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Smart Metering Implementation Programme  
Department of Energy & Climate Change  
3 Whitehall Place  
London  
SW1A 2AW

21 December 2012

Dear Sir/Madam

**Re. Smart Metering Implementation Programme – Foundation Smart Market (02 November 2012).**

**Reference: URN 12D/373**

ElectraLink Ltd is pleased to respond to the Department of Energy and Climate Change's (DECC's) consultation entitled 'Smart Metering Implementation Programme – Foundation Smart Market', November 2012. In accordance with our central role as service provider of the Data Transfer Service (DTS) to the GB electricity market we have focused our response on those areas most closely aligned with our experience, knowledge and core competencies.

The installation and operation of smart meters during the Foundation Stage of the Smart Metering Implementation Programme (SMIP) is an important feature of the programme. This is to ensure that consumer and industry experiences are effectively captured and fed into the development of best practice and the successful rollout of smart meters during the Mass Roll-out Stage.

In order for Government and industry to learn lessons from the Foundation Stage, an effective set of arrangements should be established to facilitate the installation of smart meters, maintain smart services and deliver overall customer satisfaction. The design of these arrangements should complement existing arrangements, planned enduring arrangements and be pragmatic in light of the temporary nature of the Foundation Stage. Given the challenge of facilitating Foundation Stage arrangements, it is right that Government considers the balance between regulatory intervention and commercial solutions when seeking to facilitate the installation and operation of smart meters.



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As a central body providing the DTS and administering the DCUSA and SPAA, and through its contribution at BPDG, FIOM, the FIOM hot-house, FTTS and WG4, ElectraLink has supported the work of Government and the industry in developing appropriate solutions for facilitating arrangements for the effective Foundation, Mass Roll-out and Enduring stages of the SMIP.

ElectraLink believes that it is well placed to further support Government and industry with developing suitable arrangements that better facilitate the communication of details between suppliers and meter asset providers. Having worked closely with Meter Asset Providers (MAPs), this is an important aspect of the market arrangements to develop, so that smart meter rental terms can be negotiated and assets can be tracked more efficiently. By taking advantage of its operation of an existing, established data transfer service and its associated network (i.e. the DTS and Data Transfer Network (DTN)), ElectraLink is in a position to support regulatory or commercial solutions, depending on how DECC choose to proceed.

### ***About ElectraLink***

ElectraLink was established in 1998 to procure and manage a regulated data transfer service that underpinned the newly formed competitive domestic electricity supply market. Since this date the DTS has effectively facilitated electricity retail market competition by supporting customer switching and other key business processes (see Table 1 below). In particular, the DTS has ensured that market participants (i.e. retail suppliers, network companies and their agents) can securely communicate critical consumption and registration details with each other over a single, regulated data transfer infrastructure.

Over the last 13 years ElectraLink has successfully operated the DTS and DTN, investing in new functionality and upgrading the underlying infrastructure in anticipation of stakeholder requirements, including those required by industry as a result of the SMIP. We continue to evolve our services to meet users' needs. For example the DTS now supports the government's Green Deal initiative and the DTN is used to support commercial data transfer services<sup>1</sup> and data services<sup>2</sup>. These commercial services complement regulated electricity data transfer services and also support retail competition in the gas market, e.g. by transmitting RGMA and NOSI data flows. ElectraLink is unique amongst the central bodies in its offering of dual fuel services, recognising the dual fuel nature of the rollout of smart meters and the requirement of users of such services in future in order to derive cost and operational efficiencies.

ElectraLink also provides comprehensive governance and professional services that support the electricity and gas markets. For example, ElectraLink is the central body responsible for administering the Distribution Connection and Use of System Agreement (DCUSA) and Supply Point Administration Agreement (SPAA).

ElectraLink's data services have been developed over the last year and take advantage of the unique data set that is sent over the DTS. The capability to intercept and aggregate this market data was granted to ElectraLink by the users of the DTS in February 2012, who recognised the ability to leverage additional value to industry through the aggregation and analysis of this data by a central body.

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<sup>1</sup> Data transfer services are provided to enable the communication of data using agreed file formats between connected users of the DTN.

<sup>2</sup> Data services involve the interception and analysis of data communicated across the DTN. ElectraLink aggregates this data into reports to industry participants, e.g. to provide benchmarking analysis or to shed light on market trends and activity.

The ability to access the data that flows across the DTS has enabled ElectraLink to review industry data and processes more holistically. Our visibility of the data crossing the DTS is unprecedented and allows us to develop innovative and valuable reports and services for suppliers, network operators and their agents. For example, we can compare a participants' Change of Supply performance with the total industry, show overall market volumes and trends (e.g. the installation of smart meters), and provide assurance to participants who only see a small subset of the data that crosses the DTS.

Developing data services that provide such assurance is of particular interest to MAPs. This is because of the limited and sometimes unreliable data they currently receive. Consequently ElectraLink has successfully developed data services that provide greater visibility and assurance of activity related to a MAP's meters or identify discrepancies in the change of supplier and meter data they are sent by Meter Operators and by ECOES.

**Table 1 – Industry processes and services supported by the DTN, pre and post DCC go-live**

| Industry Processes Supported by the DTN  | Currently supported? | Will be Supported post DCC go-live?        |
|--|----------------------|--|
| Settlement (Electricity - HH & NHH)  | ✓                    | ✓  |
| Meter Reading (Electricity - HH & NHH)   | ✓                    | ✓<br>*NHH non-DCC meters and all HH meters |
| Meter Point Administration (Electricity - HH & NHH)  | ✓                    | ✓  |
| Change of Supply (Electricity HH & NHH; Gas - NDM)   | ✓                    | ✓  |
| Change of Meter (Electricity - HH & NHH; Gas - NDM)  | ✓                    | ✓  |
| Change of Agent (Electricity - HH & NHH; Gas - NDM)  | ✓                    | ✓  |
| DUoS eBilling (Electricity - HH & NHH)   | ✓                    | ✓  |
| Commercial data services (e.g. reporting electricity smart meter installations, providing assurance to electricity MAPs) | ✓                    | ✓  |

### ***Supporting Foundation Arrangements***

DECC's consultation considers the need to further develop arrangements to facilitate the Foundation Stage and sets out proposals for future Adoption and Enrolment of Foundation Smart Meters in DCC's systems. Given our expertise and role in the electricity and gas markets we have chosen to focus our response on DECC's proposals for developing the Foundation Stage of SMIP, in particular the desired aims and outcome of smart CoS.

For some time ElectraLink has been working with MAPs to understand and develop solutions for the problems they face when tracking and billing for their assets (either bilaterally with certain MAPs or as part of our role in facilitating the Community of Meter Asset Providers (CMAP)). It is clear from analysis we have completed and the concerns raised by MAPs that the current arrangements mean that they do not always receive accurate details (if any at all) of activities that relate to their meters, for example at change of supply or meter installation and removal. As DECC notes in its consultation, this can inhibit the MAPs ability to effectively track their assets and negotiate smart rental terms with suppliers, which in turn means that the resulting risk is likely to be priced into the costs of meters.

In addition to tracking meter assets, there are growing concerns amongst MAPs that as part of the SMIP rollout of smart meters, they will struggle to effectively track and manage associated assets that are integral to meters being 'smart', e.g. communications hub assets and in-home displays.

In response to these challenges, ElectraLink has successfully developed commercial solutions that improve the visibility of meter related events and provide assurance to MAPs that their records reflect data flow activity between other parties that is communicated across the DTN. However, we consider that MAPs are likely to require further support to ensure they have a complete and accurate understanding of the suppliers responsible for their assets.

In light of our work with MAPs to date, and the large volumes of new meters and associated assets that MAPs will be providing as part of SMIP, we believe it is right that DECC consider how best to develop the arrangements to support MAPs.

DECC's consultation considers three new supply licence conditions which are aimed at improving the communication and agreement of rental terms between suppliers and MAPs. ElectraLink considers that these requirements may be implemented using either an entirely regulatory, entirely commercial or a hybrid approach – we discuss how these options may take shape below.

In each of these circumstances, ElectraLink can play an important role in facilitating and enabling necessary change. As the operator of the DTS and DTN, ElectraLink has a central body role in ensuring regulatory changes to the Data Transfer Catalogue (DTC) are implemented correctly and efficiently. Where a regulatory change is not appropriate, ElectraLink is also able to facilitate the development of commercial data transfer services and data services that provide cost effective and secure solutions to individual participants or groups of participants. These commercial services discharge, complement or act as an alternative to regulatory requirements and are a direct alternative to regulated data transfer services. The difference is that commercial services can be developed by individuals or groups of market participants, without the need for complete industry consensus, and can be brought into operation considerably quicker than an equivalent regulatory solution.

### **Implementing a Regulatory solution**

Based on DECC's consultation, we envisage that a full regulatory solution would involve changes to licences and industry codes to ensure that the overall obligations and detailed operational requirements are clearly set out and are enforceable. To the extent that these changes place new or bolster existing requirements to communicate data between parties, then a change to the DTC and the flows sent across the DTS may be considered.

Depending on the complexity, contentiousness and urgency of the proposal, a full regulatory solution may take between 7 and 18 months to be implemented (see Table 2 below). This is because a licence change may need to be made (which requires a minimum 28 day statutory consultation), subsequent industry code changes would need to be raised, developed and agreed to (which can take between three and twelve months and typically require the contribution and overall consensus of all affected parties). A decision from the Authority may be required, the technical solution then needs to be developed and finally the change needs to be implemented.

In addition, the implementation of industry code changes are typically reserved to three scheduled releases per year (February, June and November), which could further delay implementation depending on when a decision is made and the number of other changes due for implementation.

Please note that we have only commented on the timescales to deliver regulatory changes in the electricity market. This is because ElectraLink does not provide regulated gas services and so cannot comment with certainty. However, in our experience working with market participants who operate in both the gas and electricity markets, changes to the electricity industry codes take a shorter period of time than changes to gas industry codes.

Whilst ElectraLink may informally support the development of changes to the MRA and BSC, if a change is intended to update the DTC, ElectraLink's formal involvement in the process begins once the proposal has been approved for implementation. At this point ElectraLink reviews how the change will actually be implemented as a new or revised flow to be sent across the DTN. This validation process may take approximately ten working days.

Since ElectraLink was established in 1998, we have developed a wealth of experience supporting the development and delivery of regulated changes to industry codes and subsequently the data flows sent across the DTN. We have always exceeded SLA expectations in relation to service delivery and change managements. This is primarily driven by our knowledge of the industry and ability to adapt and develop the DTS to suit its users' needs.

**Table 2 - Indicative timetable for implementing a full regulatory solution in the electricity market**

| Process   | Responsible party                          | Indicative timescales                                    |
|---|--|--|
| Licence change - development                              | DECC or Ofgem                              | 1 month  |
| Licence change - consultation                             | DECC or Ofgem                              | 28 days  |
| Code change - Development, assessment and consultation    | Central body - typically Elexon or Gemserv | 3-12 months  |
| Code Change - Decision by the Authority (where necessary) | Ofgem                                      | 5 weeks (maybe more if the Authority decides to consult) |
| DTC Change - Technical solution development               | Central body - typically Elexon or Gemserv | 1-3 months   |
| Implementation of DTC change                              | ElectraLink                                | 10 days  |
|   | <b>TOTAL</b>                               | <b>7 - 18 months</b>                                     |

### Implementing a Commercial solution

A commercial solution which meets the desired aims and outcome of smart CoS could be implemented without the need for any changes to licences or industry codes and agreements. This could be achieved by industry collaborating to develop a solution or solutions without the need for enforceable requirements or obligations from Government or the Authority.

ElectraLink already has experience facilitating and implementing commercial data transfer and data services for electricity and gas participants. For example, the industry sought a commercial solution for implementing the recommendations of the Review of Gas Metering Arrangements (RGMA). ElectraLink facilitated the development and implementation of the commercial processes and data flows to be used, which have now been incorporated into the regulatory framework, i.e. the SPAA. Furthermore ElectraLink facilitated the development and implementation of DUoS eBilling data flows that enable electricity network operators to efficiently and securely send bills to suppliers for their customers' use of the network companies' assets.

Whilst this approach would avoid the time and costs associated with developing and implementing changes to licences and industry codes in accordance with agreed change procedures, commercial incentives would be required to encourage market participants to develop and agree on a solution.

ElectraLink is well placed to effectively facilitate a commercial solution that benefits both electricity and gas participants. By using existing knowledge of the issues relating to MAPs, expertise from running the DTS and providing commercial services and using existing infrastructure (i.e. the DTN), we can very quickly engage with relevant industry participants and either develop proposals for industry to consider or support the implementation of solutions developed by industry participants. Also, because the DTN is already connected to and used by all electricity and a large number of gas market participants, we would be able to rollout a service to large numbers of participants quickly and without a need for significant system changes. Those who are not already connected can easily connect to the DTN via a Remote User Gateway, which is simple to implement and cost effective.

Taking into account the time necessary to facilitate the identification of requirements (which is dependent on industry), design the detailed technical solution and implement the solution, we estimate that a solution could be implemented in two to four months (see Table 3 below) depending on the complexity of the desired solution to meet the desired aims and outcome of smart CoS.

**Table 3 – Indicative timetable for implementing a full commercial solution**

| Process  | Responsible party                     | Indicative timescales  |
|--|---------------------------------------|--|
| Commercial solution - Develop and agree change requirements with relevant industry parties | Industry (facilitated by ElectraLink) | 1-3 months   |
| Commercial solution - Development of technical solution                                    | ElectraLink                           | 2 weeks – 1 month<br>* Depending on whether new data flows are required or new data services |
| Commercial solution – Implementation of data flow/s or data services                       | ElectraLink                           | 10 days  |
|  | TOTAL                                 | 2 - 4 months   |

However, a purely commercial option carries risks with it. In particular, there would be no obligations on suppliers to ensure that an appropriate solution or solutions were designed and implemented. Nor would there be a regulatory provision to ensure compliance or consistency in approach. In our experience, ElectraLink considers that in order to achieve the desired aims and outcome of smart CoS, it is important that DECC ensures that there are appropriate regulatory incentives in place. These would ensure that parties have a clear incentive to develop and operate appropriate arrangements.

Should a commercial solution be sought, ElectraLink can support the development of new data flows for communicating information between participants to facilitate the identifying responsibilities for meters as well as additional, relevant technical details necessary to track assets and accurate billing. Alternatively, ElectraLink could support the development of data services that review existing DTS data and produce reports that help identify relevant responsibilities for meters.

### Implementing a hybrid solution

An alternative to the extremes of a fully regulatory or commercial solution to meet the desired aims and outcome of smart CoS, would be to develop a hybrid solution. That is, a regulatory change would be made to ensure that an overall obligation is placed on participants to ensure a desired outcome, but the operational solution is a commercially developed one.

This option would ensure that suppliers have consistent regulatory incentives to achieve certain overall aims and ensure that a solution or solutions are developed and used. Whilst the actual operational solution developed to discharge the obligation/s would be delivered commercially and therefore benefit from a quicker development process and could be tailored to different users' requirements, which could avoid the need for overall industry consensus.

We estimate that industry, with ElectraLink's support, could deliver a hybrid solution which meets the desired aims and outcome of smart CoS in between 4 and 6 months (see Table 4 below). This reflects the timescales required to deliver a fully commercial solution and incorporates the additional time to develop and implement licence changes.

**Table 4 - Indicative timetable for implementing a hybrid solution**

| Process  | Responsible party                     | Indicative timescales  |
|--|---------------------------------------|--|
| Licence change - development   | DECC or Ofgem                         | 1 month  |
| Licence change - consultation  | DECC or Ofgem                         | 28 days  |
| Commercial solution - Develop and agree change requirements with relevant industry parties | Industry (facilitated by ElectraLink) | 1-3 months   |
| Commercial solution - Development of technical solution                                    | ElectraLink                           | 2 weeks – 1 month<br>* Depending on whether new data flows are required or new data services |
| Commercial solution - Implementation   | ElectraLink                           | 10 days  |
|  | <b>TOTAL</b>                          | <b>4- 6 months</b>   |

### ***ElectraLink's track record***

ElectraLink's ability to support the industry is based on our ability provision of regulated and commercial services, using established network assets. This is backed up by a wealth of experience and expertise that ElectraLink has acquired from running and developing the regulated DTS, and successfully branching out into the delivery of governance, professional and data services in both the electricity and gas retail markets.

The following table provides examples of how ElectraLink has successfully developed and implemented regulated and commercial solutions in the electricity<sup>3</sup> and gas markets.

**Table 5 - examples of ElectraLink's delivery of regulatory and commercial solutions**

| Service   | Benefactor                                      | Description  |
|---|---|--|
| DTS   | Electricity DNOs, suppliers, agents, MPAS, SVAA | The DTS has underpinned the electricity settlement and registration processes since 1998. The service has successfully responded to over 3000 changes to the DTC. A notable recent example of how the DTS has evolved is our successful implementation of new data flows to support the Green Deal.  |
| Notification of Old Supplier Information (NOSI) | Big 6 Gas suppliers                             | Developed and implemented a commercial flow to ensure that gas suppliers shared details of old supplier information with each other. The requirement was identified following the completion of the Customer Transfer Programme  |
| Distribution Use of System (DUoS) eBilling      | Electricity DNOs and suppliers                  | A commercial service developed to improve the delivery of DUoS bills from electricity DNOs to suppliers. Suppliers and DNOs both sought to improve the economic and operational efficiencies of billing, so ElectraLink facilitated the development and implementation of a new commercial data flow for securely communicating DUoS bills.  |
| Review of Gas Metering Arrangement (RGMA) flows | Four of the Big 6 Gas suppliers, MAMs and MAPs  | Following the regulatory opening up of competition in electricity and gas metering, suppliers and their agents sought a commercial solution for enabling the economic and efficient flow of data for both gas and electricity meters. ElectraLink's RGMA service created a suite of gas metering data flows all sent over the DTN (i.e. alongside electricity flows), which now underpin four of the Big 6 suppliers and their agents. |
| Smart Meter Installation information            | Suppliers and DNOs                              | As more and more smart meters are installed, suppliers and DNOs have shown interest in learning more about their performance compared to the rest of industry, and by postcode sector. Our Smart Meter Installation services provide suppliers and DNOs with tailored reports on installation activity.  |
| MAP Assurance reporting<br>*In development      | MAPs  | A suite of commercial assurance reports were developed in response to concerns amongst MAPs about the accuracy and completeness of data sent to them by MOPs and ECOES. Our services complement existing data provision requirements.  |

<sup>3</sup> There is a current Ofgem consultation in progress to confirm changes to clarify ElectraLink's provision of commercial services in the electricity market



***Concluding remarks***

We support DECC's consultation on options to better support MAPs during the Foundation Stage of the SMIP and consider that the current arrangements deserve review in order to determine how best to support MAPs and generally facilitate the installation and operation of smart meters during the Foundation Stage of SMIP.

ElectraLink does not have a particular preference for any of the proposed licence conditions set out in DECC's consultation. As a central body, providing the DTS, and as a provider of commercial services, we consider that it is not our place to comment on how DECC might oblige suppliers or other parties to behave. However, based on our experience working with industry participants, we think that it may be more effective to place an obligation on the old supplier to ensure that the MAP is made aware of the incoming supplier, as opposed to informing the incoming supplier of the MAP. We think that MAPs have a stronger incentive to agree rental terms than a new supplier, and so will look to initiate negotiation of rental terms sooner.

ElectraLink is in a position to support whichever solution is considered most appropriate, whether it is an entirely regulatory solution, a commercial one or a hybrid. As we have explained, ElectraLink has a strong track record of supporting industry by effectively, efficiently and rapidly implementing regulatory requirements or developing innovative commercial solutions.

Whilst we would support whichever solution is considered appropriate, ElectraLink considers that a hybrid approach would deliver the best outcome for customers and industry. This is because it would effectively balance clear and enforceable requirements with the ability to define and develop a solution outside the constraints of the industry code change processes. Also, the development of a commercial operational solution could also be tailored to individual users needs and therefore avoid the need for overall consensus amongst users.

Please do not hesitate to contact myself or Nicholas Rubin ([nicholas.rubin@electralink.co.uk](mailto:nicholas.rubin@electralink.co.uk) on 020 7432 3026) if you would like to discuss this response in more detail or ElectraLink's role in the electricity and gas markets more generally.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S Lacey', with a long, sweeping horizontal line extending to the right.

Stuart Lacey

Chief Executive, ElectraLink