slightly to £4.84bn from £4.9bn. In the non-domestic sector NPV has increased slightly to £2.338bn from £2.154bn.

Summary of Government Response to the Consultation on Draft Licence Conditions and Technical Specifications for the Roll-out of Gas and Electricity Smart Metering Equipment

The purpose of the Government's response is to deliver decisions made as a result of consultations last year and, in one case, interim proposals made by the Energy Minister.

These are the key decisions that will set the direction of further work in a number of areas.

The Government's response categorises conclusions into Licence / Regulatory Issues and Technical Issues. This document groups the Government's conclusions around themes of: considerations for Suppliers; SMETS and matters relating to specification compliance; considerations for roll-out and implementation; smart metering system features and functions; and exemptions and derogations.

Considerations for Suppliers

The Government is minded to place an overarching regulatory obligation on parties to ensure interoperability is provided for any compliant smart metering equipment installed. The details of this will follow as the relevant instruments evolve.

Where fitting smart metering systems, suppliers will be required to ensure all equipment fitted is compliant to the SMETS documentation in force at that time of installation. There may be extreme cases (e.g. a security breach) where replacement of previously compliant systems may be required.

The Government states that Suppliers will be held responsible for defining, implementing and discharging the technical assurance of smart metering equipment that complies with the initial version of the SMETS. The Government is also minded to place a specific obligation on Suppliers in relation to the security of their smart metering systems, through a new licence condition.

SMETS and Matters Relating to Specification Compliance

Meter parties (e.g. Meter Operators, Meter Asset Managers) whether Suppliers, or Supplier agents who serve new build properties will be required to fit compliant smart metering systems when the obligation to do so on existing properties begins.

Electricity isolation switches between the cut-out and the meter will not be mandated as part of the metering system in SMETS.

Considerations for Roll-Out and Implementation

The Government confirms it will require all Suppliers to take all reasonable steps to have compliant gas and electricity smart metering systems fitted in domestic and smaller non-domestic premises by December 31st 2019. This requirement is independent of the timing of other activities (e.g. DCC go-live). There is no percentage completion target or interim targets attached to the smart meter roll-out obligation, implying that all installed meters will be compliant by this date. Suppliers will be required to take all reasonable steps to install smart meters.

The Government is minded to introduce a licence condition obliging Suppliers to utilise smart functionality where a smart meter is installed.

The Government will require installing Suppliers to offer an IHD at the time of installation of a smart metering system, keep that offer open for 12 months after the installation if initially refused and to repair/replace faulty IHDs for 12 months after installation.

The issue of enrolment of meters to DCC is still in abeyance pending the current consultations. The Government's general principle is that smart metering systems should be operated through the DCC. At this stage, meters complying with the initial version of the SMETS will not be required, retrospectively, to be enrolled into the DCC.

Meter System Features and Functions

HAN selection trials are ongoing, so specific HAN standards will not be mandated in the first iteration of the SMETS. However, until HAN standards are specified, HANs must be based on "open standards". For any future HAN standards specified in the SMETS, the Government will seek to use only standards and protocols that are based on internationally recognised standards, subject to their compatibility with GB requirements and the availability of products.

The Government has not specified standards for the Wide Area Network (WAN). The Government has not made a decision on whether to specify IPv4 or IPv6 but will retain a minimum requirement for provision of a single Network Layer address for the WAN interface.

The Government will require meter systems to be installed which allow consumers to access consumption data via other digital devices, for example, bridging to a home PC.

SMETS requires:

- IHDs to display ambient feedback based on level of consumption (low, medium or high); and
- Smart metering equipment to be capable of calculating and displaying (on the IHD) the meter balance when operating in Credit Mode – that is the amount of money due from energy consumption and standing charges since the meter balance was last reset. However, Suppliers will be free to choose whether to use this functionality or not – it is not mandated to display meter balance.

SMETS does not require IHDs to:

- Have the capability to display ambient feedback based on energy cost to the consumer;
- Have the capability to display information on real-time gas demand, consumption and cost in latest bill period and "Next-tariff" rate.

Exemptions and Derogations

The Government has decided against giving exemptions for non SMETS compliant meters to any Suppliers following recent consultations by the Energy Minister.

Electricity meters using current transformers (CTs) (typically greater than 40kVA) and larger gas meters (over 11m³/h) are to be required to have only advanced and not smart functionality.

The Government will not provide derogations from any future roll-out obligations for gas-only Suppliers nor will it at present require changes to industry rules to enable the installation of a gas smart metering system before an electricity smart metering system. The Government fully supports such changes and expects industry to deliver these changes, but will facilitate them if necessary.

Summary of Government Response to the Consultation on Licence Conditions for a Code of Practice for the Installation of Smart Electricity and Gas Meters

The purpose of the document is to deliver decisions made as a result of consultations relating to the development of a Smart Metering Installation Code of Practice (SMICoP). The August 2011 consultation sought to resolve outstanding policy issues and seek views on the need to embed additional licence conditions.

The Government believes that guidelines governing the approach Suppliers take to installation will safeguard a positive consumer experience and avoid any adverse reaction that a poor experience might generate.

The Government, having considered the feedback to the consultation, now confirms their proposed approach to establishing the SMICoP and rules governing interaction with the consumer at the installation visit.

Conclusions relating to the Smart Meter Code of Practice

Suppliers, through a licence condition, will be required to develop a SMICoP for both domestic and micro-business customers. Initial work on the SMICoP has been completed in parallel with the Programme. The SMICoP will continue to be developed through an existing Interim Steering Group whose membership comprises Suppliers and Consumer Focus. A single code will cover both domestic and micro-business customers and it is expected that the Interim Steering Group will submit the code to Ofgem for approval later in 2012.

The licence condition will outline, at a high level, the process for establishing and maintaining the code and in those areas of high concern to either Government or consumers; more detailed requirements will be specified (for example not charging upfront for installing smart meters and protecting vulnerable consumers).

Ofgem will use normal enforcement action to ensure compliance with the code.

Customer Interaction relating to Smart Meter Installation

To avoid customers feeling pressurised during the installation visit, the Government has placed a moratorium on completing sales during the visit and confirmed that the consumer must agree in advance to any face-to-face marketing activity. Suppliers are permitted to provide written marketing material at installation.

The Supplier will be required to provide education during the installation visit so the consumers understand how to use their smart metering equipment and how it can be used to increase their energy efficiency.

The Supplier will be permitted to promote services offered under the Energy Company Obligation (ECO) (and potentially the Green Deal) where the customer does not have to pay a direct charge for the product. Additionally, they will be required to point consumers to other impartial sources of information.

Suppliers will be required to make arrangements for providing specific help for vulnerable customers during the smart metering system installation process.

The rules on sales and marketing, and those on up-front charging, will not apply to installations conducted at micro-business premises. The Government notes that whilst Ofgem is considering the rules for strengthening protections for non-domestic consumers, it welcomes that the Interim Steering Group will submit a single domestic and non-domestic code for approval to Ofgem.

Changes in the Updated Impact Assessments

Smart Meter Roll-Out for the Domestic Sector (GB) DECC Impact Assessment - April 2012

The purpose of the document to provide an updated version of the impact assessment published by DECC in August 2011. It details the impacts of the roll-out of smart metering to all GB residential gas and electricity customers.

Summarised changes from the previous impact assessment are:

	Total Costs £bn	Total Benefits £bn	Net Present Value £bn
April 2012 IA	10.85	15.69	4.84
August 2011 IA	11.07	15.97	4.90

Modelling estimates for both costs and benefits have decreased marginally since the last impact assessment in August 2011, principally due to updated planning and roll-out profiles and the removal of last gasp costs from meters preceding the second iteration of SMETS.

The document also includes a table showing the annual profile of monetised costs and benefits (undiscounted) over the period 2010 to 2030 and a table setting out anticipated emission savings by carbon budget period.

The impact on energy bills in 2015 remains largely unchanged at £7 (from £6), the average saving in 2020 has increased to £25 (from £22) and the saving in 2030 has fallen marginally to £40 (from £42). These small changes relative to the August 2011 IA reflect updates of a number of factors, including baseline energy prices, roll-out modelling and cost assumptions.

The document points to other 'non-monetised' benefits, including those from development of a smart grid and facilitation of development of the energy services market. More broadly, it is stated that smart metering is likely to result in stronger supply competition due to ease of switching and improved information on consumption and tariffs. As a result of increased competition, further benefits to consumers could be realised such as more innovative products, lower prices and increased choice.

Smart Meter Roll-Out for the Non-Domestic Sector (GB) DECC Impact Assessment April 2012

The purpose of the document to provide an updated version of the impact assessment published by DECC in August 2011. It details the impacts of the roll-out of smart metering to all GB non-domestic gas and electricity customers. Summarised changes from the previous impact assessment are:

	Total Costs £bn	Total Benefits £bn	Net Present Value £bn
April 2012 IA	0.608	2.946	2.338
August 2011 IA	0.604	2.759	2.154

Factors contributing to the small increase in total costs include the update of exogenous and modelling changes.

The document also includes a table showing the annual profile of monetised costs and benefits (undiscounted) over the period 2010 to 2030, and a table setting out anticipated emission savings by carbon budget period.

The average, dual fuel saving has increased to £54 (from £38) in 2015, to £191 (from £142) in 2020 and to £227 (from £211) in 2030. These increases in savings are principally driven by significantly higher price and bill baselines for non-domestic customers, which increase the value of energy savings. Further factors affecting these impact projections include updated roll-out profiles and revisions to modelling of costs, presented in the IA.

The document points to other 'non-monetised' benefits, including:

- Smart meters being a strong enabling tool for many energy efficiency policies;
- Facilitating improved competition; and
- Wider network benefits and demand side shifting.

In relation to both Impact Assessments, it is stated that an early review of benefits delivery will be carried out before 2014 and a further evaluation will be conducted, provisionally, by 2018.

The Programme will develop requirements for Suppliers to provide data to support benefit realisation monitoring.

Looking Forward

DECC's Programme Update published alongside the Consultation responses and new Consultation documents additionally sets out further milestones associated with the Programme as follows:

DECC Target Dates	DECC Milestone
2012	Implement the licence changes as outlined in the 5 April 2012 publications
2012	Notify the rollout licence conditions to the European Commission
April 5th 2012	Notify first iteration of SMETS to EU (completed)
Spring 2012	Publish "Monitoring & Evaluation Strategy" and consult on how powers granted under the Energy Act can be used to modify licences enabling them to gather data from Suppliers on Programme costs and benefits
June 2012	Consultation on Privacy and Data Access closes Consultation on Draft DCC Licence and Licence Application Regulation closes Consultation on Smart Energy Code closes Consultation on Consumer Engagement Strategy closes
Summer 2012	Consult on further version of SMETS
Summer 2012	Government lays licence conditions relating to the Smart Metering Installation Code of Practice before Parliament.
Summer 2012	Further develop the SMETS with a further version consultation
Summer 2012	Consult on the necessary criteria to assist the enrolment of smart meters into the DCC and the novation of Foundation Stage contracts from Suppliers to the DCC
Summer 2012	Consult on the legal draft of the first version of the Smart Energy Code
Summer 2012	Commence the first DCC licence application process
Autumn 2012	Government lay regulations governing roll-out before Parliament Code of Practice
Autumn 2012	Any necessary regulations resulting from privacy and data access consultations are laid before Parliament
Late 2012	EC approved SMETS regulations come into force
Late 2012	Installation visit regulations and the associated Code of Practice come into effect
Late 2012	Any necessary regulations resulting from privacy and data access consultations come into force
Late 2012	Any regulation relating to consumer engagement strategy comes into force
Early 2013	Regulations on privacy and data access come into force
Early 2013	Obligations in place for the necessary criteria to assist the enrolment of smart meters into the DCC and the novation of Foundation Stage contracts from Suppliers to the DCC
March 2013	Procure the Data & Communication Service Providers on behalf of the DCC
April 2013	Award the DCC licence
H2 2013	Central delivery mechanism for consumer engagement in place
Before 2014	Initial review of benefits realisation against those forecast in the Impact Assessment
By 2018	Further review of benefits realisation against those forecast in the Impact Assessment

Summary Subject Matter of Consultations Issued on 5th April 2012

Consultation on Consumer Engagement Strategy

This consultation opened on 5th April 2012 and is due to close on 1st June 2012. The consultation is seeking views on a proposed framework for customer engagement that will assist in delivering the expected benefits of the Programme.

The Government is taking the responsibility for developing the consumer engagement policy framework to ensure consistency. The Government is keen to encourage community level engagement including: charities; community groups; consumer groups; local authorities; and housing associations operating at a local level.

The Government advocates a central consumer engagement body as a source of independent advice and information, media handling and development of common materials and messages. Scope and activities are being consulted on, including options for community outreach.

The Government has suggested placing licence conditions on the larger Suppliers which would oblige them to create and fund an independent central delivery body (or use an existing body) responsible for delivering the consumer engagement policy. The Government suggests that this is likely to be a not-for-profit body. Final decisions will be made at the end of the consultation with a potential body set up during the first half of 2013 in light of the responses to the questions raised by the consultation. Government is considering the level of regulation that will be appropriate.

Smart metering synergies with other energy policies

The Government is considering how consumer engagement for the programme can interact with other energy policies: for example, the Green Deal and demand-side response. Bringing various policies together offers the opportunity to provide savings for Suppliers as well as assisting vulnerable and low income consumers.

The Government's initial step is to encourage the market to innovate and gather data on the benefits of innovation as a basis for considering if further policy action would be beneficial. In the medium term, Government is seeking feedback to determine whether there is enough evidence to validate policy levers being adjusted in order to incentivise Suppliers to assist consumers in saving energy using their smart meters.

Consultation on Data Access and Privacy

This consultation document was issued on 5th April and closes for responses on 1st June 2012. The Government is clear that its data access and privacy policy needs to protect consumers' interests in relation to privacy, enable proportionate access to data by authorised parties, and promote innovation in the energy services market.

The bulk of the consultation covers issues of data access and privacy as these apply to the domestic consumer, their Supplier, the network operator and to third parties. Broadly, it is proposed that domestic customers should be allowed easy access to their own energy consumption data, but Suppliers, network operators and third parties will be subject to various different restrictions.

The Government is minded to take the following approach to data access and privacy, and is seeking views in the following areas.

It is proposed that:

- **Domestic consumers** will have access to their data via either an IHD, additional devices connected to the Home Area Network (e.g. bridge to a home PC) or their Supplier.
- **Suppliers** would have access to their domestic customers' data subject to the following:

Data Type	Access Rule
Monthly	Unrestricted for billing and regulated duties
Daily (or less granular data) for purposes other than marketing	Customer can opt out, except to support theft detection. Different rules apply for PAYG and Time of Use tariffs where additional data can be collected to support prepayment mechanisms and within day tariffs.
Half-Hourly and marketing	Customer must opt in, with some exceptional arrangements considered for trials.

- **Network operators** would have access to domestic consumers' data subject to the network operators developing and submitting for approval plans detailing how privacy concerns would be addressed and what data would be used for. In the event that such plans have not been submitted, the consultation seeks views on the arrangements that should apply.
- **Third parties** would have access to domestic consumers' data via the DCC, subject to:
 - the consumer granting them access; and
 - consumer protection measures to be set out in the in the Smart Energy Code, which are proposed to include:
 - that third parties must take steps to verify that any request for third party services has come from an individual living in the premises in question;
 - that third parties must properly obtain consent from consumers to access their data; and
 - that third parties must provide annual reminders to consumers about data they are collecting.

In order to ensure that these requirements are complied with, the Government proposes that audit arrangements could be developed by the Smart Energy Code Panel.

A separate section of the consultation is devoted to the non-domestic sector. A number of factors point to different arrangements for non-domestic customers:

- the Data Protection Act is unlikely to apply, except in the case of some smaller non-domestic customers such as sole traders;
- privacy concerns are likely to be lower for non-domestic consumers;
- there is an existing market for energy services and significant energy savings are anticipated in the non-domestic sector;

- there will be no obligation to use the DCC and many 'advanced' meters are already in use; and
- there is no restriction on Suppliers charging for more detailed data.

The Government's proposals are less developed in relation to non-domestic customers and the consultation asks a number of questions about the arrangements that should apply in this sector.

Consultation on Smart Energy Code

This consultation opened on 5th April 2012 and is due to close on 1st June 2012. The Smart Energy Code (SEC) outlines governance of the Data Communication Company and the parties who will use its services.

The Government is minded to take the following approach in respect of the contents and implementation of the SEC, and is seeking views in the following areas.

The Government's position is that all remote access to the smart meter including by "Meter Parties" (MOPs, MAMs, etc.) must be made via the DCC. The Meter Parties' options for gaining access are to: accede to the SEC; gain access via a Supplier's systems; or become a nominated agent of an SEC signatory.

The potential inclusion of meter registration services within DCC is considered to be a future development.

Accession to the SEC

It is intended that the process of accession will be as "light" as possible to encourage competition in the supply market. Parties will however be required to undergo tests before they are permitted to use the services of DCC, which must be within six months of accession. The consultation seeks views on the accession process.

Preparing to use the DCC

The consultation proposes that users of the DCC will have to undergo a series of entry tests which, whilst not detailed in the consultation document, will test security, users' communication systems, correct operation of business processes and financial security requirements. The consultation seeks views on the scope of these tests.

Services Offered

The DCC's services are grouped into core and elective communications services, associated enabling services, and value-added categories. Core communication services, provided to all DCC users as appropriate to their role in the market, must be provided at a standard 'postage stamp' charge for meters at domestic premises irrespective of location. Elective communications services (i.e. other communications services connected with energy supply, provided at the service user's request) should facilitate competition in energy supply and related activities and have charges reflecting costs. Enabling services are those things that DCC undertakes in support of the provision of core and elective communications services, and may, for example include the provision of a helpdesk and enrolment services. Value added services are potential future services not relating solely to energy supply but which may use the underlying DCC capabilities and whose provision must be authorised by the Gas and Electricity Authority (GEMA).

There was a split of views from respondents to the previous consultation as to whether the elective services should remain commercially confidential or be openly declared. The

consultation proposes that access to non-compliant meters may be offered as an elective service.

Paying to Use DCC

The consultation proposes outline charging methodologies without any details at this stage. The charge rates will be set annually and based upon the number of enrolled meter systems and traffic levels defined by user category. It further proposes that bad debt is to be socialised across all user groups.

Constituting a Code Panel

The consultation document provides significant detail on proposals around the SEC panel that will oversee compliance with the code and the code administration including the change management process. The Government's desire is to see a panel constituted of elected representatives from across industry rather than one constituted by one seat per member. There will be a secretariat to the panel which will be contracted to the DCC but overseen by the panel itself. The SEC panel will place performance reporting requirements on the DCC.

Consultation on DCC Licence Conditions and Licence Application Regulations

This consultation opened on 5th April 2012 and is due to close in two parts on 16th May and 1st June 2012.

As expected there is a degree of overlap between the subject matter of the SEC consultation, and the proposed contents of the DCC licence. Views are sought on the draft DCC Licence and on the draft Licence Application Regulations which provide the regulatory framework for the award of this licence.

The DCC is a key element of the Government's approach to rolling out smart meters in Great Britain. The principal role of the DCC will be to provide data and communication services with smart meters at all domestic gas and electricity consumer premises via contracted services with a data service provider and up to three communication service providers. The DCC will be appointed through a competitive licence application process and will be responsible for enabling service users to communicate remotely with smart electricity and gas meters through the contracts it procures and manages.

The DCC Licence

The DCC licence will be the key tool used by the GEMA as the regulator overseeing the conduct of the DCC.

It is proposed that the DCC licence will be granted for a fixed, non-rolling term of 12 years, with a potential 6 year extension.

The licence consists of terms relating to its grant and revocation (including handover requirements to ensure the efficient transition from an incumbent DCC to a successor DCC) and a range of conditions covering the following issues:

- The division of the DCC's licensed business into mandatory business (comprising the provision of core and elective communications services as well as associated enabling services) and permitted business (comprising the provision of value added services and minimal services);
- Obligations to offer certain types of smart meter communication services and restrictions on undertaking other types of activities;

- Security obligations, such that it maintains an adequate and proportionate level of security on its systems and assets;
- Independence requirements, such that the DCC would not be unduly influenced by its users or service providers;
- Start-up and transitional obligations, giving powers for the DCC to be involved in smart meter market readiness activities;
- High-level principles controlling how the DCC is allowed to charge its users for its mandatory business services;
- An obligation to maintain and comply with the Smart Energy Code which will set out the detail of its conduct and those of its service users;
- Price control licence conditions, which will limit the amount of revenue the DCC will be able to recover from its users for operating its mandatory business, and set appropriate incentives for increasing efficiency while maintaining the DCC's financial viability; and
- Provisions to ensure continuity of service in the event of a serious deterioration in the DCC's financial health by providing for the GEMA to intervene in certain circumstances.

It is also proposed that the DCC licence could be revoked in the event of serious underperformance.

About Engage

Engage is an independent specialist consultancy company focused on providing expert advice to the energy and utilities industry in GB and globally. Our in-depth knowledge and experience together with our delivery capability in these markets means that we give unrivalled insight and solutions. This enables sound and profitable business decisions to be made to successfully deliver strategic goals.

We are trusted advisors throughout the supply chain and our consultants are all industry practitioners. We can provide support in the following areas: Smart metering and smart grids; Project management and assurance; Business improvement and transformation; Market operation and development; Revenue and margin assurance; Information Services; Retail competition; Metering, billing and settlements; Industry design and Regulation; Training and knowledge transfer; Stakeholder Engagement and Management.

We work with Suppliers, distribution network operators, metering manufacturers, trade associations, central agents, telco companies, system integrators, technology providers, water companies, the Government and regulators.

If you have any feedback or questions, please do not hesitate to contact:

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