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MP292 ‘DSP DBT Finance Facility’

Modification Report

Version 1.0

21 May 2025



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. This document will be updated as this modification progresses.

Contents

1.	Summary	3
2.	Issue	3
3.	Solution	4
4.	Impacts	5
5.	Costs	7
6.	Implementation approach.....	7
7.	Assessment of the proposal.....	7
8.	Case for change.....	8
	Appendix 1: Progression timetable	10
	Appendix 2: Glossary	10

This document also has one annex:

- **Annex A** contains the redlined changes to the Smart Energy Code (SEC) required to deliver the Proposed Solution.

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1. Summary

This proposal has been raised by Jonathon Helyer from the Data Communications Company (DCC).

The DCC has historically utilised Financing facilities provided by Service Providers and latterly DCC arranged facilities to spread the costs and DCC charges for SEC Modifications and Design, Build and Test (DBT) phases of major programmes. These financing arrangements are all separately referred to in the SEC. Most recently DCC's proposal to add 4G Communications Hub (CH) DBT as an allowed financing facility has enabled DCC to spread the cost of the DBT phase of the 4G CH programme across the Regulatory Years (RY).

The SEC Panel recently supported the Data Service Provider (DSP) Full Business Case (FBC) which proposed that the DBT costs over approximately the first three years would be financed to mitigate short term increases in DCC charges. This proposed change is in line with the recent 4G CH&N (Communications Hub and Network) Programme.

The Proposed Solution would introduce the DSP DBT Financing facility alongside the existing 4G CH&N Programme Financing Facility, in line with the proposed FBC for the DSP DBT Financing arrangements. This will allow the DCC to mitigate the costs of DSP DBT in the first three years of the DSP programme by spreading the costs over the three years through financing.

The impacts to Parties associated with this modification are expected to be positive, as the costs would be spread out across RYs, avoiding higher charges for DCC Parties in the first three years of the DSP DBT programme. The costs would be limited to Smart Energy Code Administrator and Secretariat (SECAS) time and effort. This is a Self-Governance Modification, and, if approved, will be implemented in the June 2025 SEC Release.

2. Issue

What are the current arrangements?

What is the DSP?

The DSP platform is a crucial service to the Smart Meter Network, as it controls messaging between Smart Metering Equipment and energy Suppliers, Network Operators and Other Users. This messaging enables critical functions to take place, such as prepayment meter top-up, and allows for the collection of data needed for energy supplier billing, settlement or other industry purposes.

The current DSP contract is set to end in October 2026 (following an extension from 2024). A transition period will follow for the new DSP. Innovation within the architecture market means that there are opportunities for a more effective architecture to manage the expected changes in use patterns on the network. Therefore, the service will need to undergo a period of DBT.

What is a finance facility?

Currently, the Smart Energy Code (SEC) stipulates areas of cost where the DCC is allowed to include a finance facility. The main finance facility to date has been the DBT 4G Financing facility, which smoothed the costs of DBT for 4G CHs over time to avoid a significant increase in charges in the first year. Changes to the SEC were made to allow the DCC to operate this financing facility, including

changes to SEC Section A 'Definitions and Interpretations', Section J 'Payment of Charges', Section K 'Charging Methodology' and Section M 'General'.

The FBC for the DSP has been discussed at SEC Panel, which included an expectation and plan for the DBT costs on the DSP to have a financing facility.

What is the issue?

The SEC is prescriptive about the exact costs which can be financed. It currently refers to the 4G CH&N DBT programme rather than a generic DBT description. The reason why a generic DBT description is not included within the SEC at the moment is due to the fact that industry should be consulted upon and have visibility of the financing facilities the DCC is looking to put in place. However, without the mention of DSP DBT Financing facility, the DCC cannot finance the costs of the DSP DBT.

What is the impact this is having?

If the SEC is not updated, it will misalign with the proposed financing approach set out in the DCC's FBC for the DSP Programme.

Additionally, if the DCC is unable to finance for the DBT phase of the DSP programme, it will be unable to spread the costs for DCC Parties.

This would also result in the DCC having to review the annual Charging Statement as it has been prepared on the basis of DSP DBT costs being financed and spread over an extended period. It is likely that after the review, the loss of financed costs for the DSP DBT will increase costs to Parties. Without financing the costs, the DCC would likely have to recover costs for DSP DBT within the same Regulatory Year. This type of charge recovery is likely to result in higher charges than with the financing option.

Impact on consumers

Without a solution to the issue, costs to the DCC are likely to increase, which would likely impact consumers through increased Supplier costs in the first three years of the DSP DBT programme.

3. Solution

Proposed Solution

The Proposer suggests extending the current wording on 4G DBT Financing to be extended to cover DSP DBT costs as well.

This will allow the DCC to finalise its financing facilities for the DSP DBT programme. The arrangements will mirror the 4G DBT arrangements, and as such this should minimise the impact on Parties, given that the 4G DBT Financing facility sets a precedent to the use of Financing facilities.

The Proposed Solution will mitigate the costs for the DSP DBT, as presented by the DCC in the chart below:

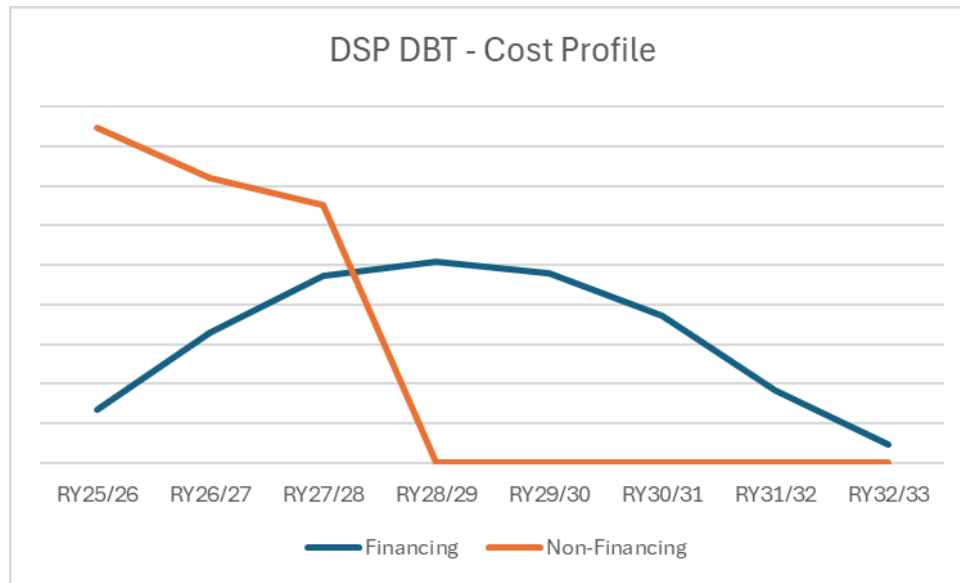


Figure 1: DCC DSP DBT Cost Profile

The chart above shows the impact of financing the DBT costs of the DSP programme on the DCC's charges and therefore DCC Customer charges. The Financing of the costs was included within the financial case of the FBC.

The costs reflect the procured financing facilities which delivers the objectives of:

- Reducing the peak cost (with all years under the financing scenario being less than the non-finance cost); and
- Smoothing costs over an 8-year period to reduce where possible the volatility of DCC charges.

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

This modification will impact Suppliers and Network Operators, as well as the DCC. However, it is expected that the impact will be a positive one, as the Financing facility for DSP DBT will mitigate the costs for DBT in the first three years of the DSP programme.

Without the DSP DBT financing facility, the DCC expects the costs of DSP DBT will be higher, as costs would need to be recovered within the same RY. It is therefore more cost-effective for the DSP DBT programme to be financed.

DCC Systems

DCC System changes

This modification will not require any DCC System changes.

DCC System traffic

This modification will not impact the DCC System traffic.

SEC and subsidiary documents

The following parts of the SEC will be impacted:

- Section A 'Definitions and Interpretations'
- Section J 'Payment of Charges'
- Section K 'Charging Methodology'
- Section M 'General'

The changes to the SEC required to deliver the Proposed Solution can be found in Annex A.

Devices

This modification will not have an impact on Devices.

Consumers

This modification will not have an impact on Consumers. The Proposed Solution is likely to mitigate costs for the DSP DBT Financing facility in the first three years of the programme, which will indirectly benefit consumers.

Other industry Codes

This modification will not have an impact on other industry Codes.

Greenhouse gas emissions

This modification will not have an impact on greenhouse gas emissions.

5. Costs

DCC costs

There are no DCC costs associated with this modification.

SECAS costs

The estimated SECAS implementation cost to implement this as a stand-alone modification is one day of effort, amounting to approximately £600. 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

This modification does not anticipate costs to Parties to implement the Proposed Solution. However, it is likely that as a result of implementing the solution, costs for DSP DBT financing in the first three years will be mitigated. Without a financing facility in place, the DSP DBT programme will increase costs in the first three years, as the DCC would have to recover the costs within the same RY.

6. Implementation approach

Recommended implementation approach

SECAS is recommending an implementation date of:

- **26 June 2025** (June 2025 SEC Release) if a decision to approve is received on or before 25 June 2025; or
- **Ad hoc SEC Release one Working Day following decision** if a decision to approve is received after 25 June 2025.

7. Assessment of the proposal

Areas for assessment

Sub-Committee input

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), the Smart Metering Key Infrastructure Policy Management Authority (SMKI PMA), the Privacy Sub-Committee (PSC), the Smart Metering Device Assurance Sub-Committee (SMDASC) and the Testing Advisory Group (TAG) to confirm what input is required from these forums. SECAS believes the following Sub-Committees will need to provide the following input to this modification:

Sub-Committee input	
Sub-Committee	Input sought
OPSG	The Chair confirmed no input required
PSC	The Chair confirmed no input required
SMDASC	The Chair confirmed no input required
SMKI PMA	The Chair confirmed no input required
SSC	The Chair confirmed no input required
TABASC	The Chair confirmed no input required
TAG	The Chair confirmed no input required

Observations on the issue

This modification was presented at the SEC Change Issues Group in April 2025.

An Issues Group member questioned the final statement on the slide (This change is not expected to impact any SEC Parties) as the nature of financing is to smooth out the nature of the impact on bills, and as such changes to financing are likely to impact SEC Parties (and ultimately consumers). The DCC explained that the Charging Statements for the current Regulatory Year 25/26 includes the smoothing assumption of the DSP DBT facility FBC. Therefore, it should not have an impact on SEC Parties. The Issues Group member questioned that should the FBC not be approved, then the issue is likely to impact SEC Parties, to which the DCC agreed.

The Issues Group member expressed their reluctance to agree next steps given that the current presentation of the issue is not inclusive of the order of magnitude, or the costs associated with this modification. They went on to state that the Issues Group should not be asked to comment or decide in principle, without first providing sufficient information on the implications of the issue.

8. Case for change

Business case

The DCC is proposing to include the DSP DBT financing arrangements into the SEC to allow for a Financing facility that will smooth the costs over the first three years of the DBT programme. The alternative (i.e. not opting for a DSP DBT Finance facility) will likely increase the costs of the programme within the first three years, which will reflect in the costs and Charges Parties pay to the DCC.

The DSP FBC was approved by the SEC Panel on the basis that the DCC will be seeking a Finance facility option, as this was deemed the most appropriate option.

Views against the General SEC Objectives

Proposer's views

The Proposer believes that the modification would better facilitate SEC Objectives (b)¹ and (g)² as the Proposed Solution would enable the DCC to ensure compliance with its own DCC Licence. The Proposed Solution would also ensure that this Code remains transparent by including the DSP DBT.

Views against the consumer areas

Improved safety and reliability

This modification will have a neutral impact on this consumer area.

Lower bills than would otherwise be the case

This modification will have a positive impact on this area, as the costs for DSP DBT will be smoothed over in the first three years of the programme.

Reduced environmental damage

This modification will have a neutral impact on this consumer area.

Improved quality of service

This modification will have a neutral impact on this consumer area.

Benefits for society as a whole

This modification will have a neutral impact on this consumer area.

Final conclusions -

This modification is looking to include the DSP DBT Finance facility in the SEC, in line with the previous 4G CH DBT programme. The legal text will mirror the 4G CH DBT arrangements and the Financing facility is likely to have a positive impact on Parties, as it will smooth the DCC costs and Charges for the DSP DBT programme in the first three years of the DSP programme.

Without these changes, the DCC would be required to review and amend the Charging Statements issued to DCC Parties.

¹ 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

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

Appendix 1: Progression timetable

Timetable	
Event/Action	Date
Draft Proposal raised	13 May 2025
Presented to CSC for initial comment	20 May 2025
CSC converts Draft Proposal to Modification Proposal	20 May 2025
Modification Report approved by CSC	20 May 2025
Modification Report Consultation	20 May 2025 – 10 June 2025
Change Board Vote	25 June 2025

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
4G CH&N	4G Communications Hub and Network
CSC	Change Sub-Committee
CH	Communications Hub
DBT	Design, Build and Test
DCC	Data Communications Company
DSP	Data Service Provider
FBC	Full Business Case
OPSG	Operations Group
PSC	Privacy Sub-Committee
SEC	Smart Energy Code
SECAS	Smart Energy Code Administrator and Secretariat
SMDASC	Smart Metering Device Assurance Sub-Committee
SMKI PMA	Smart Metering Key Infrastructure Policy Management Authority
SSC	Security Sub-Committee
TABASC	Technical Architecture and Business Architecture Sub-Committee
TAG	Testing Advisory Group
RY	Regulatory Year