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MP079 'Provisions for withdrawing modifications'

Modification Report Version 1.0

About this document

This document is the Modification Report for [MP079 'Provisions for withdrawing modifications'](#). It provides detailed information on the background, issue, solution, costs, impacts and implementation approach. It also summarises the discussions that have been held and the conclusions reached with respect to this Modification Proposal.

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This document also has three annexes:

- **Annex A** contains the business requirements for the proposed solution.
- **Annex B** contains the redlined changes to the Smart Energy Code (SEC) required to deliver the proposed solution.
- **Annex C** contains the full responses received to the Refinement Consultation.

1. Summary

The provisions in SEC Section D 'Modifications Process' are built around the key principle that any SEC Party can raise a proposal to change the SEC, and that each proposal should undergo due process for a solution to be developed and for this to be determined upon. As such, the Smart Energy Code Administrator and Secretariat (SECAS) and the Panel must allow any proposal into the process and ensure it receives a fair assessment.

The SEC contains provisions for the Proposer to withdraw their proposal prior to final decision, if they no longer wish to progress it (for example if it is identified that the issue can be resolved without a change to the SEC, or if it is clear the business case for the proposal is insufficient). However, this power is limited to the Proposer.

If a Proposer wishes to progress their proposal, the Panel is required to ensure that a suitable and robust assessment is carried out to develop the proposal for decision. This may result in SECAS and industry time, effort and expense needing to be spent on a proposal that does not facilitate SEC Objectives and/or benefit the Consumer, incurring additional costs for Users for nugatory work. This time, effort and expense could otherwise be spent on other proposals that would provide benefit to Parties and the industry as a whole.

In order to prevent this, MP079 proposes that the powers to withdraw a proposal are extended to the Panel. Under specified circumstances, the Panel will be able to action a withdrawal after giving due notice to the Proposer. The Proposer will be able to appeal this decision to the Authority.

MP079's implementation would not directly impact any SEC Parties, although Parties may be impacted if their proposals are subjected to the new process. Implementation effort will be limited to SECAS time and effort in updating the SEC. If approved, this modification is targeted for the February 2020 SEC Release.

2. Background

Who is able to withdraw a modification?

SEC Section D 'Modifications Process' contains provisions that are built around the key principle that any SEC Party can raise a proposal to change the SEC. Each proposal should undergo due process for a solution to be developed and for this to be determined upon. As a result, SECAS and the Panel must allow any proposal into the process and ensure it receives a fair assessment.

Provisions in the SEC allow the Proposer to withdraw their proposal prior to final decision, if they no longer wish to progress it (for example it is identified that the issue can be resolved without a change to the SEC, or if it is clear the proposal is not likely to have a positive impact on SEC Objectives and the Consumer). However, this power is limited to the Proposer; SECAS, the Panel nor their Sub-Committees cannot close a modification prior to decision.

During feedback sessions, SECAS identified frustration among many Parties that the SEC does not provide any power for SECAS, the Panel or the Change Board to withdraw a modification. The primary concern raised is that a lot of time, resource and cost is being put into Modification Proposals that have been demonstrated to be detrimental to the SEC Objectives or which provide no benefit to the end Consumer. Equally, there are cases where Proposers are not engaged with the process and allow their proposals to effectively sit in stasis.

What is the issue?

A key frustration, raised by many Parties during the feedback sessions, is that the SEC does not provide any power to anyone outside of the Proposer to withdraw a modification. The primary concern raised is that a lot of time, resource and cost is being put into Modification Proposals that are not going to progress for valid reasons or have been demonstrated to be detrimental to the SEC Objectives. Equally, there are cases where Proposers are not engaged with the process and actively request their proposals to effectively sit in stasis.

The improvements SECAS has recently introduced to the framework attempt to nullify this risk. The new Development Stage helps to ensure proposals are fully thought through and supported before they progress. Equally, requiring Change Board approval prior to incurring the cost of a DCC Impact Assessment seeks to prevent nugatory costs and effort during the Refinement Process.

However, these are preventative measures and can only go so far, especially since these rely on the Proposer acting on the views of the Change Sub-Committee or the Change Board. A Proposer is within their right to ignore the views of the wider industry and continue to progress their proposal to decision, even if it is clear it is not required, feasible or supported.

The Panel does have the power to set the timetable for a proposal's progression and could theoretically choose to progress a Modification Proposal to decision early. However, any Modification Proposal whose solution is not fully developed and assessed would be viewed as incomplete, and so would likely be sent back by the Change Board or the Authority.

What is the impact this is having?

A lot of time and effort is required by SECAS, the Data Communications Company (DCC) and SEC Parties in assessing and developing solutions to Modification Proposals, including:

- Developing business requirements and solutions options
- Developing the business case for change
- Performing and reviewing DCC Assessments (with a cost associated with performing Impact Assessments that is incurred by Parties)
- Attending Working Group sessions
- Responding to consultations and
- Preparing and reviewing documentation such as Modification Reports, business requirements and legal text

As long as a Proposer wishes to proceed with their proposal, this work must be completed in order to present a fully developed solution and accompanying assessment to the Change Board and the Authority for decision. This must happen even for proposals clearly shown to be detrimental to the SEC Objectives. Consequently, SECAS and industry time and effort continue to be spent, along with any costs associated with a DCC Impact Assessment, resulting in costs being incurred to Users.

There is currently insufficient check-and-balance in the process to ensure that industry time and effort is being spent wisely. If a Proposer wishes to progress their proposal, the Panel is required to ensure that a suitable and robust assessment is carried out to develop the proposal for decision. This may result in SECAS and industry time and effort needing to be spent on a proposal which is not believed to have a positive impact against the SEC Objectives or on the Consumer. This time could otherwise be spent on other proposals that would provide benefit to Parties, rather than incurring additional costs for Users for nugatory work.

3. Solution

Proposed Solution

MP079 proposes to extend the powers to withdraw a Modification Proposal to the Panel. This will provide a suitable check and balance to mitigating industry cost and effort in having to assess and develop proposals that have been clearly shown to be detrimental against the SEC Objectives, are unfeasible due to the cost versus the benefits or have stagnated due to a combination of the two previous scenarios.

The Panel will need to take the following steps in a case of a potential withdrawal:

- The Panel will first need to set out clear rationale for why it believes a Modification Proposal should be withdrawn. When giving its initial view, the Panel must provide its rationale with reference to the SEC Objectives and must consider any views from the Change Sub-Committee, the Working Group and Parties (e.g. via the Refinement Consultation) on the modification.
- The Proposer and SEC Parties must be given an opportunity to respond, with a window of at least 10 Working Days for comments provided following the Panel's initial consideration.
- The Panel will then need to consider the views raised when making the decision.
- The Proposer will have the right to appeal the Panel's decision to withdraw a proposal to the Authority. Should an appeal be upheld, the decision to withdraw would be overturned.

In terms of the rationale the Panel must provide, the circumstances must be clearly stated as to the reasoning behind a potential withdrawal, giving due consideration to whether the Modification Proposal would better facilitate the SEC Objectives. This must be clearly defined for a withdrawal to proceed.

It is expected that the Panel will only issue such direction after the proposal has been presented to the Change Sub-Committee and been discussed at the monthly Working Group meeting. Discussions held during these meetings will provide the Panel with the views of industry experts in order to allow it to make an effective decision.

These principles will ensure the Proposer and the industry has sufficient opportunity to respond to concerns over the continued progression of their proposal before action is taken.

The full business requirements can be found in Annex A.

Legal text

The changes to the SEC required to deliver the proposed solution can be found in Annex B.

4. Impacts

This section summarises the impacts that would arise from the implementation of this modification.

SEC Parties

SEC Party Categories impacted			
	Large Suppliers		Small Suppliers
	Electricity Network Operators		Gas Network Operators
	Other SEC Parties		DCC

No SEC Parties will be directly impacted as a result of this modification's implementation. However, Proposers of Modification Proposals could be affected should their proposals be felt by the Panel to not better facilitate the SEC Objectives or benefit the Consumer. One Refinement Consultation respondent highlighted that this proposal would impact Parties by removing a Proposer's right to progress a modification without threat of being withdrawn without their consent.

DCC System

This modification will have no impact on DCC Systems.

SEC and subsidiary documents

The following parts of the SEC will be impacted:

- Section D 'Modifications Process'

Other industry Codes

This modification will have no impact on other industry Codes.

Greenhouse gas emissions

This modification will have no impact on greenhouse gas emissions.

5. Costs

DCC costs

There will be no DCC costs to implement this modification.

SECAS costs

The estimated SECAS implementation costs to implement this modification is two days of effort, amounting to approximately £1,200. The activities needed to be undertaken for this are:

- Updating the SEC and releasing the new version to the industry.

SEC Party costs

No SEC Party costs are expected in the implementation of this modification.

One Refinement Consultation respondent highlighted that SEC Parties would incur costs in having to undertake the appeals process should their proposals be withdrawn by the Panel.

6. Implementation approach

Agreed implementation approach

The Panel has approved an implementation date of:

- **25 June 2020** (June 2020 SEC Release) if a decision to approve is received on or before 11 June 2020; or
- **5 November 2020** (November 2020 SEC Release) if a decision to approve is received after 11 June 2020 but on or before 22 October 2020.

The June 2020 SEC Release is currently the earliest SEC Release that this modification could be included in.

7. Discussions and development

Is this an issue?

During the Development Stage, it was agreed by the Change Sub-Committee that this issue warranted being progressed so that a solution could be developed and assessed. No comments against the proposal were raised.

The Authority highlighted that this would represent a significant step-change around the provisions of Proposer ownership. It requested further information on the number of modifications that could be affected by this change, to help inform its decision. The Working Group agreed it would not be appropriate to discuss specific proposals openly while they were actively proceeding through the process but were supportive of SECAS passing such information to the Authority separately.

Can existing provisions be utilised?

During the Working Group discussions, one member asked why existing powers could not be used to prevent modifications from entering the process. It was confirmed that while the Change Sub-Committee and the Panel will assess whether the issue is clear, they cannot block a proposal from proceeding simply because they disagree with it but can only advise the Proposer not to proceed.

It was also asked why the Code Administrator couldn't progress a modification where the Proposer had stopped showing an interest, as happens under other Codes. The Working Group highlighted the high costs associated with implementing DCC System impacting changes. They also stressed the cost associated with performing a DCC Impact Assessment, which can exceed £100k – such costs to impact assess a proposed solution are not incurred under other Codes' modification processes.

If the Impact Assessment was not carried out, in order to save these costs, the Working Group believed the Modification Report would subsequently be sent back by the Change Board or the Authority due to it being incomplete. Members agreed that it wasn't appropriate for SECAS to continue to force such changes forward when there was no industry sponsor for it, reiterating that the SEC is notably different to other Codes due to the much higher costs and the involvement of the DCC in assessing a modification's solution.

A SEC modification requires the full commitment of the Proposer to progress the proposal from the Development Stage through to decision. Modifications can be raised with the aim to resolve a highly technical issue identified within the DCC Systems, and due to the costs associated with these, require direct input from the Proposer to help formulate a solution. Given this, Working Group members did not feel it was right for a Proposer to simply raise a SEC modification then leave it for other Parties to progress the solution, or for SECAS to drive a change forward in their absence, as happens under other Codes.

In order to obtain a solution, the modification may require a DCC Preliminary Assessment and a DCC Impact Assessment. Impact assessments will incur a cost, which can exceed £100k. This in turn can lead to a proposed seven- or eight-figure implementation cost. These costs are distributed across the industry and would ultimately be incurred by the Consumer. It is therefore vital that the Proposer is engaged throughout the process to mitigate the chance of unnecessary spending.

What are the costs involved in the current process?

SECAS has performed some calculations on the costs that could be incurred in progressing a modification. Please note that each modification is different and requires a different level of effort to reach a decision. For this assessment, SECAS has focused on the larger, DCC System impacting proposals, which are the ones more likely to be subjected to the MP079 solution.

Industry time and effort

Taking an example Modification, SECAS calculated an approximate figure for the industry cost of assessing a proposal. These figures assume an approximate cost of £1,200 per day for an Industry representative.

For a typical Working Group meeting, an industry representative would need around two days' effort in preparing and attending the meeting. Assuming 15 attendees, that totals £36,000 per meeting. The cost of SECAS organising, planning and hosting the meeting at a cost of £600 per day and four days of effort adds around a further £2,500, plus an additional £1,000 for room hire.

Additional time and effort is incurred in the industry responding to consultations. Assuming 10 responses, requiring three days of effort for a Party to prepare their response, that comes to around a further £36,000 per consultation.

DCC Assessment costs

SECAS calculated the average cost of DCC Impact Assessments of DCC Systems impacting modifications to be around £60,000. It is worth noting that two Impact Assessments have incurred cost in excess of £150,000. The cost of a DCC Impact Assessment will ultimately be incurred by the Consumer and so to prevent this from happening for modifications identified by the Panel in the light of this modification will be of benefit to the Consumer.

No assessment has been performed on the day-to-day effort required by the DCC in supporting the assessment and development of a solution prior to Impact Assessment, which would be incurred by the industry.

SECAS time and effort

For this report SECAS undertook some research on several modifications which tackle complex issues. Of particular focus were [SECMP0007 'Firmware updates to IHDs and PPMIDs'](#), [SECMP0046 'Allow DNOs to control Electric Vehicle chargers connected to Smart Meter infrastructure'](#), [SECMP0062 'Northbound Application Traffic Management – Alert Storm Protection'](#) and [SECMP0067 'Service Request Traffic Management'](#), which have been open for a considerable amount of time. This is on the expectation that any Modification Proposal that is likely to be subject to the MP079 proposed solution would be a proposal with significant impacts on the DCC Systems that would require a large amount of time and effort to assess.

For these four modifications, when reviewing time spent during 2019 up to half a Full Time Employee's (FTE) time has been spent across the Lead Analyst and the technical support over the course of progression. On the assumption this equates to 100 days' effort, at a cost of £600 per day, this results in approximately £60,000 in SECAS effort to progress these modifications to decision.

Each of these modifications has a fully engaged Proposer and the support of Parties to develop a solution to decision, which is of a major benefit throughout the Modification Process. If, however, the Proposer had not engaged in the process and there was less industry support, this would result in a substantial amount of resource misplaced which could be spent on modifications which are going to better facilitate the SEC Objectives and provide benefit to the Consumer.

Conclusions

Using the assumptions above, assuming a significant DCC System-impacting proposal requires two Working Group sessions, two consultations and a DCC Assessment costing £100,000, the total cost to the industry is reaching a decision would be approximately £300,000. Please note that this is a ballpark estimate, and costs could be higher or lower for specific cases.

The costs for progressing a modification to decision is incurred even if the modification is subsequently rejected. Allowing the Panel the power to withdraw modifications that have been shown to be unsupported or unfeasible would allow at least part of these costs to be saved and therefore have a positive impact on the industry and the Consumer.

When would this power be used?

Neither SECAS nor the Proposer envision this power being invoked until the proposal has at least been discussed at a Working Group meeting during the Refinement Process, and likely not until after the Refinement Consultation has sought the views of the wider industry. The expectation is that it would only be used if the proposal was, at that point, clearly shown to be detrimental to the SEC Objectives and that proceeding would only incur additional costs in performing the DCC Impact Assessment, but the Proposer still wants to proceed.

SECAS and the Proposer also highlight that this power would enable the Panel to close a modification where the Proposer has lost interest and is no longer engaging in the process. This is where the proposed 'time-out' approach noted above could be used, to determine if the modification has stagnated. This would enable proposals that have clearly ceased to progress to be removed from the list of active proposals. Should the Proposer later wish to revive their proposal, there is no reason they could not raise a new Draft Proposal and draw on all the work previously done.

What rationale would the Panel need to give before withdrawing a proposal?

During the Development Stage, questions were raised regarding ensuring there was clarity in terms of the rationale the Panel must give when deciding to withdraw a proposal. It was felt that the reasons for a proposed withdrawal must be clearly defined. This would remove any ambiguity regarding the circumstances of the Panel's decision. These points were also highlighted by a Refinement Consultation respondent, who believed safeguards were needed to prevent the Panel from abusing this power, for example if members simply disagreed with the issue.

SECAS and the Proposer agreed that the Panel must give clear rationale for its view on why a proposal should be withdrawn. SECAS cautioned against placing specific criteria within the SEC, as this could limit options should an unforeseen scenario arise later on. However, it agreed that safeguards are needed to ensure the power is not abused.

The solution will therefore require the Panel to specify its rationale for why a proposal should be withdrawn. This rationale must be given with regard to the SEC Objectives. Furthermore, the Panel

must consider the views of the Change Sub-Committee and the Working Group when making such a view. The solution has also been limited to Modification Proposals, meaning it would not apply during the Development Stage, ensuring that a Proposer's issue has a chance to progress to the Refinement Process for a solution to be investigated before the Panel can invoke this power.

Once the Panel has provided its rationale, the Proposer and the industry will be given time to respond. Only after that would the Panel be able to confirm its decision to withdraw. Furthermore, a route to appeal this decision to the Authority would be included, allowing the Authority to overturn the decision if it believes that the proposal should progress further.

It was also suggested that a timeline be included as part of the Panel's setting of the Refinement Process timetable. Modifications could then potentially 'time out', and as a result be advised for withdrawal by the Panel. This subsequent element could be carried out under the existing provisions within Section D.

How is this situation managed under other Codes?

Generally, all other industry Codes allow for Proposers to withdraw modifications, but do not extend this power further. It is worth noting that for some of these Codes there is 20-plus years of experience with the arrangements they govern and with the change process, resulting in a high understanding of the relevant systems and processes. Consequently, there are fewer modifications raised of a more material nature. The SEC was formed much more recently and is still undergoing transition into enduring arrangements. There is therefore a higher frequency of proposals being raised and expected to be raised that would have a greater impact on the arrangements.

A significant difference compared to the SEC is that the cost of an Impact Assessment under other Codes is usually a maximum of £1,000 and is usually not drawn out as a specific expenditure but counted as part of the Code Administrator's assessment. This results in modifications progressing to a final decision more smoothly, and better enables a Code Administrator to 'own' and progress a proposal to decision in the Proposer's absence. It can cost substantially more to progress a SEC modification to the same stage even if it is unlikely to be approved and implemented.

As a result of the above, the SEC modification process requires the Proposer to be engaged throughout. Due to the level of understanding required to fully define an issue identified within the SEC, and subsequent cost of implementation (as well as the cost of the DCC Impact Assessment), the Proposer must retain commitment to ensure that the modification delivers a positive impact in relation to the SEC Objectives and the Consumer.

How does this modification relate to the CACoP provisions?

Code Administration Code of Practice (CACoP) Principle 6¹ places the ownership for modifications on their Proposers. A Proposer has the right to full ownership over their preferred solution, including the sole right to amend proposed solutions (with Working Groups owning and amending alternative solutions). However, while this Principle gives the Proposer full ownership of the solution details, it appears to be silent on the specific point around whether such a solution must be allowed to proceed all the way to a formal final decision.

Under MP079, the Panel would not be expected to use the power to withdraw until the proposal has at least been discussed by the Working Group. This would ensure the Proposer is able to discuss any

¹ A Proposer of a Modification will retain ownership of the detail of their solution

solution with the industry and take on board the views and comments received. It is within their right to decide whether or not to change the solution in response to this. However, if the Proposer wishes to proceed with assessing a solution that the industry has, at that point, clearly demonstrated would not overall better facilitate the SEC Objectives or would be detrimental to Consumers, it could be seen as inefficient to incur the costs of doing so. This would go against the SEC Objectives, in particular Objective (g) which requires the effective and transparent administration of the SEC.

How could the Energy Codes Review impact the solution?

One Party highlighted the joint BEIS/Ofgem [Energy Codes Review](#) that is currently underway. They noted that, under the draft proposals, the role of Ofgem, as the Authority, could change. They were concerned that, should such reforms take effect, the route of appeal to the Authority under the MP079 Proposed Solution may not exist. Time and effort would then be needed to rework this part of the solution later on to fit in with the new arrangements.

At this stage, it is not clear what reforms will be implemented as a result of this review, and as such how this will affect the role of the Authority under the SEC. Because of this, it is not possible to say how this would affect this part of the MP079 solution. However, should the role of the Authority as a route of appeal change, this would affect several other areas in the SEC too. A holistic solution covering all these instances would be required, and it would be more effective to resolve this issue as part of that, once there is greater certainty around any future arrangements.

Engaged Proposers withdrawing modifications

Over time, there has been examples where the Proposer has chosen to withdraw their modifications due to the high cost and time required to implement. This is due to the Proposer being engaged in the Modification Process and taking on board the views of industry experts and the Panel.

[SECMP0063 'Ensuring correct Network Operator Certificates are place on Electricity Smart Meters'](#) was recently withdrawn by the Proposer after discussions with industry experts relating to the scale of the issue identified. The Proposer's initial estimate of smart meters affected by the issue was found to be unrealistic when researched by the DCC. This resulted in the implementation cost being extremely high to resolve an issue that was affecting a relatively small number of smart meters. During the modification process, the estimated cost of producing a DCC Impact Assessment was £15,000; this cost would have been distributed amongst all SEC Parties had the Proposer determined to proceed despite the views of the industry.

8. Conclusions

Benefits and drawbacks

The Proposer and the Working Group have identified the following benefits and drawbacks in implementing this modification:

Benefits

Implementing MP079 will result in a suitable check-and-balance within the modifications process which will ensure that industry time, effort and expense is spent wisely. This will enable more resources to be applied to proposals that provide a benefit to Parties and the Consumer.

Drawbacks

A potential drawback identified during the Refinement Consultation is that a SEC Party will no longer be assured that their proposal will progress to a final decision if the Panel, after careful consideration of the views of Working Group, the Change Sub-Committee and other Parties, chooses to withdraw the proposal.

Proposer's rationale against the General SEC Objectives

Objective (g)²

The Proposer believes that MP079 will better facilitate SEC Objective (g) as by allowing the Panel to be able to step in and close a clearly unsupported or unfeasible proposal early once it has had a fair hearing will improve efficiency in the Modifications Process. The industry time, cost and effort that would otherwise have been spent in progressing such a proposal to a final decision would be saved and could be invested in other proposals that have a greater chance of success. The Proposer notes that the other reforms introduced in the last year are designed to mitigate the chances of future proposals reaching a situation where the Panel would need to step in but believes that having this final backstop would be beneficial for the rare occasion it may be needed.

Working Group members' views

The Working Group was generally supportive of the modification and feels that it will provide the ideal solution to create a backstop against stagnated modifications as long as the correct rationale is provided and would allow for the opportunity of greater informed decision making.

Consultation respondents' views

Seven of the eight respondents to the Refinement Consultation were in support of MP079, generally agreeing with the Proposer's rationale under Objective (g). The final respondent disagreed with MP079, noting that in the absence of an evidence-based review of the impacts they were unable to

² Facilitate the efficient and transparent administration and implementation of this Code

agree that the solution netter facilitates the SEC Objectives. The full responses received can be found in Annex C.

The Panel's Conclusion

The Panel concluded that this Modification Proposal should be an Authority Determined Modification due to the nature of the issue it aims to resolve.

Appendix 1: Glossary

This table lists all the acronyms used in this document and the full term they are an abbreviation for.

Glossary	
Acronym	Full term
CACoP	Code Administrator Code of Practice
DCC	Data Communications Company
FTE	Full Time Employee
SEC	Smart Energy Code
SECAS	Smart Energy Code Administrator and Secretariat



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