

DCC Response to the Enhanced Non-standard Delivery Consultation



Date: 11 December 2019

Classification: DCC Public

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1 Introduction

On 15 November 2018, DCC issued a consultation to invite views on the introduction of an enhanced non-standard delivery process. This process would be an additional service, available in all regions, that would provide the ability for SEC Parties to request a non-standard delivery of Communications Hubs (Comms Hubs) at the latest firmware version.

The new process would require amendments to the Comms Hub Ordering Policy (CHOP), which is maintained in accordance with Section F5.18 of the SEC. DCC consults with Parties whenever changes are proposed to this policy.

The consultation closed on 6 December 2018 and in total 5 organisations responded. Respondents were all energy suppliers.

1.1 Structure of this document

This document comprises of the following sections:

- The questions that were asked and a summary of views of respondents;
- DCC's conclusions; and
- Next Steps.

2 Feedback on the Enhanced Non-standard Delivery Process

2.1 Responses to the consultation questions

Q1

Do you agree with the proposal for an enhanced non-standard delivery process as described? If not, please provide your rationale.

Stakeholders' response

The majority of respondents agreed in principle with the non-standard delivery process, however, a number of concerns were noted.

One respondent supported the requirement to assess options to address the current shortcomings of the end-to-end Comms Hub ordering and delivery process. However, they noted that not all Comms Hub Variants were included in the proposal and the business case

should have accommodated this, particularly where the elements of the implementation must be adapted for subsequent Comms Hubs Releases (e.g. Dual Band Comms Hubs). They requested clarity on cost forecasts to add in all Comms Hub Variants and noted that this should be included in the full impact assessment and business case. To fully realise the potential benefits, the respondent would look for the service to include all Variants once they were available.

The same respondent also noted that the initial set up costs of £2.5-£3 million are not insignificant. The respondent requested that DCC provide the full impact assessment and business case, explicitly calling out any “mark-up” and cost inefficiencies, in order for them to provide an informed consultation response.

Whilst one respondent also agreed with the proposal and described benefits, they noted that further clarification is needed regarding the intent and relationship with DCC’s Firmware Management proposal. It was the respondent’s understanding that the ability to engage in live production proving, prior to receiving volume delivery, hinges on production approval within the firmware proposal, and is prior to or in tandem with Over-the-Air (OTA) batch testing.

One respondent noted that ensuring that Communications Service Providers (CSPs) provide DCC Users with the most up to date firmware has been a prime concern of suppliers for the last number of years. However, the respondent felt that this proposal did not resolve the root cause issue. They noted that CSPs, during the DCC design, were stringently against any requirements to ensure up to date firmware on delivery orders and the issues over Firmware Management for CSPs have yet to be resolved satisfactory. This is due to the two different methodologies being in place by the CSPs and the volume of Comms Hubs being manufactured into these logistics processes.

The respondent believed that the proposal provided no real detail and obligations on DCC Users and potentially can be abused by stock being ordered continually by DCC Users, which depletes the stock. They noted that the proposal does not state which variants of Comms Hubs could be ordered or if each CSP region will hold stock. It also does not imply either that stock level will always be maintained at 5000. They stated that it does not resolve the root cause of CSP Firmware Management and current firmware Comms Hub delivery, which is the root cause of the issues, not “Enhanced non-standard delivery”.

Another respondent did not support the proposal because they believed the solution will only benefit small suppliers given the volumes permitted. They noted that this space would be best utilised by holding buffer stock for the general order process which would allow the forecasting requirement to be reduced from 10 months to e.g. 9 months. They believed that this would add flexibility to the process.

The respondent also noted that ad-hoc volumes of new firmware and variants have been provided previously, so they were unclear as to whether this really is a new process.

Q2**Would you potentially utilise this process going forward if it was available? If so, how many would you be interested in ordering?****Stakeholders' response**

The majority of respondents stated that they would potentially use this process going forward.

One respondent recognised the shortcomings of the existing process and the additional cost incurred when high volumes of Comms Hubs are manufactured without having been initially piloted in production prior to mass manufacture. The respondent noted that they support the recommendation to update the firmware of existing triaged stock, rather than wait for delivery through the global supply chain. However, the respondent requested assurance that Comms Hubs being used in this way, having been through triage, have been definitively confirmed as 'good stock' before being updated and shipped.

In order to avoid the issues created by mass manufacture of Comms Hubs ahead of being proven in production, the respondent would require that the implementation of this proposal comes with assurance that it is directly linked to the decision to enter mass manufacture of any Comms Hub firmware version. For example, the requirement that approval is given by more than one supplier confirming the successful proving of the Installation and Commissioning (I&C) and post I&C capability across multiple installs preferably with multiple meter variants, ahead of approval to go ahead with mass manufacture being confirmed.

The same respondent also noted concerns in relation to the proposal of an "up to 8-week lead time from order to delivery". Factoring in the lead time for Suppliers to install and prove the new firmware ahead of mass manufacture, the respondent requested that the DCC actively considers options to speed up the process to minimise the lag to asset production.

Another respondent noted that they would very rarely use the process given the limited volumes suggested, noting that there would be no pre-planned aim for them to use the service. They believed that all deliveries from DCC, regardless of when they are ordered, should be at the latest version of the firmware.

The respondent also noted that because of the volumes of smart meters being installed in Great Britain, to be of real value, the service should offer volumes at least ten times greater than the proposed process.

Q3**Do you agree with the proposed recovery mechanism for set-up costs?****Stakeholders' response**

Most respondents supported the proposed recovery mechanism for set-up costs, however, three respondents noted that the set-up costs are considerable and requested that DCC

consider reducing these. One respondent requested that the CSPs' impact assessments are shared with industry. Whilst another respondent noted that the associated business case must be transparent in terms of full costs and benefits.

One respondent highlighted that, assuming suppliers will ask to take small volumes of these early-release Comms Hubs, it would be reasonable to adopt existing charging mechanisms to streamline and minimise associated costs. It was their view that where this proposal is accepted by Industry and DCC have determined that the costs involved are economic and efficient, the set-up costs (excluding asset costs) should be recovered via the Comms Hub Fixed Revenue charges and be subject to the relevant Price Control thereafter.

One respondent disagreed with the proposed mechanism stating that it was their view that the proposal should be delivered as part of general improvements to a process that is not working appropriately and is too inflexible to meet customers' needs. Therefore, customers should not be asked to pay for the changes.

The respondent noted that it would be good to understand what additional overheads arise from the process, with regards to the CSP having to procure additional equipment. They believed that the volumes being procured would have been procured anyway, and that only the profile of the individual orders might have changed.

Another respondent was concerned this process is not being formalised through a SEC Modification to add regulation on a currently regulated chargeable service. They were also concerned that the setup costs and the additional Comms Hub costs are unfair. They firstly noted that Comms Hubs should be delivered on the latest firmware version at point of order. Or that DCC Users should be able to specify at point of order the firmware they intend to purchase.

The same respondent noted that if DCC Users ordered 1000 each day per working week per year, total costs would amount to approx. £115 per Comms Hubs. They stated that this is clearly unacceptable and especially poor due to the upfront financing by DCC Users for the Comms Hubs in the first place. They expressed a view that this would be an additional £7 – £10 per Comms Hub to receive the current working firmware version. They felt this unfairly impacts small suppliers commercially and is a barrier.

One respondent also noted that there may be further economic and process efficiencies in CSPs reviewing their returns and triage processes considering this proposal.

Q4

Do you feel there are any other options the DCC should consider?

Stakeholders' response

Some of the respondents highlighted other options DCC may consider. One respondent believed that the primary benefit of this solution is during the mass rollout phase of the programme, therefore the benefits case beyond 2020 is reduced. As such, speed of service and solution delivery is critical to the success of this change. The respondent asked that the

delivery plan is focussed on releasing capability early, with ongoing benefit reviews being undertaken to ensure that the value case is delivered and maintained. They stated that DCC must remain open to the potential to refine, review and adapt the scope efficiently.

Another respondent believed DCC should consider either a larger volume of buffer stock and/or shorter manufacturing processes. These could materially reduce the lead time required by DCC and, moreover, reduce the number of months for which all parties are locked into such orders.

The same respondent also welcomed greater transparency of the justification for the incremental spend of the £2.5-£3 million set up costs. They noted that it is not reasonable that they are presented with costs in a consultation without any supporting evidence to show what these costs arise from.

Another respondent noted that DCC Users have maintained throughout DCC design that ordering parties should be able to specify the exact firmware version they intend to purchase. They noted that they were also assured that the firmware would be “invisible” to the DCC Users and not cause interoperability issues. They expressed a view that the end result is that CSPs have provided out of date firmware versions on Comms Hubs that have known defects that impact DCC Users and end Consumers.

The respondent highlighted that this firmware specifying at point of order is an established process with all manufacturers within smart metering within the U.K. and throughout the world. Multiple manufacturers in the UK manage different client ordering and firmware versions and the respondent does not feel that CSP manufacturers should be different. This approach would incentivise the Comms Hub manufactures to ensure that they improve their release mechanism and firmware development roadmap to minimise impact to DCC Users.

The respondent is aware of multiple DCC Users who have “pallets” of “old” firmware versions Comms Hubs that are unable to be used due to the known defects and no way of upgrading them prior to Installation and Commission (if it is even possible to commission them), they noted that in a commercial non-monopoly setting this would be un-acceptable.

The respondent believed that the CSPs should be prohibited to delivering firmware with known defects that impact DCC Users and should only be able to deliver firmware within a certain number of versions of the “current live”.

The respondent noted that in absence of these solutions the process exists to request non-standard deliveries, including “firmware” version by request to the CSP by a DCC User and to be individually charged for that service. If DCC Users wish to use it, they have the option to do so without other users burdening costs for their benefit.

Q5

**DCC does not believe there are any changes required to the SEC
Subsidiary Documents, do you agree?**

Stakeholders' response

Some respondents agreed that there should be no changes required to SEC subsidiary documents.

One respondent noted that they agree that the documents affected by the proposals do not fully fall within the ambit of SEC governance and, therefore, would not require a SEC Modification to implement such changes. However, they noted that as with the Intimate Communications Hub Interface Specification (ICHIS), and its subsidiary Data Sheets, all documents should be brought within SEC governance.

Whilst agreeing that SEC subsidiary documents do not require changes, one respondent also noted that DCC Users ordering Comms Hubs via this method need to understand the terms of sale and have a guarantee that DCC can fulfil their order. They stated that they could not work with a process that resembles the remote test lab Comms Hub ordering.

On the other hand, two respondents believed that the process should be documented within the relevant SEC subsidiary documents. One noting that this will ensure consistency and definition of the process.

The other respondent noted that as this increases the DCC contract and CSP services for a chargeable service, they believed a SEC Modification would need to be raised to add this to SEC to formalise the service provision as mandatory from DCC and the CSPs and the charging mechanisms. They noted that as this ordering process stands, it is at risk of abuse by DCC Parties unless SEC obligations on the use and ordering of these Comms Hubs are clearly called out in the SEC.

3 DCC Conclusions

DCC appreciates the responses received. DCC has taken its time in developing a response to this consultation, carefully considering responses received and balancing the development of this policy against its other regulatory deliverables and customers' priorities. DCC is grateful for Parties' understanding in the delay to concluding this consultation.

Firstly, DCC agrees that the primary benefit of this proposed solution is during the mass rollout phase of the smart metering programme. Therefore, the implementation of this process beyond 2020 means the benefits are greatly reduced. The time taken to develop and assess the proposal, plus the future implementation lead times, means that this process could not be delivered prior to 2020.

Secondly, the process proposed that the minimum order volume would be 1 carton (comprising of 28 Comms Hubs for the North Region and 14 Comms Hubs for the Central and South Region) and the maximum order volume would be 1 pallet (896 Comms Hubs). DCC agrees with respondents that this order volume would not be beneficial for larger suppliers and therefore the process unfairly discriminates between Parties and regions.

As the process is only beneficial to some Parties and some respondents expressed that they would not use the service, DCC also believes that the proposed Charging Methodology would not be appropriate and disadvantage some customers. As per the standard arrangements, the cost would be passed to customers via the Fixed Communications Hub Charge, as defined in SEC Section K, and would be issued to the Import Supplier, Export Supplier and Gas Supplier charging groups. This means that Parties in these charging groups would all pay a part of the initial set up cost whether they use the service or not.

Finally, DCC is concerned that the enhanced non-standard delivery process may impact the 'business as usual' forecasting and ordering processes. This is because Parties that forecast low volumes of Comms Hubs may rely on this process to fulfil their Comms Hubs requirements and may not follow BAU process.

In conclusion, DCC does not feel that the benefits outweigh the potential costs and drawbacks of implementing this process.

3.1 Next steps

DCC will not be developing this process any further. DCC will continue to engage with Parties bilaterally to see how Comms Hub ordering processes can be improved more broadly. Parties are welcome to contact the DCC if they wish to raise any comments or concerns.

4 Contact

If you have any questions about this conclusion document, please contact Sasha Townsend at sasha.townsend@smartdcc.co.uk.