

This document is classified as **White** in accordance with the Panel Information Policy. Information can be shared with the public, and any members may publish the information, subject to copyright.



MP215 'Communications Hub Ordering and Forecasting'

Modification Report

Version 1.0

21 February 2023



About this document

This document is a Modification Report. It sets out the background, issue, solution, impacts, costs, implementation approach and progression timetable for this modification, along with any relevant discussions, views and conclusions.

Contents

1. Summary.....	3
2. Issue.....	3
3. Solution	4
4. Impacts.....	6
5. Costs	7
6. Implementation approach	8
7. Assessment of the proposal	8
8. Case for change.....	9
Appendix 1: Progression timetable	11
Appendix 2: Glossary	11

This document also has three annexes:

- **Annex A** contains the business requirements for the 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 to the Refinement Consultation.

Contact

If you have any questions on this modification, please contact:

Mike Fenn

020 3314 1142

mike.fenn@gemserv.com

1. Summary

This proposal has been raised by Waseem Fazal from the Data Communications Company (DCC).

The Proposer believes that the current SEC requirements for the forecasting and ordering of Communications Hubs are causing difficulties for the Communications Service Providers (CSPs), as the length of time and the level of variance between submission of forecasts and delivery of Devices do not provide sufficient certainty for the successful procurement and provision of the required Device quantities.

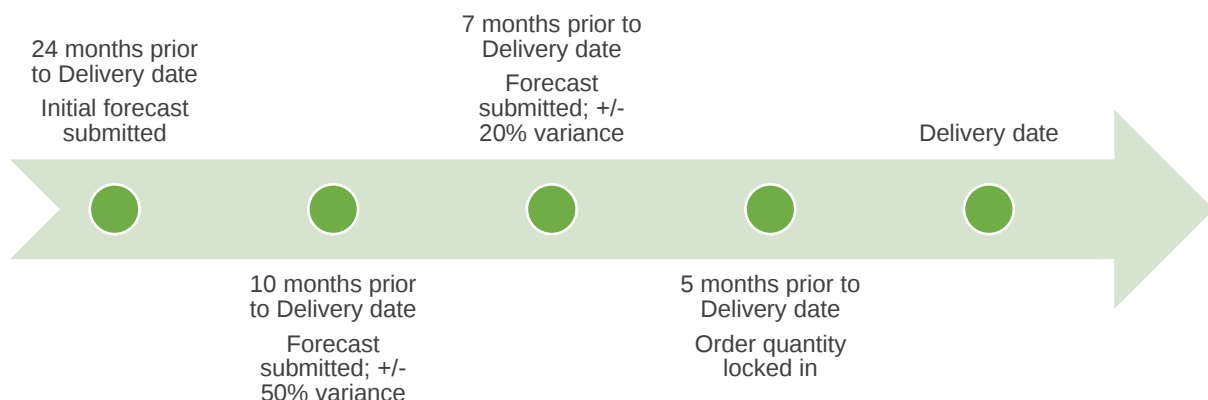
Under the Temporary Communications Hub Ordering and Deliver Rules (TCHODR), introduced to mitigate supply chain risks caused by the COVID-19 pandemic and the resulting global disruption, the forecasting window and allowed level of variance were reduced to simplify the obligations on Parties and allow greater reactivity to change in the demands of the market. This modification seeks to amend the business-as-usual (BAU) rules to adopt aspects of the TCHODR and provide an enduring solution to issues of supply chain risk and the resulting inefficiencies.

This modification will impact the DCC and all SEC Parties that are able to submit Communications Hub Orders to the DCC. The costs will be limited to Smart Energy Code Administrator and Secretariat (SECAS) time and effort to implement the new version of the SEC. This modification is targeted for implementation in the June 2023 SEC Release and will be progressed as a Self-Governance Modification.

2. Issue

What are the current arrangements?

SEC Section F 'Smart Metering System Requirements' details the requirements SEC Parties must adhere to when submitting Communications Hub forecasts and orders. These include (but are not limited to) submitting a forecast 10 months in advance of the delivery date with a variance of $\pm 50\%$ and submitting a forecast seven months in advance of the delivery date with a variance of $\pm 20\%$. The ordering Party is then required to send final confirmation of the order quantity, which must be within these variance levels, to the DCC five months prior to the delivery date.



The SEC also allows for Parties to submit non-compliant orders, which the DCC may amend but which it is required to take all reasonable steps to accommodate.

What is the issue?

CSPs have experienced difficulties in planning for the delivery of Communications Hub orders due to the length of time and high level of variance between forecasting and ordering. Successful delivery includes the procurement of Device components, managing shipments, and the economical and efficient building of Devices. The issue has been exacerbated by ongoing global supply chain issues which has resulted in increased difficulty and lead time to secure components.

Under the TCHODR, introduced to mitigate supply chain risks caused by the COVID-19 pandemic and the resulting global disruption, the forecasting window and allowed level of variance period were reduced to simplify the obligations on Parties and allow greater reactivity to change in the demands of the market. While SEC Section F5.1A allows for the TCHODR, the Proposer believes an enduring solution is required to increase certainty within the supply chain.

This issue relates specifically to Smart Metering Equipment Technical Specification (SMETS) 2 DCC-provided Communications Hubs.

What is the impact this is having?

The ability to produce Communications Hubs at the total order volume required and in an economical manner is negatively impacted. This is because the actual order volume of Communications Hubs required in any given month is difficult to calculate, particularly where the lead time for procuring components exceeds 12 months and when components are scarce.

Impact on consumers

Ongoing instability in the Communications Hub supply chain may contribute to delays in the installation and commissioning of Smart Devices within consumer premises, thereby preventing consumers from realising the benefits of the Smart Metering programme.

3. Solution

Proposed Solution

The Proposed Solution is to introduce aspects of the TCHODR to the BAU rules governing the forecasting and ordering process for SMETS2+ Communications Hubs. This will include:

- reducing the obligation on Parties to provide initial forecasts from 24 months to 12 months in advance of the delivery date;
- reducing the allowed level of variance between the initial Communications Hub Forecast and final order quantity for a given delivery month to $\pm 20\%$; and
- removing the additional requirements for a compliant Communications Hub Order to simplify the process for DCC Users.

The business requirements for this solution are available in Annex A.



Reducing the forecast window

The SEC currently requires Parties to submit Communications Hub Forecasts to the DCC which “cover the period of 24 months commencing with the sixth month after the end of the month in which the forecast is submitted to the DCC”.

Under the TCHODR this period was reduced to 12 months to simplify the obligations on Parties and allow greater reactivity to change in the demands of the market. The Proposer noted that under the BAU rules Parties are not following the 24-month requirement as they are not incentivised to do so.

The Proposer suggests reducing the obligation on Parties to provide initial forecasts to 12 months in advance of the delivery date.

Reducing the level of variance

The SEC currently states that in order to be compliant the number of units in a Communications Hub Orders must be within 50% of the forecast submitted 10 months in advance of the delivery date and within 20% of the forecast submitted seven months in advance of the delivery date.

Under the TCHODR, the allowed level of variance between the initial Communications Hub Forecast and final order quantity for a given delivery month is $\pm 20\%$. The Proposer notes that during the period the TCHODR have been in place no Parties have exceeded this variance. The Proposer suggests that this level of variance is adopted under the BAU rules.

Removing additional requirements

There are currently several forecasting requirements in the SEC which stipulate what Parties must provide to the DCC at different stages of the 24-month forecasting window and what order/forecast quantities will be assumed to be should no forecast be received for a given month. Some of these requirements are no longer relevant due to the reduced forecasting window proposed here.

If a forecast is not received for any given calendar month then it should be assumed to be the same as the previous calendar month. This quantity will then be subject to the $\pm 20\%$ allowed variance for all future forecasts for that delivery month.

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

Breakdown of Other SEC Party types impacted			
	Shared Resource Providers	✓	Meter Installers
✓	Device Manufacturers		Flexibility Providers

This modification will impact the DCC and all SEC Parties which are able to order Communications Hubs from the DCC. The impact should be minimal as MP215 proposes to introduce ordering and forecasting rules similar to the TCHODR, which Parties are already using.

DCC System

This modification will have impacts on the Ordering Management Systems (OMSs) of the DCC and the two CSPs. These impacts will be minor and align with the current operation of these systems under the TCHODR.

SEC and subsidiary documents

The following parts of the SEC will be impacted:

- Section F 'Smart Metering System Requirements'

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

Devices

Devices impacted			
	Electricity Smart Metering Equipment		Gas Smart Metering Equipment
✓	Communications Hubs		Gas Proxy Functions
	In-Home Displays		Prepayment Meter Interface Devices
	Standalone Auxiliary Proportional Controllers		Home Area Network Connected Auxiliary Load Control Switches
	Consumer Access Devices		Alternative Home Area Network Devices

While there will be no changes required to the Devices themselves, this modification will help to ensure the process of procuring components used in Device build is given sufficient time to react to changing demands and consequently helping to assure adequate industry stock levels.

Consumers

This modification will have a positive impact on consumers as it will increase certainty in the Communications Hub supply chain, leading to improved ability of Suppliers to deliver on their planned Smart rollout plans.

Other industry Codes

This modification will have no impact on other industry Codes.

Greenhouse gas emissions

This modification will have a positive impact on greenhouse gas emissions as it will allow CSPs the certainty required for long-term planning of efficient component procurement, reducing the frequency and variance in orders and the associated production and shipping activities.

5. Costs

DCC costs

There will be no DCC costs to deliver this modification.

SECAS costs

The estimated SECAS implementation cost to implement this as a standalone modification is half a day of effort, amounting to approximately £300. This cost will be reassessed when combining this modification in a scheduled SEC Release. The activities needed to be undertaken for this are:

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

SEC Party costs

SEC Parties are not anticipated to incur any costs from the implementation of this modification, as they will be continuing to use the processes they have been using on a temporary basis for the past two years.

6. Implementation approach

Recommended implementation approach

The Change Sub-Committee (CSC) has agreed an implementation date of:

- **29 June 2023** (June 2023 SEC Release) if a decision to approve is received on or before 29 May 2023; or
- **2 November 2023** (November 2023 SEC Release) if a decision to approve is received after 29 May 2023 but on or before 2 October 2023.

This approach is based on a Refinement Consultation respondent stating they would require one month from the point of approval to reprofile their forecasts to the new requirements.

7. Assessment of the proposal

Observations on the issue

SECAS has engaged with the Chairs from the Operations Group (OPSG), the Technical Architecture and Business Architecture Sub-Committee (TABASC), the Security Sub-Committee (SSC) and the Smart Metering Key Infrastructure Policy Management Authority (SMKI PMA) to confirm what input is required from these forums.

The TABASC Chair noted that as CSPs are contracted under the current Communications Hub ordering rules, any benefit that CSPs derive from a change to the rules should be reflected by a benefit to DCC Users. The Proposer believes that the modification will increase assurance of Communications Hub orders being met, allowing Parties to more confidently plan their rollout activities and therefore improving consumer experience. The modification will also simplify the forecasting process which Parties have to follow.

A TABASC member suggested that the effects of this modification on roll-out programmes and transitional behaviour for the sunsetting of 2G/3G Communication Hubs and the introduction of 4G Communications Hubs should also be considered. The Proposer believes that the reduced forecasting window which Parties will have to adhere to will aid them in planning for the transitional period and allow them to react more effectively should those plans need to change.

Solution development

The OPSG Chair suggested that the modification should include requirements for the DCC to provide reporting on a forward-looking basis of supply certainty and on how order quantities were delivered against. Following a demonstration of the existing reporting provided by the DCC for this purpose, it was agreed that this would be adequate pending endorsement by the Supply Chain Working Group (SCWG). The SCWG subsequently voted to endorse the introduction of the enduring changes under this modification.

The Proposer was keen to ensure that the enduring rules being introduced by MP215 were seen as reasonable by industry Parties and has engaged DCC Users to obtain views on this. Discussions between the DCC's Logistics teams and its Users have revealed no issues with the current set of

temporary rules being adopted as business-as-usual. Analysis of DCC User forecast and delivery quantities showed a variance of -6% for CSP South & Central and -5% for CSP North, well within the allowed variance of $\pm 20\%$. The Proposer also noted that the TCHODR have been in place since January 2021 and have been shown to work in practise.

One respondent to the Refinement Consultation noted that moving to an initial forecast with 20% variance at 12 months reduces flexibility for Suppliers. The Proposer noted that the tolerance between forecasting and orders is spread across the supply chain and that the DCC works with its Users to deliver order quantities outside of forecast tolerance. In practice this means that if one User orders below its forecast quantity, the difference can be added to another User's order. The Proposer also noted that Users may submit non-standard requests which the DCC will attempt to accommodate.

Another Refinement Consultation respondent raised a concern that the Proposed Solution doesn't provide the flexibility required for the transition from 2G/3G to 4G Communications Hubs. The Proposer noted that the 4G transition strategy is not yet decided. This modification proposes to change the current BAU arrangements for 2G/3G Communications Hubs, and any new rules to introduce flexibility for 4G ordering will have to be developed and agreed with industry as part of the transition strategy design.

8. Case for change

Business case

The ability to produce Communications Hubs at the total order volume and in an economical manner under the current BAU rules is negatively impacted since the actual order volume of Communications Hubs required in any given month is difficult to calculate, particularly where component lead time exceeds 12 months and when components are scarce. By reducing the length of time and allowed level of variance between the initial order and final delivery quantity, this modification will increase the ability of CSPs to plan for Communications Hub build, including the economic and efficient procurement of components, shipments and production.

Views against the General SEC Objectives

Proposer's views

The Proposer believes that this modification will better facilitate SEC Objective (a)¹ and (b)².

SEC Objective (a)

Reducing risk in the supply chain of Communications Hubs and their critical components allows Device procurement to operate more efficiently and provides assurance to DCC Users on stock levels so that they can effectively plan installations.

¹ Facilitate the efficient provision, installation, and operation, as well as interoperability, of Smart Metering Systems at Energy Consumers' premises within Great Britain.

² Enable the DCC to comply at all times with the General Objectives of the DCC (as defined in the DCC Licence), and to efficiently discharge the other obligations imposed upon it by the DCC Licence.

SEC Objective (b)

Reducing the allowed variance between initial forecasts and final quantities for Communications Hub orders reduces the risk that the DCC or the CSP will not be able to procure the necessary Device components in the timescales expected of them.

Industry views

All four respondents to the Refinement Consultation agreed that this modification better facilitated SEC Objectives (a) and (b).

Views against the consumer areas

Improved safety and reliability

This modification will be neutral against this consumer area.

Lower bills than would otherwise be the case

This modification will be neutral against this consumer area.

Reduced environmental damage

This modification will have a positive impact on reducing environmental damage. Increased certainty of required production levels and transportation allows for more economic and ecological planning in the supply chain.

Improved quality of service

This modification will have a positive impact on quality of service. Parties will be more able to stick to projected Smart rollout timelines, thereby reducing the frequency of cancelled appointments and improving the consumer experience.

Benefits for society as a whole

This modification will be neutral against this consumer area.

Appendix 1: Progression timetable

On 21 February 2023 the CSC approved this modification for progression to the Report Phase. SECAS will issue a Modification Report Consultation before presenting to the Change Board on 29 March 2023 for the final vote under Self-Governance.

Timetable	
Event/Action	Date
Draft Proposal raised	9 Aug 2022
Presented to CSC for initial comment	16 Aug 2022
CSC converts Draft Proposal to Modification Proposal	20 Sep 2022
Modification discussed with the Working Group	7 Dec 2022
Modification discussed with the OPSG	13 Dec 2022
Modification discussed with the SCWG	5 Jan 2023
Refinement Consultation	5 Jan 2023 – 25 Jan 2023
Modification Report approved by CSC	21 Feb 2023
<i>Modification Report Consultation</i>	<i>22 Feb 2023 – 15 Mar 2023</i>
<i>Change Board Vote</i>	<i>29 Mar 2023</i>

Italics denote planned events that could be subject to change

Appendix 2: Glossary

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

Glossary	
Acronym	Full term
BAU	business-as-usual
CSC	Change Sub-Committee
CSP	Communications Service Provider
DCC	Data Communications Company
OMS	Ordering Management System
OPSG	Operations Group
SCWG	Supply Chain Working Group
SEC	Smart Energy Code
SECAS	Smart Energy Code Administrator and Secretariat
SMETS	Smart Metering Equipment Technical Specification
SMKI PMA	Smart Metering Key Infrastructure Policy Management Authority
SSC	Security Sub-Committee
TABASC	Technical Architecture and Business Architecture Sub-Committee
TCHODR	Temporary Communications Hub Ordering and Delivery Rules