Smart Energy Code Budget

2024-2027

CONTENT

FOREWORD

Now is a really important time for the smart metering arrangements, and the need to consider a number of important changes and transitions in the energy market and the smart metering environment, not least the transition from 3G to 4G communications, the transition for the smart metering implementation programme to enduring governance and the move to the second DCC Licence.

The Smart Energy Code (SEC) has been in place for over ten years, supporting the smart metering market and SEC Parties effectively over that period. However, whilst the arrangements have served the industry well until now, the SEC is at the point of transition and needs to evolve to ensure that it can address the multi-faceted issues facing SEC Parties and is fit for the post-implementation phase of the smart metering programme. SEC also needs to be able to hold all SEC Parties, including the DCC, to account.

Smart metering is the cornerstone of the GB market's net zero ambition and, as the governance body for smart metering, it is imperative that the SEC arrangements evolve and ensure that they are fit for purpose to allow the energy sector to play its part in the net zero journey.

At the same time Ofgem, the energy regulator, is considering Code arrangements, which is expected to see significant changes to Code bodies, such as the SEC. This equally means that the SEC needs to look at what the new environment's objectives may mean for how it operates, what resources it may need and how its governance may need to change and evolve as the arrangements for the Data Communications Company second (DCC2) Licence crystallise.

Angela Love, SEC Panel Chair

SEC MISSION: "TO ENSURE THAT THE SMART ENERGY CODE, AND HOW IT IS FULFILLED, REMAINS RELEVANT AND FIT FOR PURPOSE IN AN EVOLVING GB ENERGY MARKET"

About the SEC

The SEC is the agreement that defines the rights and obligations of energy suppliers, network operators and other relevant parties involved in the management of smart metering in Great Britain.

How is the SEC operated?

The SEC is enforced under the Data and Communications Company (DCC) Licence, which has been established to manage the smart metering communications infrastructure. The DCC, Energy Suppliers and Network Operators are required by their Licence to become a Party to the SEC and comply with its provisions. Other bodies that wish to use the DCC's services must also accede to the SEC.

The SEC is self-governed and is managed by the SEC Panel, with oversight, where appropriate, from Ofgem.

SEC Panel

What are the SEC objectives?

The SEC has eight objectives against which all changes to the SEC are assessed:

a. Facilitate the efficient provision, installation, operation and interoperability of smart metering systems at energy consumers' premises within Great Britain

b. Enable the DCC to comply at all times with the objectives of the DCC Licence and to discharge the other obligations imposed upon it by the DCC Licence

c. Facilitate energy consumers' management of their use of electricity and gas through the provision of appropriate information via smart metering systems

d. Facilitate effective competition between persons engaged in, or in commercial activities connected with, the supply of energy

e. Facilitate innovation in the design and operation of energy networks to contribute to the delivery of a secure and sustainable supply of energy

f. Ensure the protection of data and the security of data and systems in the operation of the SEC

g. Facilitate the efficient and transparent administration and implementation of the SEC

h. Facilitate the establishment and operation of the Alternative Home Area Network (Alt HAN) arrangements.

SECCo Strategy & Target Operating Model

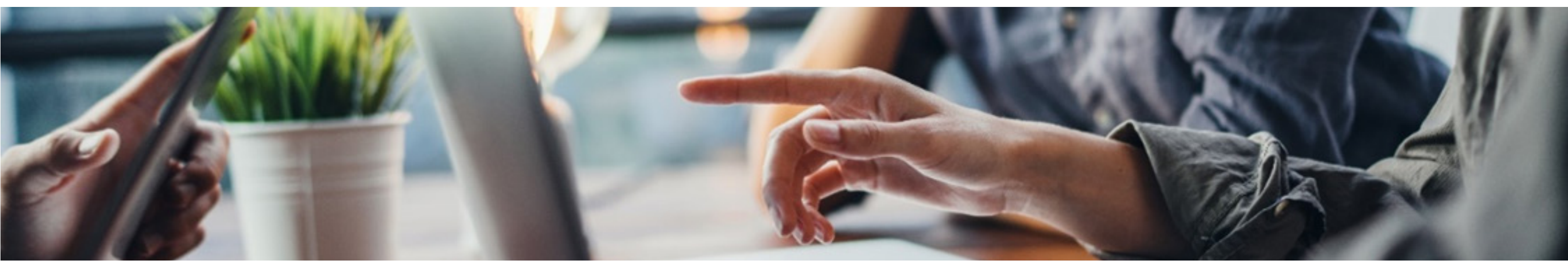
Following extensive feedback on issues with the SEC model and operating framework, the Panel has, over the last six months, been considering the future strategy for the Smart Energy Code Company (SECCo) Limited. This work has been focused on looking at how the SEC needs to evolve to meet the changing market landscape and challenges and has involved external experts in strategy (the Strategy Programme Manager) and organisation design.

There is a general recognition that the SEC has served the industry well since its introduction, however, as outlined above, there are challenges coming forward which SEC now needs to deal with and the model that the SEC is operating under needs to evolve to address those challenges.

In headline terms the challenges identified by the SEC Panel through feedback included:

1. SEC needs to be more strategically focused and influential across the value chain to ensure that it continues to add value to SEC Parties and consumers.
2. There can be a lack of clarity and understanding of the purpose of the SEC, its role and responsibilities, market expectations, and its vires and powers, e.g. 3G/4G. Furthermore, greater clarity is required of where the Smart Metering Implementation Programme ends, and the SEC begins.
3. The SEC can be too reactive, dealing concurrently with too many modifications and other sources of change, impacting its ability to effectively manage the overall strategic industry change landscape.
4. Greater support for the Sub-Committees could yield efficiencies in the process and help SEC Parties interface with the arrangements
5. The SEC Board can change every 12 months, given that the SEC Panel and the Board are the same people, and this is not necessarily the best way to run SECCo.
6. The current volunteer model has limitations regarding leadership bandwidth and rotation
7. There are an increasing number of Other Users and opportunities being developed for the use of smart metering data, which need to be fully considered. In particular, there is an increasing need to consider data privacy.

Please see Table 01 below for more details of the challenges identified, which the new resources in SECCo will seek to resolve through the new SEC Target Operating Model (TOM).



SEC
Smart Energy Code

CHALLENGES	
Strategic input to Code & wider industry change, subject-matter expertise	The governance of SEC does not provide for the strategic leadership, accountability and independence needed going forward, counter to the needs of SEC and corporate governance best practice. There is a lack of strategic level 'Code Manager' input to issues such as SEC modifications (e.g. challenging 'no-hoper' mods), wider market initiatives and debates (e.g. Code Reform, DCC licence Review etc.), and also little in the way of strategic level co-operation and partnership working with other Code bodies and central market service providers. There can be gaps in subject matter expertise.
Being equipped for change & enduring governance	SECCo will wish to engage more actively and shape Code Reform, including the introduction of licensed Code Managers, new powers for Ofgem to issue strategic direction, potential changes to industry panels. SECCo will need the right mix of skills and experience to drive the SEC arrangements forward and set the SEC up to manage enduring governance. It is questionable whether there has been sufficient focus and progress in relation to the duty to co-ordinate with other Codes.
Volume of governance papers	There is a wealth of paperwork and business for the Sub-Committees/Groups, which undermines effective focus and issue resolution. We have already started to address this, starting with the Panel papers.
Sub-Committee alignment	The link between the Sub-Committees and Panel could be strengthened to ensure alignment of priorities in support of SEC Party needs. We have already started to address this, with Sub-Committee Chairs routinely presenting to the Panel.
Effective & cost-efficient running of SEC arrangements	There is little capacity within SECCo and the Panel (i.e. the client) to performance manage the provision of SECAS services, other outsourced providers and to provide cost scrutiny and challenge of the DCC. Should SECAS be re-procured, there will need to be greater commercial and strategic capacity in place in SECCo to ensure the new procurement is effective.
Other Users and other use of smart data	There are increasing numbers of Other Users joining the SEC arrangements, with some of these organisations looking to make more use of customer data. It is incumbent on the SEC Panel to ensure that consumer consent for use of data is obtained. This is becoming an ever-increasing challenge and more involved. Additionally, changes in legislation and government initiatives need to be understood and catered for.

Table 01 - Drivers for Target Operating Model Review

Whilst considering the aspects above, the SEC Panel has also been developing the enduring governance arrangements that will be needed post the Government's Smart Metering Implementation Programme (SMIP), taking into account Ofgem's Code Reform agenda, technology changes and the evolving use of smart metering information.

The objective of this work was to make sure that the SEC is fit for purpose now (addressing the concerns set out above) and can evolve to meet the needs of SEC Parties and adapt to the regulatory environment of the future. In particular, whilst it is not presently clear what SEC's overall role will be under a DCC2 environment (post 2028), SEC needs to be equipped with the right skills and capabilities to fulfil its role now, but critically also be adaptable for when changes are needed in relation to DCC2.

As part of the work that SEC Panel undertook, they assessed the capacity and capability of the current resources, both within the SEC and in the subcontractor arrangements, and created a plan to introduce the first and subsequent stages of the TOM.

First Stage Target Operating Model

The SEC Panel has proposed a new TOM for SECCo, which will move away from the model of having fully outsourced support for the SEC and a high dependency on Panel members time outside Panel meetings.

At present the SECAS contract, subcontractors and Panel volunteers are used to support the SEC Panel and Board Chair to run the SEC arrangements. This model is, in the view of the SEC Panel, not an optimum platform for the SEC to take on enduring governance once the SMIP concludes, neither is it set up to allow SECCo to play its part in DCC2 or be fit for purpose to manage Ofgem's expected Code reforms. That is not to say that there is not a role for contracted support to deliver the SEC arrangements, but it is the view of the SEC Panel that a fully outsourced and volunteer model does not deliver what is needed for effective and efficient delivery of the SEC nor to meet the needs of SEC Parties.

For these reasons the first stage TOM is looking to bring in a number of roles into SECCo to ensure that we address the challenges outlined above, but also to future proof the SEC to be able to play a more active role in changes within the energy sector that are of interest and consequence to the SEC and SEC Parties, or will have a bearing on the SEC arrangements themselves e.g. Code Reform and DCC2. Whilst some of the proposed roles will be offset through savings in other areas, there is a requirement to increase the SEC budget to be able to enact the changes in the SEC support arrangements. At the present time, the SEC Panel believe that the current SEC arrangements are not fit for purpose and need to evolve so that the SEC can fully play its role in moving the smart metering arrangements to an enduring and stable regime, which will serve SEC Parties and their customers well.

By introducing roles into SECCo, the Board and Chair will be able to instil a SEC culture and develop an approach to talent attraction, retention and development. The proposed resourcing of the TOM will start with the introduction of four new leadership roles, which will be used to bring in the other roles and drive the SEC strategy. These roles are:

- Head of Codes and Regulatory Strategy
- Head of Industry Operations
- Head of Sub-Committee Management
- Head of Service Management

Second Stage Target Operating Model

During the first six months of 2024/25 a temporary procurement resource will be brought into the SEC to work with the Strategy Programme Manager to review subcontractor arrangements, service needs and to identify re-tendering requirements. This resource will then be utilised, if needed, to undertake a re-tendering exercise.

SEC
Smart Energy Code

2024-27 Budget Overview

In preparing this budget, the Panel has considered the high degree of change being experienced in the industry, and the resulting increased scope of work being undertaken by SEC Panel and its Sub-Committees. And, as outlined above, it has also considered its Target Operating Model and how best to structure governance, in order to respond to, and influence, key industry events affecting smart metering on behalf of industry.

Unusually high inflationary pressures have been considered in proposing the budget, along with the need to build in flexibility for evolving needs and quality of service.

The Panel continually examines costs to ensure that value for money is achieved, balanced with making sure that there is sufficient budget to address any known issues. Any expenditure against the budget set out in this document requires approval and oversight from the SEC Panel and SECCo Board. SECAS presents a quarterly report to the Board which includes an estimate of the costs, timescales and resources required to deliver the expected activities during the up-coming quarter. Any expenditure on Projects must be approved in advance, following provision of a Project Brief and associated Budget to SEC Panel and SECCo Board.

Activities undertaken by SECAS team members are then reported to the SEC Panel and SECCo Board through the monthly Management Reports, accompanied by supporting timesheets. Where consultants are used to provide services to the SEC, there is also close scrutiny of costs, with Statements of Work and Deliverables agreed up front and monitored.

The Panel has considered the needs of SEC Parties for budget certainty, and as such has included contingency provisions which should avoid the need to reconsult for additional budget throughout the course of the year. At the end of the year, any unutilised budget will be returned to industry via the DCC in the usual way. SEC Panel expects to underspend against the 2023/24 budget which will help to mitigate the impact of increased charges next year.

The expected costs for FY 2024-25 are £15m. This represents an increase of £4.3m versus the previous financial years' approved budget. The main drivers of this change are:

- The introduction of the new SECCo TOM, which is seeking to address the challenges set out above and develop the SEC arrangements into a more stable and encompassed service to meet SEC Parties evolving needs, and the need to manage enduring governance. This change contributes a large proportion of the increase (40%), although will deliver some savings from service providers.

  As part of the TOM there will be roles introduced to focus on DCC system performance and cost, operational issues, planning for major changes, and strategic leadership on smart meter technology changes, Code and Regulation. In addition, there will be roles to support greater Sub-Committee co-ordination, performance assurance, oversight of subcontractors, and provision of professional services. The industry is expected to benefit from improved service, performance and cost scrutiny, greater oversight and co-ordination of change, and more strategic leadership on its behalf.

- An increased scope of work being undertaken by the Panel and its Sub-Committees and the introduction of new Sub-Groups to manage key areas (Performance Assurance Board, Communications Transition Group, Privacy Sub-Group) necessitating more support from SECAS and consultants. This accounts for 43% of the budget increase. To a large extent, the complexity, volume of activity and extent of change occurring in the industry is driving the changes here. SEC Parties should see benefit in terms of improved service, increased support and the efficiency of centralised governance. Due to the pressures of inflation, the level of discount being applied to rates is reducing from prior years.

- Transition of CPA Scheme management from NCSC to the SSC (transition costs are only expected to affect the 2024-25 SEC Panel budget, with costs thereafter expected to be covered by DCC charges). This accounts for 15% of the increase in budget required and is a cost necessitated by government direction. Management of this area is expected to significantly improve, as a result of this transition.

Further detail is provided below to elaborate on these changes. Table 02 sets out the Draft Budget for 2024-25, and the indicative projections for the two subsequent years.

	2023/2024	2024/2025	2025/2026	2026/2027
Budget Category	Approved Budget	Draft Budget	Estimated Budget	Estimated Budget
1. SECCo & Panel Operations	£1,171,379	£2,877,320	£3,755,329	£3,854,382
2. SECAS Services*	£6,794,577	£8,678,050	£8,610,566	£8,758,246
3. Projects	£1,483,500	£1,687,675	£980,000	£880,000
4. SMDA	£660,000	£360,000	£360,000	£360,000
5. OPR Auditing	£99,000	£99,000	£99,000	£99,000
6. Contingency	£510,423	£1,370,204	£1,380,489	£1,395,163
Total	£10,718,879	£15,072,249	£15,185,384	£15,346,790

Table 02 – Draft SEC Panel Budget 2024-27
*** These costs are inclusive of resource and accommodation costs, and after the application of discounts.**

SEC
Smart Energy Code

2024-27 Budget Breakdown

The budget is broken down into six categories, the contents of which are outlined below.

1. SECCo & Panel Operations

The SECCo and Panel Operations category contains costs relating to the running of the Smart Energy Code Company and its Sub-Committees, including salaries, expenses, legal costs, Independent Chair charges, the User Competent Independent Organisation (CIO) and systems.

The most significant change in this category is the introduction of a SECCo Employees budget line*, which incorporates the introduction of 12 new SECCo roles in 2024/25, and a further 8 in 2025/26, which is the outcome of the TOM review described earlier. Panel Chair remuneration has also been moved from the Panel Members budget line into this area. Whilst some of these costs will be offset by other resource savings, overall, they are resulting in an increase in the SECCo proposed budget. Recruitment costs have been factored in to support this activity.

A further notable change is the introduction of a Performance Assurance budget to cater for the carrying out of Performance Assurance techniques identified by a newly established Performance Assurance Board, whose remit will be to monitor compliance with SEC obligations (subject to approval of Modification MP224).

The budget for most other areas has been increased to cater for anticipated inflation. Costs have been frozen or removed where possible. Table 03 below contains the full breakdown of budget lines.

	2023/24 Approved Budget	2023/24 Estimated Outturn	Budget Lines	2024/25 Draft Budget	2025/26 Estimated Budget	2026/27 Estimated Budget
Panel & SECCo Board Operations	£179,600	£200,000	Panel Members	£24,000	£25,200	£26,460
	£0	£0	SECCo Employees*	£1,938,911	£3,045,649	£3,127,692
	£57,491	£62,000	SECCo	£58,337	£61,253	£64,316
	£64,800	£50,000	Legal Costs	£63,250	£55,913	£58,708
	£10,800	£10,800	SEC Party Engagement Day	£11,502	£12,077	£12,681
	£8,000	£7,000	Customer Satisfaction Survey	£7,455	£7,828	£8,219
	£193,325	£120,000	User CIO	£140,000	£142,100	£144,232
	£10,000	£10,000	Recruitment	£50,000	£0	£0
	£3,600	£1,800	Licences	£3,300	£3,465	£3,638
	£0	£1,000	Bank Charges	£1,000	£1,050	£1,103
	£0	£0	Performance Assurance	£185,000	£185,000	£185,000
Sub-total	**£527,616**	**£462,600**		**£2,482,755**	**£3,354,535**	**£3,447,048**

	2023/24 Approved Budget	2023/24 Estimated Outturn	Budget Lines	2024/25 Draft Budget	2025/26 Estimated Budget	2026/27 Estimated Budget
Sub-Comm Expenses	£3,240	£2,000	All Sub-Committees	£2,000	£2,100	£2,205
Independent Chairs & Specialist Resources	£200,000	£200,000	SSC Independent Chair	£160,000	£160,000	£160,000
			SMKI Independent Chair	£40,000	£40,000	£40,000
	£65,000	£60,000	TABASC Independent Chair	£60,000	£60,000	£60,000
	£172,800	£169,000	OPSG Independent Chair	£0	£0	£0
	£21,600	£6,000	SMKI Specialist	£10,000	£10,000	£10,000
	£28,800	£0	TAG Specialist	£0	£0	£0
Sub-Total	**£488,200**	**£435,000**		**£270,000**	**£270,000**	**£270,000**
Systems	£21,600	£20,000	Web Maintenance / Hosting	£30,000	£31,500	£33,075
	£44,280	£0	Business Process Modelling	£0	£0	£0
	£69,163	£69,163	CodeWorks	£66,062	£69,365	£72,833
	£11,880	£11,880	CRM Helpdesk Licences	£12,652	£13,285	£13,949
	£5,400	£5,400	File Sharing	£5,751	£6,039	£6,340
	£0	£0	AMS Hosting/IT Support	£8,100	£8,505	£8,930
Sub-Total	**£152,323**	**£106,443**		**£122,565**	**£128,693**	**£135,128**
TOTAL	**£1,171,379**	**£1,006,043**		**£2,877,320**	**£3,755,329**	**£3,854,382**

Table 03 – SECCo & Panel Operations Draft Budget 2024-27

Smart Energy Code

2. SECAS Services

The Smart Energy Code Administration Service (SECAS) team will continue to support the evolving needs of SEC Panel and its Sub-Committees, through a combination of the Core Team and use of Subject Matter Experts where needed. This team provides a variety of support including Governance and Consultancy in the Technical, Security and Privacy aspects of Smart Metering.

Table 04 below outlines the cost by Sub-Committee area for the following three years, with the budget and estimated outturn for 2023/24 shown for comparison.

Service Area	Sub-Committee	2023/24 Approved Budget	2023/24 Estimated Outturn	2024/25 Draft Budget	2025/26 Estimated Budget	2026/27 Estimated Budget
Panel & Board		**£1,124,126**	**£1,135,000**	**£1,465,562**	**£1,379,112**	**£1,406,694**
Technical Operations	TABASC	£755,404	£749,000	£723,417	£737,885	£752,643
	OPSG	£1,050,111	£1,020,000	£1,084,698	£1,106,392	£1,128,520
	PAB	£98,358	£0	£225,533	£230,044	£234,644
	CTG			£112,827	£115,084	£117,386
	TAG	£388,330	£388,330	£433,586	£260,466	£265,676
	SMDA			£247,597	£252,549	£257,600
Sub-Total		**£2,292,203**	**£2,157,330**	**£2,827,658**	**£2,702,420**	**£2,756,469**
Security & Privacy	SSC	£1,527,508	£1,557,433	£1,737,643	£1,772,396	£1,807,844
	SCIRS	£38,332	£28,000	£35,034	£35,735	£36,449
	SMKI PMA	£84,991	£84,991	£128,413	£130,981	£133,601
	Privacy	£118,707	£118,707	£288,425	£294,194	£300,078
Sub-Total		**£1,769,538**	**£1,789,131**	**£2,189,516**	**£2,233,306**	**£2,233,306**
Change & Release Management	Change Board, CSC, Working Group	£1,481,777	£1,532,001	£1,806,967	£1,637,376	£1,670,124
Party Engagement	N/A	£832,775	£832,775	£1,042,892	£1,063,750	£1,085,025
TOTAL		**£7,500,419**	**£7,446,237**	**£9,332,595**	**£9,015,964**	**£9,151,617**

Table 04 – SECAS Draft Budget 2024-27
*** These costs are before the application of discounts.**

The key variances between the 2024/25 Draft Budget and 2023/24 Estimated Outturn are:

- **Panel & Board -** an increase in budget is provisioned to support the growing needs of the Panel & Board, including the demand for workshops and Strategy Days, policy development and management, enhanced reporting, project management, and setting up additional sub-contractors. There are also significant industry consultations underway requiring Panel input such as Code Reform and the DCC Licence Review, and a desire for more proactive monitoring and reporting on wider industry consultations and reports being issued. The team will continue to support in the assurance of DCC Programme artefacts.
- **Technical Operations -** three Sub-Committees have been moved into this budget area. Firstly, the Communications Transition Group (CTG) was established this year to facilitate the transition from 2G and 3G to 4G Communication Hubs. Secondly, the budget for the SMDA Sub-Committee has been moved out of the separate SMDA budget line into SECAS Services, and charging mechanism aligned to that of other Sub-Committees in order to bring cost savings to SEC Parties. And thirdly, there is provision for SECAS to support a new Performance Assurance Board subject to competitive tender (pending approval of MP224).
- **Security & Privacy -** in this area the Panel has identified the need for a new Privacy Sub-Group to support the growing number of data protection and privacy items requiring detailed discussion. Additionally, in the Security area, several new areas have come into scope including Triage Assessments, Trial Device Certificates, and DCC CIO assessments. The mix of assessments is changing in favour of Verification User Assessments which require more effort to review than Self Assessments, and the percentage of assessments leading to remediation plans has increased significantly leading to increased team workload.
- **Change & Release Management -** the technical complexity of Modifications being raised requires specialist knowledge and as such, the proposal is for the team to comprise of higher-grade resources. An additional resource is also being added to cater for increased demand. A project is, however, underway to look at how the modification process can be improved and streamlined to be able to make the change process more effective and agile.
- **Party Engagement -** the Panel has identified a need to improve and increase the frequency of SEC Party communications and engagement, and as such additional resource is budgeted for. A small increase has been built in for maintenance of the new SEC website and document repository.

Several factors could impact the scope of work undertaken by SECAS, including how the Department for Energy Security and Net Zero (DESNZ) transitional governance groups will be delivered under the SEC, the impact of industry led changes, and the impact of SECCo's TOM work. As these areas become clearer, they will be built into subsequent annual budgets and in discussion with SEC Parties.

SECAS Services costs are subject to an annually agreed discount, an estimation of which has been built into the budget, at a lower level in future years. Provision of £45,400 is also included to cover the cost of meeting rooms, refreshments, and use of desk space by the Independent Chairs. This is in line with the estimated outturn for 2023/24.

3. Projects

This budget category outlines additional items of SEC expenditure which are at the discretion of the SEC Panel.

Any expenditure against the Project budget requires prior approval and oversight from the SEC Panel and SECCo Board. A Project Brief (including proposed scope, budget, milestones and deliverables) will first be approved by the relevant SEC Sub-Committee, before being presented to the SEC Panel and Board for approval prior to release of funds.

The SECCo Procurement Policy is followed to guide the SECCo Board when determining the delivery approach for new activities, work packages and projects. The policy requires consideration of the approximate cost of the activity, the skills required to perform it, independence requirements and the enduring need for the activity.

Table 05 includes estimated spend on projects for budgetary purposes only and represents a combination of expected Third Party Consultancy expenditure and SECAS costs. A comparison to estimated outturn for 2023/24 is also provided.

Project	2023/24 Approved Budget	2023/24 Estimated Outturn	2024/25 Draft Budget	2025/26 Estimated Budget	2026/27 Estimated Budget
Annual Security Obligations - Risk Assessment	£150,000	£59,307	£125,000	£125,000	£125,000
Annual Security Obligations - Security Architecture	£100,000	£28,500	£100,000	£100,000	£100,000
Threat Assessment	£210,000	£20,000	£25,000	£25,000	£25,000
Quantum Computing	£75,000	£110,000	£112,500	£150,000	£150,000
CPA Matters	£90,000	£45,000	£37,500	£50,000	£50,000
Future CPA Scheme Transition/Procurement	£0	£0	£672,675	£0	£0
Annual Incident Management	£0	£0	£60,000	£80,000	£80,000
2G/3G/4G CH Transition Group	£250,000	£225,000	£0	£0	£0
Code Reform	£50,000	£0	£0	£0	£0
DCC Licence Review	£50,000	£0	£26,250	£0	£0
Strategic Working Group Projects	£56,250	£20,694	£56,250	£75,000	£75,000
Digitalisation	£150,000	£300,000	£187,500	£250,000	£250,000
SECCo Role & Structure/ Procurements/TOM	£150,000	£100,000	£56,250	£50,000	£0
Supplier Issues	£0	£18,000	£26,250	£0	£0
Data Sharing/Privacy	£0	£0	£45,000	£0	£0

Project	2023/24 Approved Budget	2023/24 Estimated Outturn	2024/25 Draft Budget	2025/26 Estimated Budget	2026/27 Estimated Budget
Privacy - Data Protection & Digital Information Bill	£0	£0	£40,000	£0	£0
Assessment of AI Risks and Opportunities	£0	£0	£56,250	£0	£0
Modification Improvements Project	£0	£60,000	£0	£0	£0
Design Authority	£37,500	£37,500	£0	£0	£0
Transfer of Transitional Governance	£0	£0	£25,000	£50,000	£0
SMDA TH Procurement	£22,500	£22,500	£10,000	£0	£0
SMDA SEC Releases	£26,250	£0	£18,750	£25,000	£25,000
SMDA DSP Procurement	£0	£0	£7,500	£0	£0
SMDA Review	£0	£84,379	£0	£0	£0
SMDA 4G Communications Hub	£0	£0	£22,500	£0	£0
Business Architecture Model Upgrade	£37,500	£0	£0	£0	£0
TOTAL	**£1,483,500**	**£1,130,880**	**£1,687,675**	**£980,000**	**£880,000**

Table 05 – Projects Draft Budget 2024-27

The projects are detailed further below.

Annual Security Obligations - Risk Assessment

SEC Section G7.19(b) specifies that the SSC must carry out reviews of the Security Risk Assessment at least once each year, in order to identify any new or changed security risks to the End-to-End Smart Metering System. There is an increase in budget versus the expected outturn for 2023/24, as this year's Risk Assessment will only be part way completed by the end of the year.

Annual Security Obligations – Security Architecture Document

SEC Section G7.19(d) requires the Security Sub-Committee to review and maintain the End-to-End Security Architecture and Security Obligations and Assurance Arrangements, to ensure it is up to date.

Threat Assessment

This provision is for an annual activity to carry out a Threat Assessment on Supply Chain Risks which could affect the security of Smart Metering arrangements. This activity was recommended by the prior year's Annual Security Obligations Risk Assessment.

Quantum Computing

Budget is being provisioned to continue the work which Panel has commenced to identify and deal with the threats posed by Quantum Computing. It may result in new standards for SMKI and DCCKI, and the redesign of metering equipment with a long lead time.

Commercial Product Assurance (CPA) Matters

CPA matters are discussed within the monthly SCIRS meetings, a Sub-Group of the SSC. This forum allows NCSC, DESNZ, SSC and the industry to work together to resolve CPA matters. This provision is for CPA and Smart Metering CPA Security Characteristic expertise to support SCIRS; provide ad hoc technical advice; support maintenance of CPA Guidance and related documents; and support on the Risk Review process which was piloted this year (2023).

Future CPA Scheme

Following the announcement that the NCSC will be stepping back from management of the CPA Scheme, this project budget will facilitate SECCo's procurement of a Scheme Operator and will fund the handover period and initial operation within 2024/25. Thereafter it is envisaged that the costs will be included within DCC charges (this will be subject to DESNZ consultation).

Annual Incident Management

The SSC is responsible for running a Security Incident exercise at least annually (as set out in the Joint Industry Cyber Security Incident Management Plan).

DCC Licence Review

Ofgem is consulting with industry on its views of the type of regulatory framework that should underpin the role of the DCC up to 2040. Budget has been set aside to allow SEC Panel to consider any potential role Panel may play in assuring Transition to the new Licensee, and fully assess the impact of proposed changes, in order to be able to feed-back appropriately to Ofgem.

Strategic Working Group (SWG) Projects

The SWG maintains a roadmap of strategic events impacting the SEC for the next 10-20 years. This considers the remit of SEC Panel and the needs of SEC Parties, DESNZ, the emerging landscape and use of the infrastructure to support wider industry developments. Projects may be required to delve deeper into certain topic areas, to ensure the SEC is fully prepared for such events to occur.

Digitalisation

In response to industry feedback and Ofgem's desire for industry codes to be digitalised, SEC Panel is continuing to digitalise its services to make content and participation more accessible to SEC Parties. This provision allows opportunities to progress such as a more collaborative space for Change modifications, and second phases of the Security Assessment Digital Booking tool and Website.

SECCo Role & Structure, SECAS Service Provision/ Procurement

This provision is to continue the work initiated in 2023/24 to review SECCo's Target Operating Model. The bulk of design work will have been completed this year, and the lower provision for the next three years is to cover any resulting procurements (e.g. for Performance Assurance and SECAS).

Supplier Issues

This provision is to facilitate continuation of work commenced this year to look at the investigation and resolution of specific Supplier, DNO, and Other User Issues.

Data Sharing/Privacy

This project will consider the role of the SEC in relation to governance of the Smart Meter Data repository. This would include development of a governance framework, a report on Use Cases/ Models, and identification of changes to Code/ Licences.

Privacy - Data Protection and Digital Information Bill

This project will review the new Data Protection and Digital Information Bill regulation (clause 18) and its impact on all SEC Privacy processes, in order to ensure compliance.

Assessment of Artificial Intelligence (AI) Risks & Opportunities

This project will consider the implications of AI and whether the SEC has the right controls in place. Impacted areas could include the SEC Obligations, Agreed Interpretations, Security and Privacy Controls Frameworks. This project will undertake a risk assessment of existing and potential uses of AI on consumption and smart metering data and research the applicability of AI governance models.

Transfer of Transitional Governance

This project will scope and manage the transfer of DESNZ outstanding Transitional Governance groups into SEC governance. Work needs to be undertaken to ensure that the necessary capabilities, systems and processes are in place prior to transfer. The TOM work has already started to look at what requirements may be.

SMDA TH Procurement

This budget provisions for the completion of a competitive tender process (commencing this year) for a Test House to support the SMDA Scheme.

SMDA SEC Releases

Changes in the SEC June and November 2024 releases may require updates to SMDA testing to ensure that the Scheme continues to align with industry testing standards.

SMDA DSP Procurement

The DSP contract with the DCC is currently provisioned to end in 2024. This budget will allow for further investigation to take place to determine if changes to the contract would impact the Scheme.

SMDA 4G Comms Hub

This budget is provisioned to cover the impact analysis of 4G Communications Hubs entering the SMDA Scheme.

4. SMDA

Following transition of the SMDA Scheme into the SEC in 2021/22, centralised costs for the scheme fall under the SEC Panel budget. This budget line covers the cost of the Test House which carries out the formal testing of devices against the specifications provided and supports the Scheme Operator with issue resolution during testing. At the instruction of the Panel, the SMDA Sub-Committee is looking to re-tender the Test House activity to seek efficiencies if possible.

The costs for the SMDA Scheme Operator (SO) have been moved out of this budget and into the SECAS Services budget, thereby reducing this budget line. The SMDA SO undertakes the day-to-day technical administration for the Scheme (including its Test Specifications and Test Scripts), management of the SMDA Sub-Committee, assisting SMDA users, as well as ongoing management of the Test House and routine reporting to industry, SEC Panel and Board.

5. OPR Auditing

Ofgem has procured an Auditor to support its Operational Performance Regime monitoring of the DCC's Contract Management practices. This budget provisions for the cost of audits to be carried out in each year.

6. Contingency

Unlike previous years, where the Panel has been able to deliver its activities under budget, the SEC Panel sees a significant level of uncertainty affecting the budgetary period and therefore expects underspending is less likely. As such it has included a Contingency provision of 10% (£1,370,204 in 2024-25) to cater for any unforeseen expenses. Examples of such uncertainties include any potential changes resulting from the DCC Licence Review, the sunsetting of 2G and 3G and transition to 4G and Code Reform which may necessitate a change to SEC governance.

SEC Panel believes that inclusion of a Contingency budget at the start of the financial year will provide greater certainty to SEC Parties to support their budgetary planning, rather than having to going back out to consultation in the middle of the financial year to request additional funds, should they be needed. As normal, any unused funds will be returned to industry at the end of the financial year via the DCC in the usual way.

Budget Approval Process

The Smart Energy Code (SEC) requires the SEC Panel to develop its proposed budget for the next three Regulatory Years, explaining the activities and projects to which those costs relate and for the Panel to seek comments on the budget and plans.

A webinar will be held in January to further explain the draft SEC Panel Budget 2024-27. SEC Parties are invited to respond with any feedback by 15 February 2024.

The SEC Panel will then consider and respond to feedback received and will circulate its responses to all Parties.

To the extent that it considers it appropriate to do so, SEC Panel may amend the Draft Budget and/or accompanying work plan, in light of these comments. Thereafter the Panel shall approve the Draft Budget and publish it on the SEC Website in March.