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MP224

‘SEC Performance Assurance Framework’

Modification Report

Version 1.0

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Corporate member of
Plain English Campaign
Committed to clearer
communication

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About this document

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

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This document also has five annexes:

- **Annex A** contains the full responses received to the request for information (RFI).
- **Annex B** contains the redlined changes to the Smart Energy Code (SEC) required to deliver the Proposed Solution, as well as the proposed Terms of Reference for a Performance Assurance Board.
- **Annex C** contains the full responses received to the Refinement Consultation.
- **Annex D** contains the draft Risk Evaluation Methodology.
- **Annex E** contains the Security Sub-Committee (SSC) statement on scope. (GREEN)

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1. Summary

This proposal has been raised by Emslie Law from OVO Energy.

The SEC does not explicitly define a Performance Assurance Framework (PAF), which is in contrast with some other Energy Codes. Instead, the SEC Panel, as the key decision-making authority under the SEC, is expected to deal with any performance-related matters as they arise. However, managing performance-related matters on a case-by-case basis is challenging and the scope of the Panel is broad.

A project undertaken on the Panel's behalf has concluded that the implementation of a risk-based PAF under the SEC would give confidence to Parties that: the obligations set out in the SEC are being fulfilled; that Parties are not being disadvantaged by the failure of any one Party to meet its obligations; and that performance risks and issues are dealt with in a standardised manner. The project detailed a proposed approach to the delivery of a PAF and concluded that this should be progressed further via the SEC modification framework. Respondents to the RFI (which can be found in Annex A) unanimously agreed that a PAF should be introduced.

The Proposed Solution will deliver a PAF, as well as requiring a Performance Assurance Board (PAB) be set up to develop the appropriate risk-based methodology. The scope of the PAF excludes obligations on Section Z 'Alt HAN Arrangements' and Section G 'Security'. The costs for delivering the modification are limited to the Smart Energy Code Administrator and Secretariat (SECAS) implementation costs. Ongoing operating costs for management of the PAF and PAB have been included within the SEC budget, which Parties have already been consulted on. The budgeted costs for the set up and first year of operation are estimated to be £185,000. SEC Parties have noted minimal costs on themselves to engage with and provide resource for a PAF.

This modification will impact all SEC Parties and is targeted for implementation as an Ad hoc SEC Release one working day after decision.

This will be progressed as an Authority-Determined modification.

2. Issue

What are the current arrangements?

The SEC does not explicitly define a PAF, instead, the SEC Panel, as the key decision-making authority under the SEC, is expected to deal with any performance-related matters as they arise. This is in contrast to other Energy Codes such as the Balancing and Settlement Code (BSC), the Retail Energy Code (REC) and the Uniform Network Code (UNC), where a dedicated, risk-based Performance Assurance Framework is used to identify and mitigate key risks to the respective code objectives.

Existing assurance mechanisms under the SEC

In general, the SEC does not explicitly mandate the end-to-end, coherent view of assurance. As it stands, the SEC Panel is seen as the decision-making body, and would therefore be expected to deal with assurance matters individually as they arise. Compliance with the SEC is also a Licence Condition for SEC Parties, and therefore ultimately subject to Ofgem authority.

Some examples of assurance mechanisms which are already intrinsic parts of the SEC and its associated processes include:

- Provisions providing for Parties to raise Disputes (SEC Section M7) and those allowing for the Panel to declare a material breach by a Party.
- The capability brought under the SEC through the Smart Meter Device Assurance (SMDA) scheme (SEC Section F12), providing a preventive technique.
- The Operations Group (OPSG), working with the Data Communications Company (DCC), has pursued several topics with the aim of improving compliance. In general, the OPSG has adopted a style of 'inform, encourage, persuade', as with Radio Frequency Noise compliance. In effect, this style incorporates some aspects of preventative, detective and corrective techniques. Experience to date indicates general willingness by SEC Parties to address compliance matters once they are provided with specific information regarding shortcomings.
- The SEC includes strong provisions for assuring security (SEC Section G).

What is the issue?

Managing performance-related matters on a case-by-case basis is challenging and the scope of the Panel is broad.

The Panel therefore considered whether a PAF and a PAB should be established under the SEC. It subsequently approved SECAS undertaking a project to investigate this further. The aim of this project was to facilitate the development of a proposal to implement a PAF¹.

The project concluded that the implementation of a risk-based PAF under the SEC would give confidence to Parties that:

- The obligations set out in the SEC are being fulfilled, and that any failure to meet obligations will not detract from the achievement of the SEC Objectives;
- They are not being disadvantaged, either individually and collectively, by the failure of any one Party to meet its obligations; and
- Performance risks and issues are dealt with in a standardised manner.

The project's findings, approved by the Panel, detailed a proposed approach to the delivery of a PAF, based on the premise that:

- Changes to the SEC will be required to fully enable the introduction of a PAF – a PAB could be established under the existing SEC provisions, but would lack the 'weight' to apply any PAF without corresponding obligations being placed on Parties;
- The PAF will require a delivery/responsible body, a PAB, to develop and manage the framework;
- The changes will be further developed and implemented via the SEC modification process, after which an 'annual' budget will be established to facilitate the PAF, to be managed by a PAB; and

¹ Please see [SEC Panel paper SECP 95 1308 04](#) (White) for further details

- All Parties who will be included in the PAF will have the opportunity to shape it into a working model that best supports the SEC Objectives.

The Panel agreed that further work on the delivery of a PAF should be undertaken via the modification framework, to avoid duplication of effort. It therefore agreed that a Draft Proposal should be raised to take this forward². The work and materials (including the proposed SEC changes and the proposed PAB terms of reference) developed under the project will be handed over for consideration under this modification.

What is a PAF?

When acceding to multi-party agreements such as the SEC, Parties accept the obligations set out within the agreement. The assumption is that fulfilment of these obligations is necessary for the objectives of the relevant agreement to be achieved.

A PAF can be set up under such agreements to give confidence to all signatories that the obligations set out in the agreement are being fulfilled, and that failure to meet obligations is not detracting from the achievement of the objectives of the agreement. It can also give confidence to signatories, both individually and collectively, that they are not being disadvantaged by the failure of any one signatory to meet its obligations.

A principal benefit of having an explicit PAF is that it could require and encourage an integrated approach to assurance, which is likely to have advantages over an issue-by-issue approach. However, it is not the purpose of a PAF to determine whether obligations are 'right' or optimum, though operation of the PAF may highlight areas of risk where, for example, compliance is proving difficult to achieve.

Typically, a PAF comprises four principal parts:

- **Governance arrangements**, which will include establishing a governance body (for example, a PAB).
- A **Risk Evaluation Methodology** to be overseen by a PAB, used to identify, evaluate, and assess the materiality of risks to the fulfilment of the code objectives.
- A set of **Performance Assurance Techniques** (PATs) which can be applied to mitigate and manage the risks identified by the Risk Evaluation Methodology and cover the different aspects of assurance. These are often categorised as:
 - **Preventative**: techniques that are intended to promote assurance by acting early in the lifecycle to avoid subsequent operational non-compliances
 - **Incentivisation**: techniques which encourage operational compliance, and are often also seen as part of the 'corrective' category
 - **Detective**: techniques which discover and provide evidence of areas of risk, or non-compliances
 - **Corrective**: techniques which remediate any non-compliances. It should not be assumed that these are necessarily sanctions, or punitive; for example, agreed error correction processes (remediation plans) and a derogation process are likely to be important

² Please see [SEC Panel paper SECP 111 1612 08 \(Green\)](#) for further details

- A **Support Capability** to facilitate the operation of the PAF. This would include support staff, explicit and detailed business processes, and support tools.

Designing a PAF to ensure that it is appropriate and proportionate is important. One way of doing this is to adopt an adaptive, risk-based approach. As an illustration, each year the PAB might recommend a plan identifying the areas of highest risk and a proposed assurance plan. This plan might be put to signatories and any overarching governance body for endorsement before being implemented by the PAB. This approach would also allow the appropriate phasing of the introduction of assurance measures to match the maturity of arrangements area-by-area.

What is the impact this is having?

One of the challenges the Panel has faced has been to ensure that sufficient resources with the required time and detailed technical expertise are available to deal with issues and risks as they arise, especially as the volume of Parties, data and change has increased.

Under the SEC PAF project, SECAS and the OPSG identified a range of historical issues and potential instances of non-compliance with obligations that might have fallen under the remit of a PAF and sought to quantify their impact. This analysis provided an indicative view of the type of SEC obligations that may fall within the scope of a PAF.

A workgroup was established under the project to seek input from industry members, but no wider consultation was undertaken. Consultation was therefore undertaken with Parties during the Development Stage to seek further input on the issue raised under this Draft Proposal, including further examples that may have fallen within scope of a PAF, and the impacts this is having. These examples can be found in Section 7 of this document.

Impact on consumers

Any Party failing to meet its obligations or required performance levels under the SEC could have an adverse impact on the service provided to consumers. The specific impact on consumers of any given failure will depend on the obligation in question, but as a minimum could lead to a negative perception among consumers regarding the smart metering arrangements.

3. Solution

The Proposed Solution will introduce the concept of a risk-based PAF through changes to the main body of the SEC with further detail set out in a new Appendix to the SEC. It will also mandate a new Sub-Committee be created (the PAB), to manage the framework and its associated processes. The details of the make-up, proceedings and deliverables of the PAB is set out in a new Terms of Reference for the Sub-Committee as part of this solution.

The PAF has been drafted to include within its scope, all obligations within the SEC, except for Section Z 'Alt HAN Arrangements' and Section G 'Security'.

The way the solution has been developed will put the onus on the newly formed PAB to develop the methodology and processes, in consultation with industry, to deliver these outcomes. The

modification itself focuses on the delivery of the supporting governance arrangements required for the creation of the PAF and supporting PAB.

The redlined changes 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

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

All SEC Parties will be impacted by this modification. The PAB will be made up of representatives from all Party categories and Parties will need to engage with the PAF as requested.

DCC System

There are not expected to be any impacts to the DCC System from this modification. Any reporting that will be required as part of the framework will be managed by the Performance Assurance Board once it has been set up.

SEC and subsidiary documents

The following parts of the SEC will be impacted:

- Section C 'Governance'
- New Appendix 'Performance Assurance Framework'
- New Performance Assurance Board 'Terms of Reference'

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

Devices

This modification will not impact Device behaviour.

Consumers

Consumers will not be directly impacted by this modification. However, the indirect impacts of improvements that the PAF should deliver will be consumer focused. Therefore, consumers should see benefits from improvements.

Other industry Codes

There are no impacts to other Codes from this modification.

Greenhouse gas emissions

There are no impacts to Greenhouse gas emissions from this modification.

5. Costs

DCC costs

There are no DCC costs to implement 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.

Ongoing operating costs for management of the PAF and PAB have been included within the SEC budget, which Parties have already been consulted on. The budgeted costs for the set up and first year of operation are estimated to be £185,000.

SEC Party costs

The operating costs have been included within the SEC budget which Parties feed into already. There will also be some additional resource costs for Parties to engage with the PAF, whether that be part of information gathering or engagement with meetings. Respondents to the Refinement Consultation noted that these costs were not envisaged to be large but would not be possible to quantify until the specifics of each risk had been identified by the PAB.

6. Implementation approach

Recommended implementation approach

The Change Sub-Committee (CSC) is recommending an implementation date of:

- **Ad hoc SEC Release (one working day after decision)**

If approved by the Authority, there will be a period needed to initially set up and constitute the membership of the PAB, and then for the PAB to further develop the appropriate supporting PAF methodology and processes, which SEC Parties must be consulted upon. This should give an adequate amount of time for Parties to have input into and prepare for any changes required.

Most respondents to the Refinement Consultation agreed that there was no lead time required for their organisations. Those who disagreed noted that until the risks and specific PATs had been determined they could not answer with surety. However, the work to deliver the PAF methodology and supporting processes will be delivered by the PAB after setting up with a further requirement for the PAB to consult with Parties, so this process would give adequate time.

7. Assessment of the proposal

Areas for assessment

Sub-Committee input

SECAS has engaged with the Chairs from the OPSG, the Technical Architecture and Business Architecture Sub-Committee (TABASC), the SSC and the Smart Metering Key Infrastructure (SMKI) Policy Management Authority (PMA) 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 OPSG has been consulted as part of the project and has continued to be updated on the solution under this modification through the process.
SMKI PMA	SMKI-related areas under SEC Section L 'Smart Metering Key Infrastructure and DCC Key Infrastructure' may fall within the scope of any PAF. The SMKI PMA has been updated on the modification
SSC	Security-related areas are expected to be out of scope of any PAF, and so the SSC will not need to be consulted
TABASC	There are no system or architectural impacts expected from this modification or any system changes expected to deliver any solution, and so the TABASC do not need to be consulted

Observations on the issue

This Draft Proposal was presented to the CSC for initial comment. Members had no comments on the issue.

The DCC has confirmed they are supportive of the purpose underpinning this exercise stating that the performance assurance landscape has become overly complex and unwieldy. They continued that any reform must be seized as an opportunity to improve and simplify the status quo rather than drive further inefficiency, complexity, and additional cost on consumers.

The way the solution has been developed will put the onus on the newly formed PAB to develop the methodology and supporting processes, in consultation with industry, to deliver these outcomes. The modification itself focuses on the governance arrangements necessary for the creation of the PAF and supporting PAB.

A Working Group member commented that the general view within industry is that other Codes benefit from having a risk based PAF and therefore the introduction of a PAF within the SEC should also deliver similar benefits.

A respondent to the RFI noted that Smart metering and the DCC's services are critical not only to the consumer experience of the energy market, but also to the success of wider transformation projects like Market-wide Half Hourly Settlement (MHHS). They believe it seems counterintuitive for there to be no formal framework for identifying risks, monitoring performance, and addressing poor performance where it occurs and where it directly impacts consumers, or smart metering more widely.

Another respondent believed that having a framework that will provide Parties with a standardised approach would help move performance improvements forwards. They highlighted that it is currently difficult to recognise or even understand where things go wrong.

Another Large Supplier commented that they believe that the Smart Metering arrangements are too immature to deliver a PAF at this time. They noted that many issues are complex and difficult for Parties to deliver on their obligations as they're impacted by factors outside of their control. SECAS acknowledges this but considers that the purpose of the PAF is to drive improvements in service for consumers. Identifying where issues arise within the process will help to address them, regardless of who is at fault for not being able to meet an obligation.

Scale of the issues that could fall within the scope of a PAF

The project was primarily focused on the development of a potential solution, though undertook some analysis of historical issues that could have fallen within scope of a PAF to help provide context. This analysis was attached to the Panel paper setting out the PAF project's conclusions. As part of the Development Stage, an RFI was issued to allow Parties to provide further examples of the issues that could fall under a PAF and the magnitude of the impacts these are creating.

Nine Parties responded in favour of progressing a PAF and provided a list of issues that could have been managed more effectively had a PAF been in place. The full responses can be found in Annex A, with some issues that respondents highlighted being detailed below.

Failure to complete post-commissioning or SMKI obligations

This issue relates to requirements on Suppliers to update and apply the appropriate Distribution Network Operator (DNO) certificate on installation of a Smart Meter to allow the DNO's to communicate with the Device. If the correct certificate is not installed, the DNO cannot execute any of its smart metering business processes for that Device.

DCC Outages

Some respondents noted DCC performance regarding outages, either through maintenance or incidents, impacts their ability to communicate effectively with Devices. Another Party noted this has a large impact on consumers and the current reporting does not measure against volume of incidents, only that they are resolved within timescales.

Market-wide Half Hourly Settlement (MHHS) and increased DCC traffic

Another respondent highlighted that the performance of the DCC in delivering its services could impact settlement performance under the new MHHS settlement arrangements. The DCC's performance will have a direct impact on whether Suppliers are able to meet their settlement performance targets under MHHS. This risk will increase as MHHS will require exponentially higher volumes of consumption data to be made available to Suppliers (and other Parties) on a time critical basis.

As the DCC is not a party to the BSC, or a Supplier Agent (as defined in the BSC) it is not currently clear how the DCC's performance, and its impact on settlement, will be managed. A SEC PAF, that identifies DCC performance as a risk and creates a process for monitoring this whilst providing a PAB the tools to mitigate this risk would appear to be an appropriate solution.

The current Operational Performance Regime (OPR) that the DCC operates under is not, on its own, sufficient to do this and is more focussed on how DCC performance impacts its margin under the Price Control than on consequential impacts to things like settlement performance and consumer experience.

Another respondent noted there have been instances of increased demand on DCC services by specific Users which has resulted in performance issues that impact other DCC users.

The volume of 'Other User' traffic is likely to increase going forwards and continue to periodically cause widespread capacity issues. They suggested that there may need to be further amendments in the SEC on capacity volumes, and there also needs to be a way of assuring 'Other User' (and all Parties) compliance with any such requirements.

Suppliers not responding to install code emails?

[MP121 'Commissioning non-commissioned Devices after CoS'](#) was introduced in February 2022. This placed an obligation on Suppliers to respond to requests for install codes from a gaining Supplier within 10 working days. A respondent noted that non-responses to these requests are having a big impact on their business.

Suppliers not keeping firmware up to date

In this scenario, Suppliers are obligated to maintain a Device in line with the Smart Metering Equipment Technical Specification (SMETS) and by not upgrading to the latest firmware to resolve an issue identified with affected Devices, Suppliers are in breach of those obligations.

Suppliers not updating the Smart Metering Inventory (SMI)

The impact on these issues varies greatly. Some of the impacts include DNOs not being able to communicate with Devices, resulting in being unable to obtain data to assist in benefit realisation. Other impact results in time and resource being spent investigating and raising incidents because the SMI is not truly reflective of the situation on site, for example Devices showing as de-commissioned but still generating and sending Alerts.

Solution development

The introduction of the proposed PAF is intended to be risk based. This ensures that the consequential impacts on Parties with regards to reporting and engagement are proportionate. The more severe risks that are identified will likely lead to more in depth reporting and analysis. This concept and further documentation will be developed further by the PAB. Each artefact will be developed by the PAB and consulted upon with industry to ensure that Parties views and feedback are included within each risk, assessment and mitigating PAT.

The intent of the PAF is to deliver performance improvements for consumers, and better facilitate the SEC Objectives. It is not envisaged that it be used to target or punish Parties that do not meet obligations. It is required to manage risk and issues. By highlighting risks and issues, techniques to drive improvements can be put in place, thus helping Parties meet obligations to benefit consumers.

A risk-based PAF would identify the areas of the greatest risk to the achievement of the SEC Objectives and then make sure that appropriate performance assurance techniques are focussed on these. In the solution proposed by the project, this prioritisation process (the 'Risk Evaluation Methodology') would be developed and then managed by a PAB. This 'Risk Evaluation Methodology' would also be subject to periodic consultation with SEC Parties and endorsement by the Panel, providing for an additional level of scrutiny to give confidence to Parties that performance assurance activities are proportionate and not unduly onerous or intrusive.

Ensuring a risk-based approach to assurance

Respondents to the RFI were consistent that any new PAF should ensure that a risk-based approach was adopted by the PAB.

One Party noted that assessment must consider the size of the organisation, and size of their portfolio. They highlighted that not having this approach may mean they would need to engage with significant resource to trivial matters. They suggested that percentage-based performance management should be against whole industry view, as opposed to portfolio size to ensure Large and Small Suppliers were treated equally.

Another Party suggested that the PAB should focus primarily on issues that have a consumer impact. They also commented that the assurance processes should provide meaningful support to Parties in understanding the framework and proving clear guidance how non-compliances can be corrected.

To address these points, the Proposed Solution details that the PAB shall develop a Risk Evaluation Methodology and a Performance Risk Register that should be consulted upon when developed and material changes made.

Draft Risk Evaluation Methodology

As part of the modification's development, the first draft of a Risk Evaluation Methodology was produced and shared with the Working Group in February 2024. This can be found in Annex D.

This document details how risks would be identified, assessed, mitigated and prioritised. The prioritisation of each risk and PAB's focus for the year would be determined by them, but the approach would be proportionate.

A Working Group member noted that the definition of success could mean different things for different entities and that each issue/risk would need a defined measurement of success to help make it clear. This should also include target timescales. SECAS noted that a 'target score' for each risk would be identified within the Risk Register and this would be consulted upon so Parties can feed in views.

The Working Group noted that they were supportive of the work to date and was keen to see it progress and consider wider strategy. They highlighted that the work done during the modification should act as the starting point for developing further by the PAB to ensure that the work from this modification was not lost.

Data provision

The intent of the PAF is to mitigate risks and issues and not require burdensome reporting for Parties. Some Parties noted that the introduction of a PAF should see as much as possible of the administrative burden centralised to reduce Party impacts.

The DCC already reports on over 80 measures within the Performance Measurement Report (PMR) reviewed by the OPSG. Parties believe this modification should be used as an opportunity to rationalise and consolidate DCC reporting requirements and metrics to re-focus on which matter most to customers and consumers.

There was agreement that the introduction of a PAF should be an opportunity to improve and simplify the current arrangements rather than drive further inefficiency, complexity and additional cost on consumers.

The Working Group considered that lessons should be learned from [MP122B 'Operational Metrics'](#) with regards data provision. They suggested not putting in place requirements until they are known to be able to be delivered.

SECAS advised the intent is to use existing reporting wherever possible, noting that DCC centralised reporting has a holistic view and would lessen impacts on Parties, but acknowledged some level of Party reporting would be required.

The solution will leave the data provision responsibility with the PAB to decide what is the appropriate source, dependent on what issue is being addressed. The Proposed Solution includes data provision principles under clause 4.4 which advises that existing data will be used where possible, each request is reasonable, and the PAB will consult upon substantive data requests.

Scope of the PAF

It was agreed that the scope of the PAF should be developed and confirmed as part of this modification's development, rather than a recommendation through the Panel project.

Any scope needs to ensure that maximum benefit is achieved, whilst managing costs and ensuring that performance assurance activities are proportionate and not unduly onerous or intrusive. Given

the extensive nature of the SEC, seeking to assure that every obligation is being fulfilled is unlikely to be a productive or cost-effective exercise.

The project's recommendation was that only those obligations under SEC Section G 'Security' and SEC Section J 'Charges' be excluded from the scope of the PAF. The SEC already contains explicit provisions for dealing with compliance with security risks and credit management processes. Consequently, there would seem to be little benefit in moving oversight of these to a PAB. To deem anything else to be out of scope at this stage could potentially limit the effectiveness of a PAF before the key risks to compliance with SEC objectives have been established. Consequently, all other obligations should be deemed in scope, at least until such time as the 'Risk Evaluation Methodology' has been developed and approved.

One RFI respondent noted that the Party obligations relating to Section Z 'Alt HAN Arrangements' are governed by the Alternative Home Area Network (Alt HAN) Forum, and not the SEC Panel.

The Working Group and Refinement Consultation respondents highlighted several Sections that could or should be left out of scope. These were debated at length and there was general agreement that all obligations should remain in scope, with the exception being Section Z 'Alt HAN Arrangements' and Section G 'Security'.

Members largely agreed on Section Z 'Alt Han Arrangements' but there were opposing views about Section G 'Security'.

A Working Group member highlighted that Section G had been drafted to give the SSC complete oversight of this area and that would need changes. They continued that the work the SSC do is highly technical and confidential, which would make it impossible to share their risk register with Parties. They also noted that the SSC reports straight to the government through the National Cyber Security Centre (NCSC) and the Department for Energy, Security & Net Zero (DESNZ).

Another Working Group member considered that this could lead to a disjointed approach as opposed to a holistic one. They noted that the User audits carried out under Section G assess all risks identified on an annual basis, which is fundamentally different to this risk-based approach. They believed that a review and potential amendments should be considered within Section G as part of this modification to ensure that all risk across the SEC was being managed and addressed in the same way.

Another Working Group member also highlighted that there was a new Privacy Sub-Committee being established and questioned whether their work should also be excluded due to PAB members not likely having the technical expertise in that area. SECAS has investigated this further and believes that the risks that would be associated with Data Privacy are fundamentally different to those managed through Section G, noting that there would not be a threat to Critical National Infrastructure in the same way.

The Working Group agreed that statements should be provided by the SSC and AltHANCo to provide rationale on the exclusion (see below).

AltHANCo statement

SEC obligations in scope of the Performance Assurance Framework (PAF) would come under the governance of SEC Panel. However, Party obligations relating to Section Z and the Alt HAN are governed by the Alt HAN Forum. Therefore, we would expect MP224 PAF proposals would not apply to Section Z obligations and therefore not be within scope of the PAF. The Alt HAN Forum could establish activities akin to those imagined under a PAF should there be a need to strengthen

compliance with Alt HAN obligations. This ensures there is no confusion over governance, duplication or unnecessary complexity to the existing Alt HAN arrangements.

SSC statement

At the SSC meeting on 8 May, SECAS presented the latest position of the Working Group to understand the rationale behind the SSC's viewpoint. The SSC agreed to provide a statement, which can be found in Annex E.

At the meeting, it was reiterated that the Government had drafted the SEC to specifically give all responsibility over Security decisions to the SSC. This view was echoed by the DESNZ member who noted that the Government is responsible for the Critical National Infrastructure and the SEC was drafted to ensure that the SSC retained sole ownership of decisions that could affect this. The purpose being that members of the SSC are experts in their field and should make decisions independent of any industry bias and therefore focus on the risks to National Infrastructure, ensuring security is prioritised, rather than Party performance.

Inclusion of DCC obligations

At present, feedback to the DCC on the performance of operational services, impacts on Users, and the resolution of problems and defects falls under the scope of the OPSG, with performance issues being highlighted to the SEC Panel as required. Experience to date indicates that this process generally works well and there is a willingness by SEC Parties and the DCC to address compliance matters once they are provided with specific information regarding shortcomings.

The project considered there would seem little value in moving the existing OPSG and associated DCC performance reporting arrangements fully under the scope of a PAB, at least initially. Instead, it considered a PAB should take on more of an oversight and escalation role, similar to that currently undertaken by the Panel. This approach would be consistent with a risk-based PAF process, with the application of the current OPSG processes seen as one of the 'Performance Assurance Techniques' that a PAB could bring to bear should DCC compliance with obligations be flagged via the application of the 'Performance Assurance Methodology' as one of the key risks to be mitigated. This approach would also be consistent with the proposed approach to any other risk identified by the 'Performance Assurance Methodology' and any other impacted SEC Party.

The project recommended that DCC obligations should be considered in scope until any 'Risk Evaluation Methodology' has been established and applied to identify the main risks to compliance with SEC Objectives. The Working Group agreed that DCC obligations should be in scope.

Conclusion

The Proposed Solution includes exclusions of scope under Section C9.8. These are:

- Section G 'Security'
- Section Z 'Alt HAN Arrangements'

What timeframe should be considered for introduction?

Respondents to the RFI noted that consideration should be given to the timing of the introduction of a PAF and transition arrangements, noting the wider landscape of Code Reform should also be considered.

The Working Group agreed that ensuring Parties would have enough transition time would be appropriate. They also noted that there should be no delay due to Code Reform.

The modification will aim for implementation in an Ad hoc SEC Release, noting that following implementation there will be requirements on the PAB to develop processes and documentation that will need to be consulted on with Parties.

Should the Performance Assurance Techniques (PATs) include financial penalties?

The DCC raised concerns about the performance assurance techniques detailed within the draft legal text. They noted that under 'incentive' techniques there were financial sanctions which seemed at odds with the concept. They highlighted the term 'liquidated damages' had been used and queried whether it would be applicable here. They also noted that the DCC are subject to financial incentives through the Price Control process and believe this could conflict with the role Ofgem plays currently.

A Working Group member supported the removal of financial penalties, noting that financial penalties against the DCC would be duplicative and ultimately funded by Suppliers anyway.

Another Working Group member noted none of the examples of PATs were related to enforcement and instead were focused on monitoring. SECAS highlighted there will be lots of PATs and the PAB would assess which best fits and is proportionate to each Risk Driver. SECAS expanded on this that the role of the Sub-Committee could be one of the PATs that the PAB develop, and task them to undertake analysis.

SECAS noted that the legal text had not yet been reviewed by the SEC Lawyers. This review took place after all comments had been received through the Refinement Consultation.

Respondents were in general agreement that financial penalties should not be included, and this was supported by the Working Group. Therefore, the Proposed Solution has removed these from the legal text.

PAB Composition

The initial drafting of the Terms of Reference for the proposed PAB was largely driven to mirror other Sub-Committees already set up within the SEC.

Two Large Supplier members discussed whether Other SEC Parties should have the same representation in these discussions as Suppliers who fund the SEC and have most obligations. A Large Supplier highlighted that the Other SEC Party category has approx. 130 organisations in which is having a big effect on performance of system, and ability for Suppliers to meet certain obligations.

The final drafting was amended to reflect these conversations, increasing the Large Supplier representation to three seats. Additionally, due to the limited involvement from Gas Network Parties, the Network Party seats have been combined so that the two representatives can be nominated by either Gas or Electricity Network Parties.

The Working Group agreed with the amendments made to the composition of the PAB. The composition can be found in the redlined changes to the SEC in Annex B. However, the Terms of Reference will not form part of the SEC itself and would be reviewed annually by the Panel to ensure they remain fit for purpose. Changes to the Terms of Reference can be made without a modification.

Change Management processes

During the Working Group where Refinement Consultation responses were discussed, members highlighted concern that the PAB's artefacts could be changed by the PAB without going through an agreed process. The legal text has now been strengthened in this area to ensure that the following documents all go through consultation with Parties, the Authority, Citizens Advice, Consumer Scotland and such other stakeholders as the PAB considers appropriate before changes can be made:

- Risk Evaluation Methodology
- Performance Risk Register
- Performance Assurance Techniques
- Performance Assurance Operating Plan

Appeals process

Ofgem requested clarification on what their proposed role would be, noting a previous drafting of legal text identified they would be the route for all referrals. SECAS (KD) clarified that the legal text had been drafted to place Ofgem as the final arbitrator for a PAB decision, once Panel had provided their initial decision on the PAB ruling as the first referral.

Ofgem commented that whilst this approach mirrored the Self Governance process, PAFs in other Codes did not have a referral path to the Authority. These all have their respective Panels as the final appeal.

A Working Group noted the Self Governance process allows a Proposer to push a modification forward so that Ofgem must provide a view on the issue. They believed that more power should be given to Panel and ensure the PAB is able to be fully functional and empowered.

The Working Group agreed that the Panel should be the ultimate referral body.

Potential Benefits of a SEC PAF

Benefits of Performance Assurance in Other Codes

The Balancing and Settlement Code (BSC), Retail Energy Code (REC), and gas Uniform Network Code (UNC), all operate similar, risk-based performance assurance frameworks to that being proposed under the SEC.

In the case of the BSC, and UNC, the main focus is the management of risks relating specifically to settlement obligations. In the case of the REC, the main focus is to ensure that consumers have a positive experience when engaging in the retail energy market, and that Parties act in a manner that is not detrimental to the effective competition between Energy Suppliers.

In all three codes, the primary focus is on identifying and evaluating the main risks to Code objectives and then to ensure that mitigating measures are in place to manage those risks. All three codes share common key features with the PAF arrangements being proposed under the SEC:

- All operate a performance assurance framework overseen by a performance assurance board or committee;

- All consider a PAF to be a critical component to the smooth operation of the code and have chosen to enshrine the concept of a performance assurance framework and the role of the performance assurance board / committee within the main body of the code with supplementary detail set out in various sub-documents;
- All operate a 'risk-based' approach to performance assurance, using a defined methodology to identify and assess the main risks to compliance with the respective codes and their objectives;
- All apply 'performance assurance techniques' to target and mitigate the main identified risks; and
- All include a 'support capability' of varying scales to facilitate the operation of the performance assurance arrangements.

The main observation from those Working Group members that have been involved in the operation of performance assurance measures under other codes, was that performance measures under the SEC should be proportionate to the objectives and scope of the PAB's responsibilities and should not impose an undue burden on the Parties involved.

Potential benefits within the SEC

As part of the development of the modification, SECAS examined an example risk to demonstrate how the Performance Assurance framework would work. This is detailed below.

Risk 001	Interruption to the SMETS2 Communications Hub Supply Chain prevents Parties from being able to install Smart Metering Systems	High Quality Guidance	Ongoing Risk Monitoring
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Additional information	
Types of Party	Suppliers DCC
Risk Category	Consumer Regulatory Financial
SEC Sections	Section F 'Smart Metering System Requirements' Section H 'DCC Services' Appendix I 'CH Installation and Maintenance Support Materials
Non-SEC Impacts	MHHS rollout SMIP benefit realisation

Risk Scoring	
Likelihood Score	3
Impact Score	4
Risk Score	12

Rationale	
External factors previously caused component shortages. Impacts likely to be experienced months after realisation. Would allow mitigations to reduce impact.	

Risk Drivers		Performance Assurance Technique
001-1	Inaccurate Supplier forecasting results in DCC's Providers being unable to meet demand	High Quality Guidance
001-2	Issues within DCC supply chain result in component shortages	Ongoing Risk Monitoring
001-3	Engineers failing to decommission CHs correctly when removing from site prevents their return to DCC for refurbishment	Self-Assessment
001-4	The DCC Returns process prevents Parties from returning the CHs for refurbishment	Ongoing Risk Monitoring

Examining this risk identifies specific risk drivers that contribute to the overall risk. Each of these risk drivers could have one or more Performance Assurance Techniques applied against it on an annual basis, as determined by the PAB.

It may not be possible to assign monetary value against each risk as other Codes, such as the BSC, are able to do. However, whilst assessing this risk it was identified the impact to industry of this being realised would include:

Reputational damage to the Smart Metering Implementation Programme (SMIP)

Potential negative impacts on the benefits of MHHS if rollout is delayed

Suppliers unable to achieve their rollout targets

Negative consumer experience from failed appointments

Increased Supplier costs due to compensation liable and engineer costs due to failed appointments

Mitigations in this area should be able to benefit all areas, but that of improving consumer inconvenience by not failing appointments in particular. Each failed appointment requires an Energy Supplier to pay £30 to the consumer for the inconvenience. Historically, Energy Suppliers have paid out millions of pounds for this. The costs of operating the PAF in year one is equal to the compensation of less than 6,500 failed appointments.

Additionally, the list of risk and issues that the PAB could consider, that have been previously detailed within this report have been assessed.

Previously identified issues/risks for assessment				
Noted risk by RFI respondent	Detail	Potential consumer or financial impact	Potential risk score	Potential Mitigation target
<i>Failure to complete post-commissioning or SMKI obligations</i>	Suppliers to update and apply the appropriate DNO certificate on installation of a Smart Meter. If the correct certificate is not installed, the DNO cannot execute any of its smart metering business processes for that Device.	100-250k consumers	3x5 = 15	25k-100k
<i>DCC Outages</i>	DCC performance regarding outages, either through maintenance or incidents, impacts their ability to communicate effectively with Devices. Large impact on consumers.	100-250k consumers	3x5 = 15	25k-100k
<i>MHHS and increased DCC traffic</i>	The DCC's performance will have a direct impact on whether Suppliers are able to meet their settlement performance targets under MHHS. This risk will increase as MHHS will require exponentially higher volumes of consumption data to be made available to Suppliers (and other Parties) on a time critical basis. Volume of 'Other User' traffic is likely	100-250k consumers	3x5 = 15	25k-100k

Managed by

Previously identified issues/risks for assessment				
	to increase going forwards and continue to periodically cause widespread capacity issues.			
Suppliers not responding to install code emails?	Suppliers obligated to respond to requests for install codes from a gaining Supplier within 10 working days. Non-responses often requires a Device exchange to enable communications.	100-250k consumers £5m pa in Device exchange, resource to investigate	4x5=20	25k-100k
Suppliers not keeping firmware up to date	Suppliers are obligated to maintain a Device in line with the SMETS and by not upgrading to the latest firmware to resolve an issue identified with affected Devices, Suppliers are in breach of those obligations.	500k consumers	5x5=25	100k-250k
Suppliers not updating the SMI	DNOs not being able to communicate with Devices, resulting in being unable to obtain data to assist in benefit realisation. Other impact results in time and resource being spent investigating and raising incidents because the SMI is not truly reflective of the situation on site, for example Devices showing as de-commissioned but still generating and sending Alerts.	100-250k consumers 500k money spent on resource to fix	3x5 = 15	25k-100k

8. Case for change

Business case

A risk-based PAF would identify the areas of greatest risk to the achievement of the SEC Objectives and then make sure that appropriate performance assurance techniques were in place to manage those risks. In the solution proposed, this prioritisation process (the 'Risk Evaluation Methodology') would be developed and then managed by the PAB. This 'Risk Evaluation Methodology' would also be subject to periodic consultation with SEC Parties and endorsement by the Panel, providing for an additional level of scrutiny to give confidence to Parties that performance assurance activities are proportionate and not unduly onerous or intrusive.

The existing PAFs within the REC, BSC and UNC all deliver benefits to their Codes. The level of these benefits is dependent on the risks that are being mitigated. The details of these benefits is specific to each risk and therefore not a direct correlation with impact on the SEC, but a good indicator for potential improvements.

The intent of the SEC PAF is to ensure a proportionate risk-based approach. Therefore, the benefits will directly correlate with the risk that is trying to be resolved. Section 7, page 19 details a potential risk and the impacts of this. If you solely take the impact on Supplier compensation for failed

installation appointments, you would only need to meet 6,500 appointments per year (that would otherwise have been missed) to generate a cost saving from the PAF.

The number of issues that Parties suggested could be covered would be hugely beneficial to have addressed on a risk basis to ensure the SEC Objectives continue to be delivered. Section 7, page 20 identifies how this might look and provides a positive business case.

The modification is limited to SECAS costs for implementation, although there will be running costs which are included within the SEC budget to cover the PAB and associated activities. The budgeted costs for the set up and first year of operation are £185,000. Parties have already been consulted on this figure.

Views against the General SEC Objectives

Proposer's views

The purpose of the PAF is to give confidence to all Parties that obligations are being fulfilled, and not detract from achieving the SEC Objectives. By managing the issues that arise there is potential that the modification could better facilitate many of the SEC Objectives, depending on what specific issue is being addressed.

SEC Objective (a)³ would be better facilitated if most issues that had been identified by the RFI respondents could be addressed.

Industry views

Respondents to the Refinement Consultation all agreed that an introduction of a PAF would better facilitate (a) and (g)⁴. One Party noted that competition between Parties would need to be managed when presenting data regarding performance to ensure that SEC Objective (d)⁵ was not compromised.

Views against the consumer areas

Improved safety and reliability

This modification will have a positive impact on reliability by ensuring that potential issues are addressed on a risk basis. Therefore, the biggest issues to the SEC Objectives will be addressed first.

Lower bills than would otherwise be the case

This modification will have no impact on consumer bills.

³ Facilitate the efficient provision, installation, and operation, as well as interoperability, of Smart Metering Systems at Energy Consumers' premises within Great Britain

⁴ Facilitate the efficient and transparent administration and implementation of this Code.

⁵ Facilitate effective competition between persons engaged in, or in Commercial Activities connected with, the Supply of Energy;

Reduced environmental damage

This modification will have no impact on reduced environmental damage.

Improved quality of service

This modification will have a positive impact on quality of service as the PAF should reduce the impacts of any issues and risks to the SEC Objectives.

Benefits for society as a whole

This modification will have no impact benefits for society as a whole.

Final conclusions

The SSC were supportive of the concept of a PAF but do not believe that the Section G obligations or responsibilities should be within scope of the arrangements,

The Working Group support the introduction of the PAF and this view was reflected in the responses to the RFI and Refinement Consultations.

The CSC noted that this framework was needed. They noted that the function must include all SEC Parties, and not solely focus on DCC. They also stated that the SEC PAB must have enough authority to ensure behavioural change.

Appendix 1: Progression timetable

Timetable	
Event/Action	Date
Draft Proposal raised	9 Jan 2023
Presented to CSC for initial comment	17 Jan 2023
Request for information issued	6 Mar – 6 Apr 2023
RFI responses discussed with the Panel	25 Apr 2023
Working Group consulted on the issue	3 May 2023
CSC converts Draft Proposal to Modification Proposal	16 May 2023
Modification discussed with Working Group	7 Jun 2023
Refinement Consultation	5 – 26 Jul 2023
Modification discussed with Working Group	4 Oct 2023
Solution refined following Working Group feedback	Oct 2023 – Jan 2024
Modification discussed with Working Group	7 Feb 2024
Modification Report approved by CSC	21 May 2024
Modification Report Consultation	22 May – 12 Jun 2024
Change Board Vote	26 Jun 2024

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
Alt HAN	Alternative Home Area Network
BSC	Balancing and Settlement Code
CoS	Change of Supplier
CSC	Change Sub-Committee
DCC	Data Communications Company
DESNZ	Department for Energy Security & Net Zero
DNO	Distribution Network Operator
MHHS	Market-wide Half Hourly Settlement
NCSC	National Cyber Security Centre
OPR	Operational Performance Regime
OPSG	Operations Group
PAB	Performance Assurance Board
PAF	Performance Assurance Framework
PAT	Performance Assurance Techniques
PMA	Policy Management Authority
PMR	Performance Measurement Report
PSC	Privacy Sub-Committee
REC	Retail Energy Code
RFI	request for information
SEC	Smart Energy Code
SECAS	Smart Energy Code Administrator and Secretariat
SMDA	Smart Metering Device Assurance
SMETS	Smart Metering Equipment Technical Specification
SMI	Smart Metering Inventory
SMKI	Smart Metering Key Infrastructure
SSC	Security Sub-Committee
TABASC	Technical Architecture and Business Architecture Sub-Committee
UNC	Uniform Network Code

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DP224 'SEC Performance Assurance Framework'

Annex A

Request for information responses

About this document

This document contains the full collated responses received to the DP224 request for information.

Question 1: Does the issue identified under DP224 impact you?

Question 1			
Respondent	Category	Response	Rationale
Alt HAN Co	Other SEC Party	No	SEC obligations in scope of the Performance Assurance Framework (PAF) would come under the governance of SEC Panel. However, Party obligations relating to Section Z and the Alt HAN are governed by the Alt HAN Forum. Therefore we would expect DP224 PAF proposals would not apply to Section Z obligations and therefore not be within scope of the PAF. The Alt HAN Forum could establish activities akin to those imagined under a PAF should there be a need to strengthen compliance with Alt HAN obligations. This ensures there is no confusion over governance, duplication or unnecessary complexity to the existing Alt HAN arrangements.
Npower Commercial Gas Limited	Small Supplier	Yes	There are currently no direct impacts of not having standardised Performance Assurance processes under SEC. We can however, see that as a Small Supplier SEC Party, that if an issue was ever raised with us that the current method of management may not be (a) appropriate; or (b) take into account the size of an organisation; and that therefore not having a Risk Based approach to Performance Management may mean that we have to engage with significant resource to trivial matters.
Scottish and Southern Electricity Networks	Network Party	Yes	Yes, there would be benefits as we would be impacted by the implementation of the PAF, as we are currently unable to speak to a number of devices on our estate due to an obligation not being met.
OVO Energy	Large Supplier	Yes	Whilst the issues are not drawn out directly in the modification report, we are affected by performance issues relating to the obligations that are set out in the SEC.

Question 1			
Respondent	Category	Response	Rationale
			We also feel that we are impacted by performance that does not seem to be reflected in the current performance measurements as they are.
Electricity North West Limited	Network Party	Yes	As a SEC Electricity Network Party and DCC User we are obliged to comply with the relevant SEC requirements and we are reliant on other DCC users, SEC parties complying with their SEC obligations and the DCC delivering their DCC network services. The introduction and establishment of a new SEC Performance Assurance Framework (PAF) would impact ENWL as both a SEC Party and DCC User.
ENGIE	Small Supplier	Yes	We are an energy supplier and SEC Party installing, inheriting and operating DCC Smart Meters.
Data Communications Company	Other	Yes	DCC is heavily reliant on other SEC parties to deliver its role as the central system delivery body effectively, and their performance impacts upon our performance. It is vital that the performance of industry parties beyond DCC is discussed and reviewed under any new assurance framework. It would be a major missed opportunity if the framework did not take this wider perspective into account. Reporting is integral to performance assurance. However, DCC already reports on over 80 measures within the Performance Measurement Report (PMR) reviewed by the Operations Group (OPSG). Whilst not directly linked to the absence of a Performance Assurance Framework, we believe this modification should be used as an opportunity to rationalise and consolidate DCC reporting requirements and metrics to re-focus on which matter most to customers. It should also have as an objective the removal of any overlap with the Operational Performance Regime (OPR) or other licence/code reporting requirements.
EDF	Large Supplier	Yes	As a party to the SEC and as a recipient of the DCC services defined in the SEC we, and our customers, are directly impacted when other SEC parties, including the DCC, fail to meet their obligations and/or performance standards.

Question 1			
Respondent	Category	Response	Rationale
National Grid Electricity Distribution	Network Party	Yes	We believe the issues in this modification will impact us. This is because we have previously been impacted by performance issues that we believe would have benefited from having had a PAF in place. We believe that the development and implementation of a risk based PAF would have ensured collaboration and effective error correction between SEC Parties in a timelier manner.
British Gas	Large Supplier	Yes	See answers below

Question 2: Do you believe there is an industry benefit for this Draft Proposal to be developed further?

Question 2			
Respondent	Category	Response	Rationale
Alt HAN Co	Other SEC Party	-	-
Npower Commercial Gas Limited	Small Supplier	Yes	We believe that putting in place a Risk Based Performance Framework will ensure that appropriate focus is given to higher impacting problems. We also believe that the approach should take into account not just Suppliers performance but also any other parties who provide SEC Services that have the potential to impact Suppliers.
Scottish and Southern Electricity Networks	Network Party	Yes	We believe that this would more greatly improve the performance against obligations and confidence within SEC parties that these obligations are being met.
OVO Energy	Large Supplier	Yes	Absolutely. Having a standardised manner of identifying performance issues and dealing with them, we believe, is missing, as is the ability to get them properly addressed.
Electricity North West Limited	Network Party	Yes	We agree with the principle that the implementation of a risk-based SEC PAF could give confidence to SEC Parties that: 1) the obligations set out in the SEC are being fulfilled, 2) they are not being disadvantaged, either individually and collectively, by the failure of any one Party to meet its obligations; and 3) Performance risks and issues are dealt with in a standardised manner. We disagree the DCC obligations should be excluded from the PAF. Rather, we recommend the PAF covers all SEC parties including the DCC. In the event the DCC are excluded, we do not see the benefit to Electricity Network SEC Parties from a SEC PAF (refer to our response to Q3).

Question 2			
Respondent	Category	Response	Rationale
			We welcome that the proposed solution from the SECAS project for a prioritisation process (a 'Risk Evaluation Methodology') to be developed and managed by a SEC PAB and it would be subject to a periodic consultation with SEC Parties and endorsement by the Panel, providing for an additional level of scrutiny to give confidence to Parties that performance assurance activities are proportionate and not unduly onerous or intrusive. We disagree that SEC Section G Security should be excluded from the scope of the PAF. Instead we recommend this modification represents an ideal opportunity for the Section G Security annual user security assessments to be assessed to determine if annual user security assessments across all parties is still fit for purpose. Through the refinement of this modification it could be determined that security best sits under a new risk based PAF which assigns appropriate weighting and targets those risks which are material as per the REC and BSC PAFs, rather than the broad current SEC annual user security assessments. The current assessments focus on documentary compliance (policies and process) and theoretical application of risks, a reset of the assessments to instead monitor actual real world threats and assess risk across physical environments may be a better approach In the event, that the SEC Section G annual user security assessments is not replaced with this new PAF, we agree this SEC section should be excluded from the PAF to avoid duplication.
ENGIE	Small Supplier	Yes	We are generally supportive of further development of the draft proposal as, if progressed in a collaborative way, it offers an opportunity to improve outcomes for consumers through the more efficient operation of Smart meters, and could define a risk hierarchy which would allow for better targeting of Parties' resources than is currently the case. However, any proposal needs to be developed with due regard to the relative stability of the market and the capacity of SEC Parties to take on additional regulatory demands.

Question 2			
Respondent	Category	Response	Rationale
Data Communications Company	Other	Yes	We are supportive of the purpose underpinning this Draft Proposal. The performance assurance landscape has become overly complex and unwieldy. We want to work with SEC parties to ensure that any reform is seized as an opportunity to improve and simplify the status quo rather than drive further inefficiency, complexity and additional cost on consumers. When developing this Draft Proposal, careful consideration needs to be given to any financial incentives introduced under any new assurance framework. DCC is subject to rigorous performance oversight by Ofgem through the OPR. This regime financially incentivises DCC in three main areas: system performance, customer engagement and contract management. In a recent SECAS recommendations paper, reference was made to the use of 'performance assurance techniques' including 'financial sanctions' under any new PAF (see Section 9 of SECP_111_1612_08_Appendix C). DCC has serious reservations with this if they apply to DCC. The primary vehicle for any operational financial incentives on DCC should remain the OPR alone whilst the Price Control process forms the major part of DCC's financial incentive framework.
EDF	Large Supplier	Yes	In our view there is a clear benefit in developing this proposal further. We don't want to prejudge the outcome of the change process or define a preferred outcome at this stage, however there is clear value to understanding whether/how a formal Performance Assurance regime under the SEC, with a defined Performance Assurance Framework, could identify and mitigate risks to consumers, and to the wider smart metering ecosystem. Smart metering and the DCC's services are critical not only to the consumer experience of the energy market, but also to the success of wider transformation projects like Market-wide Half Hourly Settlement (MHHS). It seems counterintuitive for there to be no formal framework for identifying risks, monitoring performance, and addressing poor performance where it occurs and where it directly impacts consumers, or smart metering more widely. A Performance Assurance regime shouldn't be introduced under the SEC purely because something similar exists under other codes – it needs to have a clear purpose, defined remit and clear scope, that

Question 2			
Respondent	Category	Response	Rationale
			is not duplicative of the obligations under other codes such as the REC and the BSC. The development process for this change should address these concerns and make it clear whether a SEC Performance Assurance regime would add value to the existing arrangements and drive performance improvements.
National Grid Electricity Distribution	Network Party	Yes	The Smart Metering Infrastructure is overly complex and therefore we believe that the potential implementation of a risk based PAF could help to identify, evaluate and assess materiality of risks. We note that there was challenges in securing participation in the PAF Project Working Group discussions however we believe that there is benefit in further development and consideration of the Draft Proposal.
British Gas	Large Supplier	Yes	Yes, we think there is an industry benefit for this Draft Proposal to be developed further, and for the potential for a PAF to be explored. We agree with the draft modification report that the activities of any future PAF should be proportionate, and we agree with your suggestion on page 4 in the Modification Report of adopting an adaptive, risk-based approach, focusing its attention on the areas of highest risk and problems. We agree that any future PAF should build upon the remedies and processes already in place around the SEC framework – the use of the Operations Group, the provisions for Parties to raise Disputes, the SMDA scheme, the existing framework around security assurance, and the ability of OFGEM to intervene when required. We agree that DCC compliance with the SEC can sensibly continue to be managed through the existing arrangements.

Question 3: Have you experienced issues that could have fallen within the scope of a PAF? If so, what was the impact of these on your organisation?

Question 3		
Respondent	Category	Response
Alt HAN Co	Other SEC Party	-
Npower Commercial Gas Limited	Small Supplier	At present Npower Commercial Gas Limited have not had any issues that we believe would be in the scope of a Performance Assurance Framework.
Scottish and Southern Electricity Networks	Network Party	Through SEC operations we have raised the issue that certificates are not being met within the 7 day installation limits. We are currently trying to bring the certificates issues to 1% or less although with the PAF in place this would mean that with the 7 day installation and enrolment limitations this could be at the preferable 0%.
OVO Energy	Large Supplier	Yes. We experience issues, but this is not reflected in the DCC reporting. E.g., Incident categorisation. The performance measures, often show incident performance as green, but we do experience pain in this area and don't believe that the categorisation of said incidents is correct or working as it should. This has a huge impact on the service that we provide to our customers. We also have issues with the sheer number of Major Incidents each month. The reporting displays a positive view and yes, they are more often than not resolved in the target time, but there are no performance measures relating to volume each month. This, again, has a huge impact on the service that we provide to our customers.
Electricity North West Limited	Network Party	Yes. We experience issues with the DCC performance regarding their SEC requirements and the negative impacts this has on Electricity Network Parties ability to realise the benefits of the DCC network in the North of England which is serviced by radio technology.

Question 3		
Respondent	Category	Response
		We noted in the Ofgem DCC Price Control RY 21/22 consultation that the DCC state they have listened to customer frustrations on CSP-N performance and knew performance on this needed to improve – and over all they believe they have met the required standard. We responded in our consultation response to Ofgem it should be noted that in terms of Power Outage Alerts and Power Restoration Alerts the standard has been amended (via SEC Modification P096 DNO Power Outage Alerts) to match the DCC delivery capability rather than improved. If DCC obligations were included within a SEC PAF the DCC could be incentivised to improve their performance and operational compliance beyond the operational performance regime in their price control. It could also detect material risks surrounding the central delivery system. This would mirror Ofgem's recent decision for the REC PAB to hold the DCC to account regarding their Switching services/obligations under the REC via the REC PAF and the DCC Switching Incentive Regime (SIR). In Ofgem's recently published decision letter regarding the SIR direction and guidance they make the point that the REC [PAF] framework is subject to the usual REC change management process; so any REC party including DCC is entitled to raise a proposed change, this ensures the [PAF] framework is effectively under constant review. This same principle can be carried across to the SEC PAF.
ENGIE	Small Supplier	The only issues we have experienced have fallen under the remit of the Security Sub-Committee, which we understand would not be part of the PAF.
Data Communications Company	Other	-
EDF	Large Supplier	Currently, our main concern is how the performance of the DCC in delivering its services could impact settlement performance, especially under the new MHHS settlement arrangements. The failure of the DCC to meet its SLAs will have a direct impact on whether suppliers are able to meet their settlement performance targets under MHHS; much more so than today as MHHS will require exponentially higher volumes of consumption data to be made available to suppliers (and other parties) on a time critical basis.

Question 3		
Respondent	Category	Response
		As the DCC is not a party to the BSC, or a Supplier Agent (as defined in the BSC) it is not currently clear how the DCC's performance, and its impact on settlement, will be managed. A SEC Performance Assurance Framework, that identifies DCC performance as a risk and creates a process for monitoring this and provides a Performance Assurance Board (PAB) the tools to mitigate this risk would appear to be an appropriate solution. The current Operational Performance Regime (OPR) that the DCC operates under is not, on its own, sufficient to do this and is more focussed on how DCC performance impacts its margin under the Price Control than on consequential impacts to things like settlement performance and consumer experience. Other areas that could fall within the scope of a PAF include: • DCC performance regarding outages / maintenance / incidents which impacts our ability to communicate effectively with our smart meters via the DCC. • Suppliers not responding to requests for install keys for non-commissioned devices that have changed supplier – this means that these devices cannot be commissioned and may need to be exchanged unnecessarily. • Timeliness of firmware upgrades – where suppliers fail to update their devices and these switch to other suppliers, those suppliers inherit the burden and cost of making sure the device is updated. • Traffic/demand on DCC services by specific users which results in performance issues that impact other DCC users. • Suppliers failing to maintain the DCC's Smart Metering Inventory and apply updates on a timely basis – which can impact communication with smart meters as well as other industry processes such as switching and settlement. • Failure to meet security obligations (such as the post-commissioning obligations or SMKI obligations) While some of these areas are already subject to reporting within the SEC and oversight by the SEC Panel (or other SEC sub-committees), this might be better managed through a more formal Performance Assurance Framework, which has the tools to drive better performance through the application of appropriate Performance Assurance Techniques, such as remediation plans and even charges (only where appropriate and justified).

Question 3		
Respondent	Category	Response
National Grid Electricity Distribution	Network Party	We have experienced issues that could have fallen in the scope of a PAF, some of which have been detailed within the OPSG examples i.e. incorrect or no DNO Certificates being installed on devices, duplicate originator counters on alerts and responses and inventory management. The impact on these issues has varied greatly. Some of the impact include us not being able to communicate with devices installed within our region resulting in us being unable to obtain data to assist in benefit realisation. Other impact results in a lot of time being spent investigating and raising incidents because the Smart Metering Inventory is not truly reflective of the situation on site for example devices showing as de-commissioned but still generating and sending Alerts to us.
British Gas	Large Supplier	This is difficult to answer, as we may well have been impacted by such issues, but not known about them. For example, if we are unable to complete a smart meter install, needing to leave the meter in “Install and Leave” mode, this could be because of a neighbouring Noisy meter, installed by another supplier in a neighbouring property. That noisy meter (a SEC breach) could be the reason we are impacted, but we would not currently know about it. Two further areas where a PAF could be very useful going forwards: 1. If a Service User has not agreed a maximum throughput threshold with DCC, and as a result this causes too much traffic to be attempted to that Service User, impacting other platform users 2. As we move towards MHHS, and particularly if mods such as MP235 are approved, the volume of ‘Other User’ traffic could increase and continue to periodically cause widespread capacity issues. This may need a two-pronged solution – there may need to be further amendments in the SEC on capacity volumes, and there also needs to be a way of assuring ‘Other User’ (and all parties) compliance with any such requirements.

Question 4: Please provide any further comments you may have.

Question 4		
Respondent	Category	Comments
Alt HAN Co	Other SEC Party	SEC obligations in scope of the Performance Assurance Framework (PAF) would come under the governance of SEC Panel. However, Party obligations relating to Section Z and the Alt HAN are governed by the Alt HAN Forum. Therefore we would expect DP224 PAF proposals would not apply to Section Z obligations and therefore not be within scope of the PAF. The Alt HAN Forum could establish activities akin to those imagined under a PAF should there be a need to strengthen compliance with Alt HAN obligations. This ensures there is no confusion over governance, duplication or unnecessary complexity to the existing Alt HAN arrangements. This should be reflected in the legal text related to the PAF.
Npower Commercial Gas Limited	Small Supplier	Npower Commercial Gas Limited believe that any development of the Framework should be standardised and should work for all Supplier types (Large/Small) and that therefore there should not be a differentiation of Risk Levels between Supplier types. The above is with a single exception which is were any % based performance management is being used. If the % is against the “whole industry view” then this should be OK as it will naturally see Smaller Suppliers have less impact on the whole. However, If a % is within a Supply Portfolio and you are comparing a large Supplier against a Small Supplier this may mean that the Small Supplier could be detrimented Worked Example Large Supplier A has 1000 Meters with an Issue against a portfolio of 1 Million = 0.1% of portfolio Small Supplier B has 1000 Meters with the same issue against a portfolio of 100,000 Meters = 1%

Question 4		
Respondent	Category	Comments
		If the tolerance level for Performance Assurance is 1% then the Small Supplier would be asked to address an issue that the Large Supplier would not even though the Large Supplier has the same number of impacted meters.
Scottish and Southern Electricity Networks	Network Party	-
OVO Energy	Large Supplier	Having a framework that will provide us with a standardised approach, we believe, will help move performance improvements forwards. Currently it is very difficult to recognise or even understand where things go wrong. We feel that we need to have some way of managing performance where the SEC currently allows for it to be acceptable because it is meeting a very specific target, but issues are still affecting customers and the service that we provide to them. There is a piece missing around the end-to-end performance. It would be great to have some measures related to the customer side i.e., does a customer have to wait for a top up to be visible on their devices? We also feel that success metrics would be of great benefit and have discussed this at such forums as PMRG.
Electricity North West Limited	Network Party	We recommend this modification is closely aligned with outputs of Ofgems Energy Code Reform Significant Code Reform which is expected to publish further updates this calendar year.
ENGIE	Small Supplier	In principle we support the concept of a SEC PAF, but in addition to the comments made above we would look for the SEC or its appointed Service Providers to take on as much of the administrative burden of operating the PAF as possible (particularly regarding supporting data for any measures introduced). We would also expect the PAF to provide meaningful support to Parties in understanding the framework and providing clear guidance how non-compliances can be corrected, and for performance measures to be effectively targeted at a limited set of risks, the mitigation of which will deliver meaningful consumer benefits. The timing and phasing of the introduction of any framework should also be given careful consideration in the wider context of market instability and the additional administrative and regulatory demands this continues to place upon market participants.

Managed by



Question 4		
Respondent	Category	Comments
Data Communications Company	Other	In terms of next steps, it is vital that any modification provides sufficient time for an orderly transition to new arrangements. For example, in some cases, new metrics may require a Full Impact Assessment by DCC to ensure industry understands the impacts on DCC Systems, our Service Provider contracts and ultimately industry charges. DCC may also need time to reflect any new reporting requirements into its contracts. These points must be factored into any plan.
EDF	Large Supplier	We echo the view from the DCC that the introduction of a SEC PAF should be an opportunity to improve and simplify the current arrangements rather than drive further inefficiency, complexity and additional cost on consumers. We have seen that the new REC Performance Regime has placed a significant burden on REC Parties, mainly through significant monthly reporting requirements, with no clear benefit to date in terms of evidently improved performance. Any SEC PAF needs to be appropriate to the extent of the risk that will be mitigated – and delivered in the most cost-effective manner possible, minimising the burden on the parties that are subject to the SEC PAF.
National Grid Electricity Distribution	Network Party	Although we have experienced issues that could have fallen in scope of a PAF we accept that there is currently not enough detail known to be able to identify whether a PAF should be implemented or not. However we do believe that the impact of the examples known provide enough justification to continue to investigate the possibility of implementing a risk based PAF.
British Gas	Large Supplier	As stated in our answer to Question 2, any future PAF needs to be targeted and selective in what it addresses. We would be particularly concerned by any proposal of a “REC-style” PAB – that would be costly to deliver, and a burden to SEC Parties, rather than a benefit. Any SEC PAB also needs to be resourced by people who (1) fully understand how the SEC operates, and (2) are able to understand quickly which matters are significant and which are not. Any future PAF’s work should be targeted rather than generally fishing for breaches. It should focus primarily on issues that have a consumer impact – eg any compliance breaches that may be hindering prepayment customers being able to vend, or a customer’s smart meter installation being successful.

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MP224 'SEC Performance Assurance Framework'

Annex B

Legal text – version 1.0

About this document

This document contains the redlined changes to the Smart Energy Code (SEC) that would be required to deliver this Modification Proposal.

Section A 'Definitions and Interpretation'

These changes have been redlined against Section A version 33.0

Add the following definitions as follows:

<u>Annual Performance Assurance Report</u>	<u>means each report prepared by the PAB at the end of each financial year (1 April to 31 March) in accordance with paragraph 8.1 of the Performance Assurance Framework.</u>
<u>Performance Assurance Board (or PAB)</u>	<u>means the Sub-Committee established pursuant to Section C9 (Performance Assurance Board).</u>
<u>PAB Chair</u>	<u>means the person appointed by the Panel from time to time to be the chairperson of the PAB.</u>
<u>PAB Terms of Reference</u>	<u>means the terms of reference document developed and maintained by the Panel under Section C6.10 (Terms of Reference and Procedural Requirements) which sets out governance arrangements to be followed by the PAB.</u>
<u>Performance Assurance Framework (or PAF)</u>	<u>means Appendix [●] (Performance Assurance Framework).</u>
<u>Performance Assurance Operating Plan</u>	<u>means each plan prepared by the PAB under paragraph 5 of the Performance Assurance Framework.</u>
<u>Performance Assurance Risk Register</u>	<u>means the risk register developed and maintained by the PAB under paragraph 3 of the Performance Assurance Framework.</u>
<u>Performance Assurance Techniques</u>	<u>means the set of techniques developed and maintained by the PAB under paragraph 4 of the Performance Assurance Framework.</u>
<u>Risk Evaluation Methodology</u>	<u>means the methodology developed and maintained by the PAB under paragraph 2 of the Performance Assurance Framework.</u>
<u>Risk Management Determination</u>	<u>means each determination made by the PAB in relation to a Party under paragraph 6 of the Performance Assurance Framework.</u>

Section C ‘Governance’

These changes have been redlined against Section C version 9.0.

Add Section 9.1 as follows:

C9. PERFORMANCE ASSURANCE BOARD

Establishment of the Performance Assurance Board

C9.1 The Panel shall establish a Sub-Committee in accordance with the requirements of this Section C9 to be known as the “Performance Assurance Board” or “PAB”.

C9.2 Save as expressly set out in this Section C9, the PAB shall be subject to the provisions concerning Sub-Committees set out in Section C6 (Sub-Committees).

C9.3 Membership of the PAB shall be determined by the Panel:

- (a) having regard to the need to provide an appropriate level of expertise in the matters that are the subject of the PAB’s duties;
- (b) in accordance with the composition set out in the PAB Terms of Reference; and
- (c) otherwise in accordance with Section C6.7 (Membership).

C9.4 The Panel shall delegate relevant decision-making powers to the PAB and shall determine and maintain the PAB Terms of Reference as per Section C6 (Sub-Committees).

C9.5 The costs incurred or paid by the PAB shall be SECCo costs and therefore recoverable under and in accordance with Section C8 (Panel Costs and Budgets).

Duties of the Performance Assurance Board

C9.6 The PAB shall implement and give effect to the Performance Assurance Framework on behalf of the Panel in order to:

- (a) give confidence to all Parties that the obligations set out in this Code are being fulfilled, and that failure to meet obligations will not detract from achievement of the SEC Objectives;
- (b) give confidence to Parties individually and collectively that they are not being disadvantaged by the failure of any Party, or group of Parties, to meet obligations;

(c) give confidence to Parties that performance risks and issues are identified and dealt with in a standardised manner, and

(d) ensure that Parties can understand the Performance Assurance Operating Plan for the coming year, are able to contribute to it and have confidence that it will be delivered in a fair and equitable way.

C9.7 The PAB shall (in each case in accordance with the Performance Assurance Framework):

(a) develop and maintain a Risk Evaluation Methodology;

(b) develop and maintain a Performance Assurance Risk Register;

(c) develop and maintain the Performance Assurance Techniques;

(d) develop and maintain a Performance Assurance Operating Plan;

(e) apply a Risk Management Determination in respect of each Party;

(f) monitor Parties' compliance with this Code through data analysis;

(g) produce and deliver an Annual Performance Assurance Report for the Panel; and

(h) undertake any and all other duties expressly assigned to the PAB by any other provision of this Code.

C9.8 The PAB's functions, powers and duties shall not extend to (or permit the PAB to interfere with):

(a) any functions, powers or duties of the Security Sub-Committee, and/or the operation of Section G (Security); or

(b) any functions, powers or duties of the Alt HAN Forum, and/or the operation of Section Z (Alt HAN Arrangements).

Proceedings of the Performance Assurance Board

C9.9 The PAB shall develop, implement and amend working practices and procedures as it considers necessary for the proper performance of its functions, provided that there is no conflict with the provisions of this Code or the PAB Terms of Reference.

C9.10 The quorum for a meeting of the PAB shall be as set out in the PAB Terms of Reference.

C9.11 PAB meetings held to discuss or determine matters related to compliance by Parties shall be closed meetings. For closed meetings, meeting notices need only be given to members of the

PAB and other attendees permitted in accordance with the PAB Terms of Reference or specifically at the invitation of the PAB Chair.

C9.12 Minutes of closed PAB meetings shall be confidential and only provided to those persons entitled to attend the relevant meeting (or part of the meeting). For meetings related to compliance by a Party, they shall be provided with an extract of the minutes for the part of the meeting they attended and will be invited to comment upon and/or accept the accuracy of the minutes.

C9.13 When exercising the functions assigned to the PAB under this Code, each appointed PAB member shall act impartially and independently of their interests and those of their employer or their employer's Party Category.

C9.14 It shall be each PAB member's responsibility to disclose to the PAB Chair from time to time any interests of such member which constitute (or potentially constitute) an actual or perceived conflict of interest with their functions as a PAB member. In such circumstances, the member may absent themselves from the meeting (or the relevant part of it) or may be excluded by the PAB Chair.

C9.15 In performing their duties and functions PAB members may be in receipt of confidential information. For the avoidance of doubt, each PAB member shall not disclose any confidential information received in their capacity as PAB member to any person except where required under this Code or by Laws and Directives. Where such disclosure is required, the PAB member shall first give written notice of the intended disclosure to the PAB Chair (unless not permitted to do so by Laws and Directives).

C9.16 Matters of non-compliance which are serious, systemic and/or which the PAB does not reasonably consider it has the ability to address, or has made reasonable efforts to address, through its established procedures without success, may be referred to the Panel together with such information as the PAB considers relevant and/or the Panel may subsequently request.

C9.17 In the event that the Panel refers a matter to the PAB (or back to the PAB), the PAB shall take reasonable steps to comply with any direction, instruction or guidance as may be included in the referral.

Appeal of PAB Determinations

C9.18 Determinations made by the PAB may be appealed to the Panel. The Panel's determination shall be final and binding.

Interaction with Section M8

C9.19 Whilst the Performance Assurance Board will monitor and assure compliance in accordance with the Performance Assurance Framework, the notification, investigation and determination of Events of Default will be dealt with by the Panel in accordance with Section M8 (although the Panel may separately delegate some or all of its responsibilities under Section M8 to the PAB or others). The actions of the PAB under the Performance Assurance Framework shall complement but in no way contradict or override the rights and obligations of the Panel and the Parties under Section M8.

The role of the Code Administrator

C9.20 The Performance Assurance Board shall have the right to delegate all or any part of the day-to-day administration of its functions to the Code Administrator.

C9.21 In relation to the PAF, the Code Administrator shall perform the functions assigned to it as may be delegated to it by the PAB from time to time.

C9.22 The Code Administrator shall only be entitled to receive confidential information to the extent receipt of such information is necessary for the Code Administrator to perform its role under this Section C9. The Code Administrator shall keep all such information confidential, unless directed otherwise by the PAB Chair or disclosure is required under this Code or Laws and Directives. Where disclosure is required under this Code or Laws and Directives, the Code Administrator shall first give written notice of the intended disclosure to the PAB Chair (unless not permitted to do so by Laws and Directives).

New Appendix 'Performance Assurance Framework'

This new appendix to the Code has been drafted following a review of the existing Code governance arrangements and an assessment of how a Performance Assurance Framework might best fit within those arrangements.

Add new Appendix as follows:

1. Introduction

1.1 This Appendix sets out the Performance Assurance Framework to be implemented by the Performance Assurance Board (PAB).

2. Risk Identification and Evaluation

2.1 The PAB shall establish and maintain a risk-based methodology (the "Risk Evaluation Methodology") to be used to proactively identify, evaluate and assess risks to the fulfilment of the SEC Objectives which may arise from breaches of this Code.

2.2 The Risk Evaluation Methodology must describe the process to be used for:

- a) identifying risks to the fulfilment of the SEC Objectives;
- b) evaluating risks which have been identified; and
- c) assessing the materiality of identified risks.

2.3 In relation to the establishment of the Risk Evaluation Methodology, or where the PAB considers that a change to the Risk Evaluation Methodology would further the aims of the PAF and/or further facilitate the SEC Objectives, the PAB shall:

- a) to the extent that it would not compromise the aims and effectiveness of the PAF, issue a draft of the Risk Evaluation Methodology for consultation with Parties, the Authority, Citizens Advice, Citizen's Advice Scotland and such other stakeholders as the PAB considers appropriate;
- b) consider any comments received during that consultation and make any amendments to the draft that it considers appropriate in light of those comments; and
- c) approve and adopt the Risk Evaluation Methodology.

2.4 To the extent that it would not compromise the aims and effectiveness of the PAF, the PAB shall publish the approved Risk Evaluation Methodology on the SECCo Website.

2.5 The PAB shall periodically (at least annually) review the Risk Evaluation Methodology to ensure it remains fit for purpose.

3. Performance Risk Register

3.1 The PAB shall:

- a) identify, evaluate and assess the materiality of risks to the fulfilment of the SEC Objectives which may arise from breaches of this Code by applying the Risk Evaluation Methodology;
- b) prepare a "**Performance Risk Register**", setting out the risks to the fulfilment of the SEC Objectives which may arise from breaches of specified provisions of this Code and the significance of each risk;
- c) publish the approved Performance Risk Register on the SECCo Website; and
- d) periodically (at least annually), review the Performance Risk Register to make sure it remains fit for purpose.

3.2 In relation to the establishment of the Performance Risk Register and each review of the Performance Risk Register, the PAB shall follow the same process as applies to the Risk Evaluation Methodology under paragraph 2.3.

4. Performance Assurance Techniques

4.1 The PAB shall establish a set of techniques as described in this paragraph 4 (the "**Performance Assurance Techniques**").

4.2 The Performance Assurance Techniques shall be the techniques which the PAB considers can be applied to mitigate risks identified in the Performance Risk Register and to address any actual non-compliance that occurs.

4.3 These Performance Assurance Techniques may include:

- a) preventative techniques — to promote assurance by acting early in the life cycle to avoid non-compliance;
- b) detective techniques — to identify evidence of areas of potential or actual non-compliance;
- c) corrective techniques — to remedy non-compliance; and
- d) incentivisation techniques — to encourage operational compliance.

4.4 In relation to detective techniques, the PAB may require Parties to provide Data to the PAB (or the Code Administrator). When considering or making Data requests, the PAB shall:

- a) to the extent practicable, utilise existing reports and Data;
- b) ensure each Data request is (in the PAB's reasonable opinion): (i) necessary for the performance of the PAB's duties; (ii) relevant and proportionate to the purposes and objectives of making such request; and (iii) not overly burdensome on the relevant Parties; and
- c) where the PAB considers (acting reasonably) that a Data request will introduce a substantive ongoing reporting requirement, carry out a consultation with the affected Parties in order to identify and (where reasonably practicable) address concerns of affected Parties.

4.5 Where a Data request is made under paragraph 4.4, each Party subject to the request shall take reasonable steps to ensure that relevant Data is promptly made available to the PAB in an accessible form,

4.6 In relation to the establishment of the Performance Assurance Techniques and each review of the Performance Assurance Techniques, the PAB shall follow the same process as applies to the Risk Evaluation Methodology under paragraph 2.3.

4.7 To the extent that it would not compromise the aims and effectiveness of the PAF, the PAB shall publish the list of Performance Assurance Techniques on the SECCo Website.

4.8 The PAB shall periodically (at least annually) review the Performance Assurance Techniques to ensure they remain fit for purpose.

5. Performance Assurance Operating Plan

5.1 The PAB shall prepare a "Performance Assurance Operating Plan" which shall set out the Performance Assurance Techniques that can potentially be applied in relation to the most material risks identified in the Performance Risk Register, together with (where reasonably practicable) the forecast cost (whether to SECCo and/or to Parties) of implementing each relevant technique.

5.2 In relation to the establishment of the Performance Assurance Operating Plan and each review of the Performance Assurance Operating Plan, the PAB shall follow the same process as applies to the Risk Evaluation Methodology under paragraph 2.3.

5.3 The PAB shall periodically (at least annually) review the Performance Assurance Operating Plan to ensure it remains fit for purpose.

5.4 Where the PAB approves a change to the Performance Risk Register, it shall consider whether corresponding revisions are required to the Performance Assurance Operating Plan.

6. Risk Management Determinations

6.1 The PAB shall make a "Risk Management Determination" in relation to each Party.

6.2 The Risk Management Determination shall be a determination (in accordance with the Risk Evaluation Methodology) of which risks in the Performance Risk Register are relevant to the particular Party (based on materiality of risk for the relevant Party Category and the individual Party) and the Performance Assurance Techniques that are to be applied (and the manner in which they are to be applied) in relation to each risk.

6.3 Having made an initial Risk Management Determination for each Party in accordance with paragraph 6.2, the PAB shall:

a) notify the Party of the Risk Management Determination (and any revised Risk Management Determination) made for it; and

b) thereafter from time to time re-assess and revise the Risk Management Determination for each Party where its circumstances change or there is a change to the Performance Assurance Operating Plan.

6.4 A Party shall be entitled to request re-assessment of its Risk Management Determination by the PAB where that Party considers that:

a) the PAB has given undue weight to the risk or likelihood of occurrence in the Party's Risk Management Determination; or

b) there is a relevant change in the circumstances of the Party.

6.5 Where a Party disagrees with the contents of a Risk Management Determination which applies to it, then the Party in question may refer the matter to the Panel for determination. In such circumstances, the Party shall be informed of the Panel meeting at which the matter is to be determined and shall be entitled to submit representations to the Panel and/or attend the Panel meeting for that item of business only. The decision of the Panel shall be final and binding for the purposes of this Code.

7. Application of the Performance Management Techniques

7.1 The PAB shall apply and implement the Performance Assurance Techniques in accordance with the Performance Assurance Operating Plan and each Risk Management Determination.

7.2 The Performance Assurance Technique(s) to be applied in respect of each risk shall be techniques specified as applicable to such risk in the Performance Assurance Operating Plan; but the techniques to be applied (and the manner and extent to which they are to be applied) to individual Parties shall be as described in the applicable Risk Management Determination.

7.3 Parties within the same Party Category may be subject to different Performance Assurance Techniques to reflect variations in materiality of risks between Parties.

8. Annual Performance Assurance Report

8.1 Following the end of each financial year (1 April to 31 March), the PAB shall prepare an Annual Performance Assurance Report for the year, to be presented to the Panel. The Annual Performance Assurance Report shall set out:

- a) the results of the PAC's activities, in particular, the extent to which the application of Performance Assurance Techniques mitigated the risks in the Risk Performance Register;
- b) the actual costs to SECCo, and (as far as reasonably practicable) to Parties, of implementing the Performance Assurance Techniques, and a comparison against the estimated costs set out in the Performance Assurance Operating Plan (with an explanation for any differences);
- c) any recommendations to modify existing Performance Assurance Techniques or establish new Performance Assurance Techniques; and
- d) the benefits (including any cost savings) of any modifications to Performance Assurance Techniques.

8.2 The Annual Performance Assurance Report shall be published on the SECCo Website.

New 'PAB Terms of Reference'

These draft PAB Terms of Reference have been produced based on a combination of:

1. the existing governance arrangements and other terms of reference already existing within the Code; and
2. equivalent terms of reference that exist within other industry code arrangements which operate using a performance assurance framework.

Add the PAB Terms of Reference as follows:

1. Interpretation

Except where stated otherwise, capitalised terms in this PAB Terms of Reference have the meaning given to them in the Code.

2. Establishment and Role

2.1 Establishment

Section C9 of the Code requires that the Panel shall establish a Sub-Committee to be known as the Performance Assurance Board.

2.2 Role

The PAB shall discharge the functions designated to it under the Code (including those functions detailed in the Performance Assurance Framework), and any other duties delegated by the Panel in writing.

3. Composition and Membership

3.1 Members

3.1.1 The PAB members shall comprise:

a) voting members:

i) three persons elected by the Large Supplier Parties;

ii) two persons elected by the Small Supplier Parties;

iii) two persons elected by the Electricity Network or Gas Network Parties;

iv) two persons elected by the Other SEC Parties;

v) one person nominated by the DCC;

vi) one consumer representative, being either an employee or a nominee of Citizen's Advice or Citizen's Advice Scotland;

b) non-voting members

i) the PAB Chair

ii) a representative of the Code Administrator; and

iii) the PAB Secretary.

3.1.3 The Panel shall appoint members to the PAB and a member of the PAB shall remain in office until their resignation has been submitted in writing to the PAB Secretary or their removal by the Panel in accordance with paragraphs 3.1.4 and 3.1.5 below (whichever is earlier).

3.1.4 Without prejudice to paragraph 3.1.3 above, the Panel may remove and replace such members from time to time if in the Panel's opinion they are unwilling, unable, unfit, or otherwise are incapable for any reason to carry out their duties.

3.1.5 The Panel shall review (and if deemed appropriate end) each PAB member's membership of the PAB from time to time and at least annually.

3.2 Independence and Confidentiality

3.2.1 When exercising the functions assigned to it under the Code, each appointed PAB member shall act impartially and independently of their interests and those of their employer or their employer's Party Category.

3.2.2 Each PAB member shall provide a member confirmation to the Panel that they agree to be a PAB member, and that they agree to remove themselves from any consideration of relevant matters that relate to their employer or any affiliate of their employer.

3.2.3 PAB members shall acknowledge that in performing their duties and functions they may be in receipt of confidential information. For the avoidance of doubt, each PAB member shall not disclose any confidential information received in their capacity as PAB member to any person except where required under the Code or Laws and Directives. Where such disclosure is required under the Code or Laws and Directives, the PAB member shall first give written notice of the intended disclosure to the PAB Chair (unless not permitted to do so by Laws and Directives).

3.2.4 PAB agenda items, papers and discussions will be assigned an information sharing level in accordance with the Panel's information policy.

3.2.5 Each PAB member will be asked to undertake in writing to abide by the confidentiality and disclosure provisions in relation to each information sharing level as described above, by signing a confidentiality and disclosure agreement.

3.2.6 PAB members who breach the rules of the confidentiality and disclosure provisions under any information sharing level may be removed from the PAB by the Panel.

3.3 PAB Chair

3.3.1 The PAB Chair will be appointed by the Panel from time to time, being either an existing employee of or contractor to the SECCo or recruited specifically for this purpose.

3.3.2 If the PAB Chair is unable to be present at a meeting, depending on the nature of the meeting agenda, they may appoint a member of the PAB or Panel Member to function as PAB Chair for that meeting, or postpone the meeting if needed.

3.4 PAB Secretary

Unless otherwise determined by the Panel, a Code Administrator representative shall function as secretary to the PAB (the "**PAB Secretary**").

3.5 Alternates

3.5.1 Any person appointed to the PAB shall be entitled but not required to nominate an "**Alternate**" if they are unable to attend any meeting of the PAB during the term of their appointment. The PAB member will be expected to nominate their Alternate to the PAB Secretary upon, or as soon as reasonably practicable after, their own appointment.

3.5.2 If a PAB member will be absent from a meeting, the PAB Secretary will invite their Alternate to attend on behalf of the absent PAB member.

3.5.3 All aspects of these PAB Terms of Reference will apply to the Alternate as if they were a PAB member until such time as the absent PAB member becomes available to resume their position.

3.6 Expenses

3.6.1 PAB members may recover all reasonable expenses incurred through their role. PAB members are not entitled to a salary for undertaking their role. Each PAB member, including its Alternate, shall be entitled to recover all reasonable travel expenses properly incurred by them in their role, in accordance with Section C8.3 of the Code.

3.6.2 Any query or dispute over the validity of an expenses claim under paragraph 3.6.1 shall be determined by the PAB Chair and this decision shall be final and binding.

4. Conflict of Interest

4.1 It shall be each PAB member's responsibility to disclose to the PAB Chair from time to time any interests of such member which constitute, in such member's reasonable opinion, an actual or perceived conflict of interest with their functions as a member. The PAB Secretary shall record these disclosures in a conflicts of interest register, including but not limited to PAB member disclosure of: employment, principal financial and business interests, and significant personal relationships with any person connected to a Party.

4.2 In circumstances where an actual or perceived conflict of interest could arise, a PAB member may absent themselves from the relevant meeting and vote.

4.3 If at any time the PAB Chair decides (after consultation with other PAB members, if necessary, including but not limited to circumstances where a member does not volunteer to absent themselves from voting) that a member has an actual or perceived conflict of interest, and whether that actual or perceived conflict of interest was raised by the member themselves or otherwise, then the PAB Chair may determine whether the member in question should be required to absent themselves from particular PAB business, including the receipt of relevant PAB papers.

4.4 Any decision of the PAB Chair taken pursuant to paragraph 4.3 above shall be final and binding.

5. Delegation

5.1 The PAB shall be authorised to delegate its functions in accordance with Section C9.20 of the Code.

6. Proceedings of the PAB

6.1 Meetings

6.1.1 Meetings of the PAB shall be held at least once a month, whether in person or by video/teleconference.

6.1.2 All PAB meetings will be convened at such time and via such means as may be notified to the PAB members by the PAB Secretary.

6.1.3 If a matter arises requiring the immediate attention of the PAB which cannot reasonably await the next scheduled meeting of the PAB, the PAB Chair may convene an extraordinary PAB

meeting. Such meeting would be held by video/teleconference at not less than 5 Working Days' notice.

6.2 Attendance by Non-PAB Members

6.2.1 In addition to the PAB members, the following persons will be entitled to attend any meeting of the PAB and fully participate in any discussion, but not vote:

- a) the Panel Chair or other Panel Member having responsibility for the PAB;
- b) a representative of the Authority; and
- c) such other external experts, including legal advisors to SECCo, as may be considered necessary and upon invitation of the PAB Chair.

6.2.2 Attendance is subject to the PAB Chair being satisfied that suitable confidentiality agreements are in place.

6.3 Quorum

6.3.1 No business shall be conducted at any meeting of the PAB unless a quorum is present at that meeting.

6.3.2 A quorum shall comprise of at least one half of all voting PAB members appointed at the relevant time.

6.3.3 Notwithstanding that a quorum is present, the PAB Chair may exercise discretion to defer one or more agenda items to a later meeting at which more PAB members are expected to attend.

6.4 Voting

6.4.1 Each PAB member shall be entitled to attend and speak at every meeting of the PAB.

6.4.2 In deciding any matter which requires determination at a quorate meeting of the PAB, each voting PAB member may cast one vote.

6.4.3 All decisions of the PAB shall be by resolution. For a resolution of the PAB to be passed at a meeting, a simple majority of those PAB members voting at that meeting must vote in favour of that resolution.

6.4.4 For the avoidance of doubt, abstentions shall not be classed as votes and will therefore not prevent majority agreement of a matter.

6.4.5 Before putting any matter to the vote, the PAB Chair will enquire as to whether all PAB members have enough information on which to base a vote and whether any abstention is due to there being insufficient information on which to base a decision. If any PAB member indicates that there is insufficient information and/or that further information would allow them to cast a vote rather than abstain, the PAB Chair may, at their sole discretion, delay the vote to a later time or date if they consider that missing information would reasonably be available within that time.

6.5 Conduct

6.5.1 PAB members and other attendees will be expected to conduct themselves in a professional manner, refraining from any comments or behaviour that could be considered unreasonable or hinder the proper functioning of the PAB.

6.5.2 If any unreasonable or disruptive behaviour persists, the PAB Chair may at their sole discretion ask that individual to leave the meeting and/or take steps to restrict their future attendance.

6.6 Minutes

6.6.1 The PAB Secretary shall ensure that within five Working Days following each PAB meeting, draft minutes (including any determinations and failure to make any determinations) are distributed to PAB members and relevant excerpts to those persons who were entitled to attend the meeting (or part thereof) for confirmation of factual accuracy.

6.6.2 Any comments on the accuracy of the draft minutes shall be returned to the PAB Secretary no less than five Working Days before the next scheduled meeting of the PAB, at which they will be formally approved. In the absence of any further meeting taking place within five calendar weeks of the previous meeting, the minutes may be accepted as final by the PAB Chair, having considered any comments received by the PAB Secretary and passed onto the PAB Chair.

6.6.3 Due to the confidential nature of the meetings, no person other than those who were entitled to attend the meeting (or part thereof) shall be entitled to receive a copy of the minutes (or part thereof).

6.6.4 Any actions that are assigned to PAB members, the PAB Chair, the PAB Secretary, or any other stakeholder will be captured both in the meeting minutes and in the meeting actions log. The PAB Secretary will ensure that the actions log is updated within five Working Days of the meeting.

7. Reporting to the Panel

7.1 The PAB Chair shall provide a monthly report to the Panel which will include but not be limited to a summary of the key decisions and activities arising at the meeting. In addition to this, the

PAB shall prepare an Annual Performance Assurance Report in accordance with Section C9 of the Code.

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MP224 ‘SEC Performance Assurance Framework’

Annex C

Refinement Consultation responses

About this document

This document contains the non-confidential collated responses received to the MP224 Refinement Consultation.

Question 1: Do you agree that the solution put forward will effectively resolve the identified issue?

Question 1			
Respondent	Category	Response	Rationale
BUUK	Network Party	Yes	We agree with the members of the working group, statements within the proposal and the use cases presented that there is a gap in current regulatory arrangements for smart meters that this proposal is aimed at resolving. Having a SEC performance assurance will provide the governance for business processes that have consequences for multiple parties. These processes are not explicitly covered by licence obligations and compliance activity by Ofgem. It is therefore appropriate for the SEC to undertake this function. This approach has been proved in other industry codes (e.g. BSC and REC). We see this initiative as an enabler to improving the performance of suppliers and their agents and therefore reducing risks for our electricity networks and meter asset provider businesses.
Electricity North West Limited	Network Party	Yes	We agree with the principle that the implementation of a risk-based SEC PAF and establishment of a PAB could give confidence to SEC Parties that: 1) the obligations set out in the SEC are being fulfilled, 2) they are not being disadvantaged, either individually and collectively, by the failure of any one Party to meet its obligations; and 3) Performance risks and issues are dealt with in a standardised manner. We previously recommended the PAF covers all SEC parties including the DCC. In the event the DCC are excluded, we do not see a material benefit to Electricity Network SEC Parties from a SEC PAF. We welcome the decision that the project recommendation is that DCC obligations should be considered in scope until 'Risk Evaluation Methodology' has been established and applied to identify the main risks to compliance with SEC Objectives. By including DCC obligations within a SEC PAF the DCC could be incentivised to improve their performance and operational compliance beyond the operational performance regime in their price control. It could also detect material risks surrounding the central delivery system. This would mirror Ofgem's recent decision for the REC PAB to hold the DCC to account regarding their Switching

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Question 1			
Respondent	Category	Response	Rationale
			services/obligations under the REC via the REC PAF and the DCC Switching Incentive Regime (SIR). In Ofgems' recently published decision letter regarding the SIR direction and guidance they make the point that the REC [PAF] framework is subject to the usual REC change management process; so any REC party including DCC is entitled to raise a proposed change, this ensures the [PAF] framework is effectively under constant review. This same principle can be carried across to the SEC PAF. We welcome the decision that exclusions of certain sections from the scope (such as Section G 'Security' would be determined by the PAB and as such the modification is silent to prevent the need for future modification. We maintain the creation of a SEC PAF could assign better appropriate weighting and targets those security risks which are material as per the REC and BSC PAFs, rather than the broad current SEC annual user security assessments.
OVO Energy	Large Supplier	Yes	We are affected by performance issues and believe that this solution will provide the ability to get them properly addressed. A PAF is currently missing, and this solution will therefore bridge that gap. This is a welcome proposal that we feel has a benefit to Suppliers and consumers.
National Grid Electricity Distribution	Network Party	Yes	We believe the solution proposed will effectively resolve the identified issues
ENGIE	Small Supplier	Yes	The solution put forward will meet the requirement to create a SEC PAF, though further work and consultation will be needed to put in place the processes and associated methodologies operated by the PAF.
Utilita Energy Ltd	Large Supplier	Yes	We agree that having a Performance Assurance Framework and associated Board would be better placed to manage issues arising from failure to meet obligations within the SEC, however, we note that the true impact of this is dependant on the measures monitored under the PAF.

Question 1			
Respondent	Category	Response	Rationale
Scottish and Southern Electricity Networks	Network Party	Yes	We believe that this would more greatly improve the performance against obligations and confidence within SEC parties that these obligations are being met.
EDF Energy Customers Ltd	Large Supplier	No	While EDF was supportive of developing the draft proposal further in its response to the previous consultation on this Modification, it is not clear from the Modification Report what additional value a SEC Performance Assurance Framework (PAF) will add. The scope of the PAF, how it will operate and what reporting may be required remains unclear; instead we are being asked to support the introduction of a PAF on the basis that the detail of what it will look at and how it will operate will be worked out once it is in place. Several potential areas of risk are suggested in the report, however it is not clear whether they would be better addressed by the introduction of a SEC PAF, or even that they would be in scope for a SEC PAF. Progressing this Modification without further clarity as to what exactly the PAF (and the Performance Assurance Board (PAB) that oversees it) will do and how that will benefit SEC Parties and their customers is not acceptable. Further work on the detail and the benefits to be gained from this change must be undertaken before we consider introducing a PAF into the SEC, and incur the costs of doing so.
Octopus Energy	Large Supplier	Yes	If the issue is a lack of a Performance Assurance Framework (PAF) and Performance Assurance Board (PAB) then we believe the solution put forward provides the basis for this.
British Gas	Large Supplier	Yes	We agree with the establishment of the PAB and PAF. There will then need to be further work by the PAB to define the scope of their remit and approach, once the PAB is established (February 2024). We assume there will be further engagement and consultation with Parties at this stage, even if it does not formally need to be as a Modification.

Question 1			
Respondent	Category	Response	Rationale
Data Communications Company	Other	Yes	The introduction of a Performance Assurance Framework (PAF) will give Parties confidence that obligations are being fulfilled, and not detract from achieving the SEC Objectives. This should give rise to a more reliable service for consumers. We agree that DCC obligations should be considered in scope of the framework. However, DCC performance reporting, as with all performance reporting should be centralised and therefore not reported to any more than one group, unless this is as an escalation. DCC currently reports on performance to the Operations Group with issues escalated to SEC Panel. Under any revised approach involving a new Performance Assurance Board (PAB), we should avoid duplication of roles and responsibilities, including reporting being presented to multiple groups. This will prevent any unnecessary administrative burden and provide greater clarity which will drive better accountability. The Modification Report notes that the solution will leave the data provision responsibility with the PAB to decide what is the appropriate source. Any reporting requirements placed on DCC by the PAB or as a result of the PAF must be fully assessed before confirming whether they can be delivered. Lastly, considering the number of reports DCC already produces under the Performance Measurement Report (over 80), we believe every effort should be made to rationalise and consolidate these reports before any new reporting requirements are placed upon us. This will help us to re-focus on which matter most to customers.

Question 2: Do you agree that the legal text will deliver MP224?

Question 2			
Respondent	Category	Response	Rationale
BUUK	Network Party	Yes	It seems to meet the objectives of the Mod
Electricity North West Limited	Network Party	No	Whilst we agree with the majority of the legal text and the principle (refer to our response above) we have the following recommendations to the legal text: 1) To future proof and prevent the need for future modifications and in keeping with the decision to allow the PAB to determine which sections of the SEC are in scope we recommend the legal text is amended to replace any reference to obligations inferring all SEC obligations with a for of legal text to the effect that is for the PAB to determine the relevant SEC obligations in scope. Any example being C9.1,4 infers all SEC obligations will be safeguarded by the SEC PAF/PAB and this will not be the case. There are various references through the new legal text that would need revisiting. 2) Future review and granular needs to be completed on the proposed PAB duty C9.1.5 (f) and para 3.2 (f) 'Monitor compliance with the Code through data analysis'. In terms of lessons learnt from the introduction of PAFs for relatively new codes such as the REC. in the early days of REC PAF we received inappropriate data requests from the REC PAB (regarding industry licence obligations) which we have successfully challenged as being out of scope of the REC objectives and REC PAB scope. We request the SEC PAF and PAB avoid such pitfalls by being more prescriptive in the legal text on this power. 3) Will the PAB be monitoring the activity of the Code Administrator under future Code Reform? We recommend a legal review of the paragraph 3.3 regarding future proofing the SEC PAB being able to 'procuring or delegating tasks to the Code Administrator' to avoid conflicts of interest.

Question 2			
Respondent	Category	Response	Rationale
			SEC Parties ability to appeal SEC PAB decisions to the Authority should be embedded in the core SEC not only in the ToR of the SEC PAB.
OVO Energy	Large Supplier	Yes	-
National Grid Electricity Distribution	Network Party	Yes	We agree with the proposed legal text
ENGIE	Small Supplier	Yes	We have not formally reviewed the legal text but at a general level it delivers the intention of the modification.
Utilita Energy Ltd	Large Supplier	No	Due to the lack of detail surrounding the PAF itself.
Scottish and Southern Electricity Networks	Network Party	Yes	We believe as long as the PAB follow the set guidelines and adhere to the legal text outlining the functions and duties of the PAB alongside the full details on the legal text then MP224 will be delivered appropriately.
EDF Energy Customers Ltd	Large Supplier	No	The legal text is too high level and leaves too much to the discretion of the PAB, rather than going through a formal consultation or change process. There is only one reference to consultation with SEC Parties (in relation to the Risk Evaluation Methodology), and even then, it appears such consultation is not mandatory. For example, were financial penalties to form part of the SEC PAF (which, as noted in our response to Q4, we do not agree with) then this must be codified within the SEC itself and not simply left to the discretion of the PAB. The equivalent section of the REC (Schedule 6 - Performance Assurance) contains a specific section on Performance Charges, including the details of exactly which Performance Charges will be applied. As this is set out in a REC Schedule, a REC Change Proposal is required to

Question 2			
Respondent	Category	Response	Rationale
			set or amend REC Performance Charges. The same level of governance must be applied to any Performance Charges that might be introduced as part of a SEC PAF. Similarly, any reporting obligations that might be placed on parties to support the PAF must be codified and subject to formal change control, to recognise the impact that such changes have on SEC Parties. The REC Performance Assurance Reporting Catalogue (PARC) was amended to be a Category 2 REC document (and therefore subject to the full REC Change Process) precisely because changes to any reporting requirements may have a material impact on parties, and therefore need to be subject to a change process that includes an impact assessment. The high-level nature of the legal text reflects the lack of clarity on the scope of the PAF – it seems that it doesn't contain much detail because it remains unclear how the PAF will operate and what it will cover, which is concerning.
Octopus Energy	Large Supplier	Yes	We support the intent for improvements in visibility and maintaining the quality of services and processes, however, we are concerned that this will introduce another mechanism (on top of Negotiations, Appeals & Disputes) that increases the governance, effort, cost, and that results in a less conducive and collaborative environment. The legal text does provide the means to implement and administrate a Performance Assurance Board (PAB), however, there are still questions regarding how the PAB would enforce or affect change beyond creating a Performance Risk Register, a set of Performance Assurance techniques, providing the Panel with an Annual Performance Assurance Report, and referral to the Authority. 1. Has the Authority given any indication of its support for this? and what action, if any, they'd seek to take off the back of a referral? 2. The referral to the Authority reads like a catch-all statement for any and everything that the PAB sees fit to, will the PAB develop a clearer definition of what scenarios or circumstances would be referred to the Authority?

Question 2			
Respondent	Category	Response	Rationale
			3. As part of the Risk Assessment, will there be a detailed scoring system across systems and/or processes dependent on their relative scale and impact on consumers that could be a means to drive the relevant level of enforcement? Will this be defined by the PAB? and if so how will further legal text changes be delivered (i.e., new modifications)? 4. There has been a suggestion of combining these activities with the SEC User Security Assessments, this hasn't been defined in the legal text so the assumption is that this will be reconsidered at a later stage. And an opportunity to input into this discussion/decision. Will this be the case? And How would this be managed across the relevant Governance Forums (i.e., SSC, OPSG and PAB) 5. How would this legal text interact with the provisions regarding Disputes, Negotiations and Appeals? We acknowledge that there have also been discussions regarding using Financial Penalisation, and we note that a legal review is still required to understand if this is possible via the current SEC provisions but we believe using a Financial Penalisation model against Users would not align with the intent and objectives of the SEC. We believe that the legal text provides the structure for the creation and administration of a PAB, and the processes they will undertake however, it doesn't clearly describe the outcomes and means of enforcement available.
British Gas	Large Supplier	Yes	The proposed legal text seems appropriate to set up the PAB and the concept of the PAF. However, we have a few comments where the proposed legal text doesn't seem to exactly mirror the proposed solution outlined in the draft Modification report. Specifically: We agree with the proposal of keeping the PAF risk-based – ie focusing on the most significant potential breaches, without introducing prohibitively complex compliance requirements.

Question 2			
Respondent	Category	Response	Rationale
			However, we are not convinced that this principle (of not making the PAF prohibitively complicated) is translated into the legal text. The draft list of requirements in C9.1.5 seems quite extensive and could – at face value – produce something very complex, which isn't the agreed objective. Page 14 of the Modification report says that following establishment of the PAB, there would be requirements on the PAB to develop processes and documentation that will need consultation on with Parties. We agree that this is important. However, it isn't clear where this need for consultation is specified in the legal text. We would be concerned if the PAB were able to put the next level of detail in place, without consultation with all SEC Parties.
Data Communications Company	Other	Yes	-

Question 3: Do you agree with the proposed implementation approach?

Question 3			
Respondent	Category	Response	Rationale
BUUK	Network Party	Yes	Setting the scope and remit of the performance assurance regime is something that needs to be undertaken but will take time. The proposed approach of establishing the framework and then developing the specific performance areas is something we agree with.
Electricity North West Limited	Network Party	No	refer to response to Q7
OVO Energy	Large Supplier	Yes	-
National Grid Electricity Distribution	Network Party	Yes	We agree with the proposed implementation approach
ENGIE	Small Supplier	Yes	Either start date is achievable.
Utilita Energy Ltd	Large Supplier	Yes	The proposed approach makes sense.
Scottish and Southern Electricity Networks	Network Party	Yes	We believe a risk based PAF being put in place and managed appropriately by the PAB with the 'Risk Evaluation Methodology' also being periodically subject to additional levels of scrutiny via consultations with SEC Parties and endorsements by the Panel would provide the confidence required to Parties that the performance assurance activities are proportionate.
EDF Energy Customers Ltd	Large Supplier	No	Given the additional work required to provide clarity on the purpose and scope of the PAF before any changes are made, we do not agree that these changes could be implemented in February 2024.

Question 3			
Respondent	Category	Response	Rationale
Octopus Energy	Large Supplier	Yes	No concerns with the implementation approach, however we would raise that if there was a need for further changes to the SEC (i.e., once enforcement mechanisms are agreed) then I would expect that could lead to delays in the ability to actually manage and enforce a PAF. The only other comment, which has been expressed previously during development of the project, was the timelines to embed a PAF/PAB may result in diminished returns on the benefit case through the on-going and natural continuous improvements in improving quality and compliance on Smart Metering Equipment and data.
British Gas	Large Supplier	Yes	It seems sensible. See answer to Question 1 above.
Data Communications Company	Other	Yes	-

Question 4: Should the Performance Assurance Techniques include financial penalties?

Question 4			
Respondent	Category	Response	Rationale
BUUK	Network Party	Yes	Experience has shown that performance assurance arrangements without reliable consequences are often not treated with the appropriate level of seriousness by parties. An example of this was seen in the SPAA performance assurance performance, something that was addressed when this code migrated into the REC and its performance assurance regime. Therefore, we would support the concept of implementing the option of financial penalties within the SEC performance assurance regime. Determining what performance assurance measures would need financial chargers and the detail of what these might look like does not need to be considered at this stage and can follow in time once the performance assurance regime is established.
Electricity North West Limited	Network Party	No	We agree the reference to liquidated damages should not be applicable and subject to a legal review. Performance for some REC parties is ultimately from primary legislation and then via licence awarded by Ofgem. It's important code performance assurance works consistently and in concert with this overarching framework. This would eliminate all potential double jeopardy scenarios and ensure that the wider regulatory contract remains intact.
OVO Energy	Large Supplier	Yes	Although we feel it should include financial penalties we would like to highlight that it would be likely that these costs would be recovered from us somehow so not actually create an incentive, or even become a disincentive, to the DCC. We would like to explore the most suitable measure for ensuring the right, corrective, behaviour to be made, be that by the DCC itself or its Service Providers. If the cost of addressing the issue is less than the amount needed to correct it, it's hard to encourage corrective behaviour.
National Grid Electricity Distribution	Network Party	No	As SEC parties we are subject to SLA's and as such have our own penalty mechanisms in place. We do not believe that these need to be superseded.

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Question 4			
Respondent	Category	Response	Rationale
ENGIE	Small Supplier	Yes	The PATs should include financial penalties but these should ideally be weighted towards parties who may not otherwise be disadvantaged commercially or operationally by poor performance.
Utilita Energy Ltd	Large Supplier	Yes	We believe that financial penalties should not be taken off the table at this point, but these should be used sparingly and where they would be most impactful.
Scottish and Southern Electricity Networks	Network Party	No	We do not feel that financial penalties would need to be implemented as long as the PAF highlights these non-compliances to the SEC panel and ultimately OFGEM.
EDF Energy Customers Ltd	Large Supplier	No	It is not clear which areas of performance could be subject to financial penalties, which arises from the lack of clarity regarding the scope of a SEC PAF. As noted in the response to Q2, where financial penalties do form part of the Performance Assurance Techniques (PATs) the details of those charges and how they will be applied need to be codified within the SEC and subject to the SEC change process, and not left to the discretion of the PAB. Where financial penalties are applied, they: • Must not be punitive. • Must represent a genuine pre-estimate of the loss incurred (by other SEC Parties or by consumers) as the result of any failure. • Must not be duplicative of any existing penalties – such as those related to the Guaranteed Standards of Performance. We note that the REC PAF currently only applies Performance Charges to the Central Switching Service, and that there are no plans to introduce any other Performance Charges at this time. Given the scope of the REC and the direct impact on consumers, it is unlikely that a SEC PAF could justify applying financial penalties when the REC PAF doesn't.

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Question 4			
Respondent	Category	Response	Rationale
Octopus Energy	Large Supplier	No	We do not believe that the SEC has provisions to financially penalise SEC parties which could also lead to increased costs for consumers. There would also need to be a considerable amount of effort to define what would trigger a financial penalty and how that would be weighted. This may also create an unfair environment whereby a Users non-compliances may be partially or wholly driven by the DCC and its Service Providers and their Infrastructure but it may not be immediately apparent that this is the case. How would this be managed? Given that there is no SEC Governance Forum that reviews the DCC Infrastructure in sufficient detail to make an impartial decision and this would likely be driven by data and/or assurances from the DCC alone.
British Gas	Large Supplier	No	We don't believe that the Performance Assurance Techniques should include financial penalties. If a Party is in breach of the SEC then they are in breach of their Licence. If there is a serious breach, this should be for OFGEM to address. If the SEC is separately imposing financial penalties, there could be a doubling of penalty, which seems inappropriate and confusing governance. We recognise however that the PAF does need strength and 'teeth'. We would suggest the following: 1. Engagement with the reporting parties to ensure that the data is being interpreted correct. If a Party appears to be failing to meet its SEC obligations, engage directly with that Party to check that understanding is correct. 2. Where a Party is confirmed to be under-reporting, engage in a dialogue with that Party to agree a remediation plan, and understand if there are any external issues preventing their compliance. 3. On an ongoing basis, consider reporting 'Performance League Tables' to highlight which parties are falling behind on performance. (Similar to what currently happens in REC & BSC.) Any such reporting of performance however needs to be comparable and proportionate – ie don't just list number of breaches, but show that number as a percentage of total customers or similar.

Question 4			
Respondent	Category	Response	Rationale
			If (after 1-3 above has been tried and failed) it does appear necessary to introduce financial penalties in the future, this should be subject to a separate future Modification. This is similar to proposals under the REC.
Data Communications Company	Other	No	We note the reference to financial incentives has been removed from the legal text which we support. As noted in our response to the request for information (RFI) and our comments in the Working Group, DCC is already subject to rigorous performance oversight by Ofgem through the Operational Performance Regime (OPR). This regime financially incentivises DCC in three main areas: system performance, customer engagement and contract management. The primary vehicle for any operational financial incentives on DCC should remain the OPR alone whilst the Price Control process forms the major part of DCC's financial incentive framework.

Question 5: Should any Sections of the SEC be explicitly excluded from the scope of the PAF as part of the proposed legal text of the modification, or should it be left to the PAB to determine which areas of the SEC the PAF should focus on as part of the development of the Risk Evaluation Methodology?

Question 5			
Respondent	Category	Response	Rationale
BUUK	Network Party	Modification Legal Text	A single overarching performance assurance framework for the SEC makes logical sense. The only exclusion should be SEC J, Charging. We understand the call for security, DCC and ALT HAN performance being outside of the proposed new PAF as these are already considered by existing SEC committees. We disagree with this and believe that instead these activities should be integrated into the wider SEC PAF to allow the PAB to understand the broad performance of SEC parties. It would be administratively easier and more effective for the SEC to manage a single PAF and this would also be easier for parties to understand and engage with. SEC will need to determine the best structure for how the framework is managed and how the existing areas of compliance monitoring (e.g. security and data privacy) are integrated into the new arrangements.
Electricity North West Limited	Network Party	Performance Assurance Board	No areas should be explicitly excluded. Refer to our response to Q1.
OVO Energy	Large Supplier	Performance Assurance Board	As this is the group responsible, it would make the most sense for them to ensure all Sections apply in the first instance and deem any that are outside their Scope instead of missing a Section and including it later. If part of the modification process, we feel that this may cause delays to the modification progression.

Question 5			
Respondent	Category	Response	Rationale
National Grid Electricity Distribution	Network Party	Modification Legal Text	In creating the PAB we agree to this proposal however where their governance is directed should also be determined via modification.
ENGIE	Small Supplier	Performance Assurance Board	The PAB should develop proposals in this area and they should then be consulted upon.
Utilita Energy Ltd	Large Supplier	Performance Assurance Board	We believe that the PAB should not be restricted in which sections of the SEC they can manage at this stage, with one exception – we believe that Section Z should be exempt from the PAF as the AlthAN arrangements already have their own performance assurance methods and we see no reason these should be doubled up on.
Scottish and Southern Electricity Networks	Network Party	Performance Assurance Board	We believe that no sections should be excluded as this could result in narrowing the scope of the PAF. Allowing the PAB to determine which areas of the SEC the PAF should focus on would allow for all or any risks (new or old) to be taken into consideration.
EDF Energy Customers Ltd	Large Supplier	Performance Assurance Board	While the Sections of the SEC within the scope of the PAF do not need to be codified within the SEC legal text, there needs to be absolute clarity on the roles, responsibilities, and scope of each Sub-Committee to prevent overlaps, and also gaps. We note that the REC includes a REC Baseline Statement that details the Sub-Committee or party that owns each section of the REC. Something similar could be published that shows the demarcation between the areas of responsibility for the SEC Sub-Committees, such as the Security Sub-Committee (SSC) and the SMKI Policy Management Authority (PMA), regarding compliance with SEC obligations.

Question 5			
Respondent	Category	Response	Rationale
Octopus Energy	Large Supplier	Yes	We agree that Section Z 'Alt HAN Arrangements' should be excluded as it will be managed under a different Governance entity. Section I 'Data Privacy' outlines Privacy Assessments and should largely be covered by the broader Data Protection Legislation. We'd also put forward the argument that Section N 'SMETS1 Meters' should be considered for exclusion as it generally refers to the enrolment process but we'd also argue that performance and management by Users of SMETS1 enrolled meters in general should be excluded given the Device Specific Behaviours and technical complexities across the cohorts.
British Gas	Large Supplier	Modification Legal Text	We agree that Sections J 'Charges', G 'Security' and Z 'AltHAN Arrangements' should be excluded from the scope of the PAF, at least initially. This should be stated in the legal text for MP224. If there needs to be a change in the future, this should be addressed in a separate Modification at the time. This could be quite a simple Modification (no system changes required, just legal text change, < 6 months), but we believe it is important for it to be consulted on.
Data Communications Company	Other	Performance Assurance Board	It should be left to the PAB to determine which areas of the SEC the PAF should focus on. Explicitly excluding any SEC Sections or Subsidiary Documents now could lead to unnecessary SEC changes later on should issues arise in the future that would benefit from the PAF.

Question 6: Is the membership of the PAB suitable and ensure appropriate representation for all Parties?

Question 6			
Respondent	Category	Response	Rationale
BUUK	Network Party	Yes	It needs to include a good cross reference of all SEC parties and DCC users to ensure that the PAB has a good understanding of the issues all parties are experiencing.
Electricity North West Limited	Network Party	Yes	We welcome and it is appropriate for a Electricity DNO representative seat as per the BSC and REC PABs.
OVO Energy	Large Supplier	Yes	-
National Grid Electricity Distribution	Network Party		We would like clarity on the weighting between large and small suppliers. Is this intended to have both Gas and Electricity representatives at each level, we would also question the obvious imbalance this creates as both Electricity and Gas Networks have singular representation.
ENGIE	Small Supplier	Yes	Happy with the proposed composition of the SEC PAB
Utilita Energy Ltd	Large Supplier	Yes	The proposed membership seems appropriate.
Scottish and Southern Electricity Networks	Network Party	Yes	We believe as long as the PAB membership is made up from all SEC Parties then there would be appropriate representation in order to best support the SEC Objectives.
EDF Energy Customers Ltd	Large Supplier	Yes	The proposed composition of the SEC PAB does provide appropriate representation, bearing in mind that members are required to act independently of both their employer, and their constituency, when attending the PAB.

Question 6			
Respondent	Category	Response	Rationale
Octopus Energy	Large Supplier	Unsure	Given the change in landscape, should there be more Large Supplier representatives than Small Supplier (3 LS and 2 SS as an example) given that there are fewer Small Suppliers in the market and therefore they could be making equally weight decisions that could have a larger commercial impact on Large Suppliers.
British Gas	Large Supplier	Yes	We are happy with the proposed PAB membership in the draft Terms of Reference. The PAB membership will need to include people who (1) fully understand how the SEC operates, and (2) are able to understand quickly which matters are significant and which are not.
Data Communications Company	Other	Yes	-

Question 7: Will there be any impact on your organisation to implement MP224?

Question 7			
Respondent	Category	Response	Rationale
BUUK	Network Party	No	We believe the impact of this change to our business will be minimal. We anticipate that there will be some increased administrative costs but as we already participate in other industry code performance assurance regimes we believe these could be included as part of our Business as Usual (BAU) activity.
Electricity North West Limited	Network Party	Unable to answer	We are unable to determine if there will be impact to Electricity Network Operators and if we can agree an implementation date of February 2024 until we have more clarity regarding what requirements the PAF would be placing on us as a User from implementation in terms of data sharing from that date. This is not clear from the modification report or legal text. Experience from the introduction of the REC PAF and PAB was Electricity Network Operators where expected to response to RFIs for data sharing which were subsequently deemed out of scope. We would welcome sight of the first version of the Risk Register or a date for its completion and how much lead in time we would have from implementation of this modification before our data was monitored if any of our activities would deemed to be a risk.
OVO Energy	Large Supplier	Yes	Hopefully, if the PAB does what it is setting out to do, we should see improvements in the level of service we provide and better alignment to the SEC itself, which would improve things for all.
National Grid Electricity Distribution	Network Party	Yes	We as Electricity Networks would need to decide whether we have internal representation or reach out to external parties such as the ENA.
ENGIE	Small Supplier	Confidential Response	Confidential Rationale
Utilita Energy Ltd	Large Supplier	No	There will be no impacts to implement the modification itself, however, there may be impacts at a later date when the methodology and processes are finalised.

Question 7			
Respondent	Category	Response	Rationale
Scottish and Southern Electricity Networks	Network Party	Yes	As the PAF is undefined with regards to all of the risk areas identified. There is the opportunity for a risk related to Network Parties could exist which would require Network Parties to address and remediate. Alongside this SSEN will need to represent or feed into another Network Party who will represent all Network Parties at the PAB.
EDF Energy Customers Ltd	Large Supplier	Yes	We expect that this change will impact us, however as the scope of the PAF and the requirements it might place on us are unclear, it is impossible to assess the scale of those impacts. For example, it is not clear whether we would be required to submit any regular reporting, which has both a system and resource overhead to produce and submit the reports. It is also not clear what impact some of the other PATs might have on us - for example we currently receive numerous Requests for Information RFIs) as part of the REC PAF, which take time and effort to investigate and respond to.
Octopus Energy	Large Supplier	Yes	This would likely result in additional resources and effort to engage with these Forums and processes akin to or duplicative of the effort required for Annual User Security Assessment. This would drive cost and effort on the User side, especially if they are having to respond to/challenge an Annual Risk Assessment and Report.
British Gas	Large Supplier	Yes	This is difficult to assess until the detail of the proposals are known, which will only be later in 2024. The implementation of MP224 will introduce assurance requirements for all SEC Parties, which will have an impact. However, we recognise (and welcome) the guiding principle that the future PAF's work should be targeted, rather than generally fishing for potential issues, avoiding an overly costly and burdensome obligation on Parties. It is essential that the PAF's work ensures performance assurance will be targeted, and not involve unnecessary extra work.

Question 7			
Respondent	Category	Response	Rationale
Data Communications Company	Other	No – seem comment below.	No impact, save the requirement to provide an attendee to the PAB. However, this may be offset by reducing reporting to other forums, unless reporting is duplicated which should be avoided.

Question 8: Will your organisation incur any costs in implementing MP224?

Question 8			
Respondent	Category	Response	Rationale
BUUK	Network Party	No costs	If any costs are incurred, these are likely to be minimal.
Electricity North West Limited	Network Party	Unable to answer	Refer to response to Q7
OVO Energy	Large Supplier	Less than £100k	Costs for this would lie more in reviewing and inputting into any documentation and outputs from this group and not direct financial costs needing paying
National Grid Electricity Distribution	Network Party	Yes	This would need to be evaluated in conjunction with question 7 and would require liaising with other Electricity Networks.
ENGIE	Small Supplier	Confidential Response	Confidential Rationale
Utilita Energy Ltd	Large Supplier	No costs	See response to Q7
Scottish and Southern Electricity Networks	Network Party	Less than £100k	The costs identified will be incurred as a result of the implementation of the PAB and PAF as resource will be required to address any issues and feed in to the Network Party representative.
EDF Energy Customers Ltd	Large Supplier	£100k-£250k	Without any clarity on the scope of the SEC PAF or the PATs that will be applied (especially any reporting obligations) as a result it is impossible to accurately estimate the costs of implementation. The costs could easily be higher (or lower) than estimated depending on the lower-level detail, which we have already noted must be clearer before this Modification can be approved.

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Question 8			
Respondent	Category	Response	Rationale
Octopus Energy	Large Supplier	Yes	Without a clear and defined understanding of the level of engagement required from Users on the Annual Risk Assessment Report and Forums, then it's very difficult to provide a clear cost estimate, however, it is likely to run into the 10's of thousands of pounds on a yearly basis.
British Gas	Large Supplier	N/A	We don't believe this will require any system changes, but it will add to the reporting burden. We won't be able to estimate the exact cost impact until we see the next level of detail in 2024.
Data Communications Company	Other	No costs	-

Question 9: How long from the point of approval would your organisation need to implement MP224?

Question 9			
Respondent	Category	Response	Rationale
BUUK	Network Party	<6 months	It is likely that we would have no actions to implement and so the above figure is given as a contingency only. It will be very much dependent upon any potential future information requests that we receive from the SEC PAF.
Electricity North West Limited	Network Party	Unable to answer	Refer to response to Q7
OVO Energy	Large Supplier	Immediately	-
National Grid Electricity Distribution	Network Party	None	-
ENGIE	Small Supplier	Confidential Response	Confidential Rationale
Utilita Energy Ltd	Large Supplier	None	See response to Q7
Scottish and Southern Electricity Networks	Network Party	N/A	As there is no system process change involved this will not require any implementation.

Question 9			
Respondent	Category	Response	Rationale
EDF Energy Customers Ltd	Large Supplier	3-6 months	The establishment of the PAF within the SEC would require minimal notice, however without any clarity on the scope of the SEC PAF or the PATs that will be applied (especially any reporting obligations) as a result it is impossible to answer this question accurately.
Octopus Energy	Large Supplier	None	It's not necessarily clear on the expectations from Users (noting that the Modification Report states that the data should come from a centralised source) regarding input/effort into the report and process so we'd need to monitor the PAB discussions as the process and framework is fleshed out.
British Gas	Large Supplier	No time	No time required for initial set up of PAF and PAB
Data Communications Company	Other	N/A	-

Question 10: Do you believe that MP224 would better facilitate the General SEC Objectives?

Question 10			
Respondent	Category	Response	Rationale
BUUK	Network Party	Yes	This change will help 'facilitate the efficient provision, installation, and operation, as well as interoperability, of Smart Metering Systems at Energy Consumers premises within Great Britain'.
Electricity North West Limited	Network Party	Yes	We agree the solution would better facilitate Objective (a).
OVO Energy	Large Supplier	Yes	A and G
National Grid Electricity Distribution	Network Party	Yes	We believe this modification will better facilitate SEC Objective (a)
ENGIE	Small Supplier	Yes	It is arguable that all the SEC Objectives will be better facilitated by this modification.
Utilita Energy Ltd	Large Supplier	Yes	This mod has the potential to positively affect all SEC objectives, as it will ensure that Parties obligations under the SEC are being fully met.
Scottish and Southern Electricity Networks	Network Party	Yes	We believe MP224 would better facilitate the General SEC Objectives as this should ensure compliance with all SEC objectives that are currently not being met.
EDF Energy Customers Ltd	Large Supplier	No	Without clarity on the scope of the PAF and how it will add value over and above the existing arrangements within the SEC (such as oversight by the Panel) we cannot agree that MP224 would better facilitate any of the SEC Objectives.
Octopus Energy	Large Supplier	Yes	We believe that MP224 would better facilitate the relevant SEC Objectives (a-g). The only objective that could be potentially hindered would be Objective d, given that competition between parties would need

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Question 10			
Respondent	Category	Response	Rationale
			to be delicately managed when reviewing, assessing, and presenting data/information regarding the performance of each relevant SEC Party.
British Gas	Large Supplier	Yes	General SEC Objective (a)
Data Communications Company	Other	Yes	We agree that the SEC Objectives better facilitated by this modification would depend on the nature of the issues resolved by the PAF. As a minimum this modification should better facilitate SEC Objectives (a) and (g), the latter of which would be benefitted by a more efficient approach to Performance monitoring and assurance.

Question 11: Do you believe there will be any impacts on or benefits to consumers if MP224 is implemented?

Question 11			
Respondent	Category	Response	Rationale
BUUK	Network Party	Yes	Accountability in all systems is demonstrated to show trickle-down benefits to consumers.
Electricity North West Limited	Network Party	Yes	We agree the introduction of a PAF which could incentivise improvements in performance by SEC parties in areas which impact customers could have a benefit to customers.
OVO Energy	Large Supplier	Yes	We are hoping that this solution will deliver positive impacts to consumers through addressing poor performance and service related issues.
National Grid Electricity Distribution	Network Party	No	We believe there will be no direct impact to consumers
ENGIE	Small Supplier	Yes	Improved quality of service and improved reliability.
Utilita Energy Ltd	Large Supplier	No	The measures employed under the PAF would only come into play under circumstances where obligations are not being met, which should be rare, therefore we believe consumers will not be directly impacted by this modification.
Scottish and Southern Electricity Networks	Network Party	Yes	We believe there would be benefits as we would be impacted by the implementation of the PAF, as we are currently unable to speak to a number of devices on our estate due to an obligation not being met. The implementation of MP224 would hopefully recognise this risk and result in this issue being resolved.
EDF Energy Customers Ltd	Large Supplier	No	Without clarity on the scope of the PAF and how it will add value over and above the existing arrangements within the SEC we cannot see how MP224 would benefit consumers.

Question 11

Respondent	Category	Response	Rationale
Octopus Energy	Large Supplier	Yes	We can see that there would be benefits to consumers by the improvement in the quality of Installations, Post-Installation requirements, and maintaining the accuracy of the inventory. However, we believe there are existing mechanisms and Governance in place that could be a means of delivering these improvements (SEC Governance Forums and Negotiations, Appeals and Disputes).
British Gas	Large Supplier	Yes	Yes, indirectly. Ensuring compliance with the SEC will ensure a better consumer experience, particularly if it helps increase the success & speed of smart installations, and helps prevent any pre-payment customer issues.
Data Communications Company	Other	Yes	Overall, this modification will have a positive impact on quality of service as the PAF should reduce the impacts of any issues and risks to the SEC Objectives.

Question 12: Noting the costs and benefits of this modification, do you believe MP224 should be approved?

Question 12			
Respondent	Category	Response	Rationale
BUUK	Network Party	Yes	-
Electricity North West Limited	Network Party	Yes	Refer to our response to Q1 but noting our comments and challenges in response to Q2 (legal text) and Q7 (implementation).
OVO Energy	Large Supplier	Yes	-
National Grid Electricity Distribution	Network Party	Yes	-
ENGIE	Small Supplier	Yes	Provided that the detail of the PAF is adequately consulted on and Parties views are taken into account on an ongoing basis the PAF should benefit end consumers by increasing the reliability and quality of the Smart metering services under the remit of the SEC.
Utilita Energy Ltd	Large Supplier	Yes	We believe that having a formalised Performance Assurance programme would be highly beneficial in ensuring the SEC is operating as intended, and having a dedicated body to monitor and administer the programme will ensure a consistent approach is taken across the board.
Scottish and Southern Electricity Networks	Network Party	Yes	As this will resolve a number of issues highlighted through MP224 we believe this modification should be approved.

Question 12

Respondent	Category	Response	Rationale
EDF Energy Customers Ltd	Large Supplier	No	Without clarity on the scope of the PAF and how it will add value over and above the existing arrangements within the SEC we cannot agree that MP224 should be approved.
Octopus Energy	Large Supplier	Impartial	We are supportive of the intent of the modification, although we have questions regarding the enforcement mechanisms and realised cost/benefit case, noting that the level of effort/engagement required by Users is unclear and whether the issue lies more within the lack of interaction with the Appeals, Negotiations and Disputes processes. However, we do not feel strongly enough to reject that this modification should be progressed and will engage with the development and refinement through the PAB.
British Gas	Large Supplier	Yes	Provided what is put in place is appropriate and a net benefit to SEC Parties and consumers, rather than a burden. The PAF and PAB's work should be targeted rather than generally fishing for potential issues. It should focus primarily on issues that have a consumer impact – eg any compliance breaches that may be hindering prepayment customers being able to vend, or a customer's smart meter installation being successful.
Data Communications Company	Other	Yes	-

Question 13: Please provide any further comments you may have.

Question 13		
Respondent	Category	Comments
BUUK	Network Party	-
Electricity North West Limited	Network Party	We recommend this modification is closely aligned with outputs of Ofgem's Energy Code Reform Significant Code Reform which is expected to publish further updates as part of a series of Winter consultations 2023.
OVO Energy	Large Supplier	We are concerned that the OPSG already has a lot on its Agenda and is unable to cover off all aspects of the Operational landscape, or in as much detail as we feel necessary. There are so many topics that come under the OPSG and, although doing an effective job, we don't necessarily feel that there are enough ways to flag Operational issues.
National Grid Electricity Distribution	Network Party	-
ENGIE	Small Supplier	No further comment.
Utilita Energy Ltd	Large Supplier	No further comments.
Scottish and Southern Electricity Networks	Network Party	N/A
EDF Energy Customers Ltd	Large Supplier	-

Question 13		
Respondent	Category	Comments
Octopus Energy	Large Supplier	-
British Gas	Large Supplier	-
Data Communications Company	Other	-

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MP224 'SEC Performance Assurance Framework'

Annex D

Risk Evaluation Methodology – version 0.1

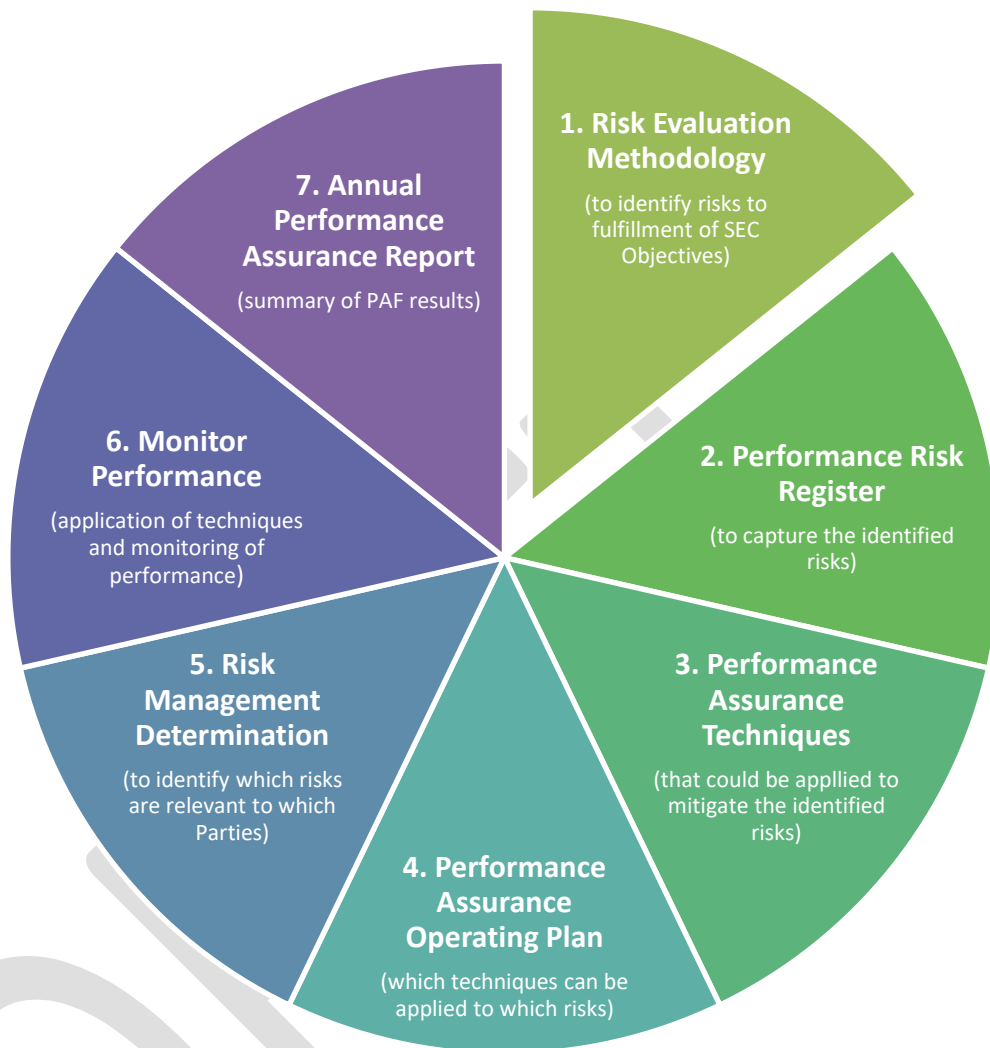
Introduction

Under MP224, the proposed SEC performance assurance approach would be risk-based, with assurance activities focussed on the main risks to fulfilment of the SEC Objectives.

The purpose of this document is to describe the process by which risks would be identified, evaluated, and assessed (the "Risk Evaluation Methodology") and how this methodology would interact with the other elements of the wider SEC Performance Assurance Framework¹, as highlighted in the diagram below.

¹ As detailed within MP224 and its supporting legal drafting
<https://smartenergycodecompany.co.uk/download/50058>

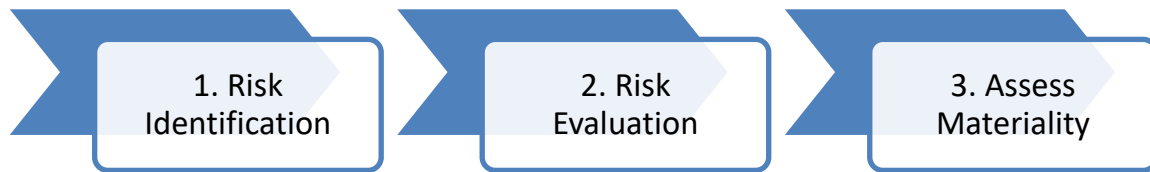
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Overview

Under the MP224 proposal, the Performance Assurance Board (PAB) would be responsible for establishing and maintaining the Risk Evaluation Methodology and the process for:

- Identifying risks to the fulfilment of SEC Objectives;
- Evaluating risks which have been identified; and
- Assessing the materiality of the identified risks.



Definitions and Principles

Definitions

The changes proposed under MP224 do not explicitly define what constitutes a ‘risk’ to the fulfilment of SEC Objectives². However, in considering what constitutes a risk in the context of the proposed Risk Evaluation Methodology, an enhanced definition is included below:

‘A risk that achievement of the SEC General Objectives is measurably and significantly degraded by a failure by a SEC Party to meet its obligations under the SEC.’

Data Provision Principles

To inform the risk evaluation process, the PAB may require Parties to provide Data to the PAB (or to the Code Administrator). In such circumstances, the following principles shall apply:

1. **Utilisation of existing reporting:** the PAB shall, to the extent practicable, utilise existing reporting mechanisms for the fulfilment of its functions. Where applicable and available, existing data and reporting structures shall be employed to streamline the information collection process.
2. **Discretion in data requests:** the PAB shall retain the discretion to request data that it deems necessary for the reasonable fulfilment of its functions. Such requests shall be proportionate to the objectives and scope of the PAB's responsibilities and shall not impose an undue burden on the Parties involved.
3. **Provision of necessary data:** all Parties shall agree to take reasonable steps to ensure that relevant and necessary data is made available to the PAB promptly upon request. Parties shall cooperate in good faith to facilitate the timely provision of information, recognising the importance of accurate and accessible data in the performance assurance process.
4. **Consultation on substantive new reporting requirements:** where the PAB identifies a substantive new reporting requirement, the PAB shall initiate a consultation process with Parties. This consultation process shall include a reasonable period for Parties to provide input on the proposed reporting requirement, taking into consideration the feasibility, practicality, and potential impact on Parties.
5. **Amendments to reporting requirements:** any amendments to existing reporting requirements or the introduction of new reporting obligations by the PAB (following

² The objectives of the Code, are set out in Condition 22 of the DCC Licence and Section C of the Code. For ease of reference, the General SEC Objectives are included in Appendix 1 – SEC General Objectives

consultation with Parties), shall be implemented through mutual agreement. Parties shall work collaboratively to address concerns, adjust where necessary, and ensure the efficient implementation of any modified reporting requirement.

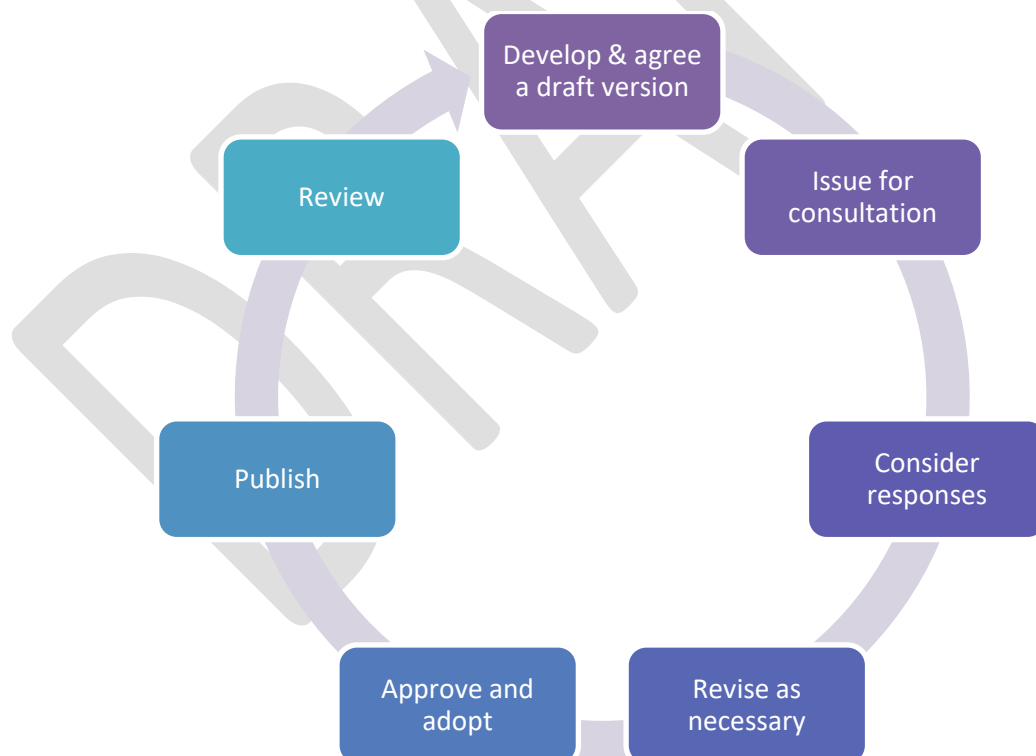
Establishment & Maintenance

The PAB would be responsible for the establishment (and ongoing maintenance) of the Risk Evaluation Methodology.

As part of this process, the PAB would be required to issue a draft of the Risk Evaluation Methodology for consultation, consider any comments received during that consultation, make any amendments to the draft it considers appropriate in light of those comments before approving and adopting the Risk Evaluation Methodology in accordance with Paragraph 7 of the draft SEC Performance Assurance Appendix³.

To the extent that it would not compromise the aims and effectiveness of the PAF, the PAB would then publish the approved Risk Evaluation Methodology on the SECCo Website.

The PAB would then periodically (at least annually) review the Risk Evaluation Methodology to ensure it remained fit for purpose.



³ <https://smartenergycodecompany.co.uk/download/50058>

Identifying Risks

In order for risks to be controlled, they must first be identified. Typically, this begins with scenario analysis – asking “what could go wrong?” and pinpointing areas that could disrupt operations or pose a risk to achievement of the SEC General Objectives.

Risks can be identified in many ways including through:

Issues	• Analysis of current and previous issues (for example, those discussed within the Operations Group)
Feedback	• Feedback from SEC Parties and other stakeholders on the areas they consider pose the main threat to achievement of the SEC General Objectives
Modifications	• As a consequence of SEC modifications that introduce new or future risks
Policy	• As a consequence of industry strategy work that introduces new or future risks
PAB Direction	• Following the application of other mitigating Performance Assurance Techniques
Non-Compliance	• As a result of current or previous instances of non-compliance
Escalation	• As a result of issues escalated to the Panel (or through other Working Groups)

Evaluating Risks

Once Risks have been identified, an initial evaluation would take place, by populating the 'Risk Description' section of the Performance Risk Register below, with the following information:

Category	Field	Description												
Risk Description	Identification Number	A unique number for each risk												
	Risk Title (the risk that...)	A description of the event that would lead to the risk materialising												
	Risk Consequence (resulting in...)	A description of the consequence of the risk materialising												
	Risk Drivers (the risk is caused by...)	A description of the root causes of the risk. Risk Drivers should be identified based on their ability to cause risks to materialise and should serve as the basis for the application of Performance Assurance Techniques												
	Types of Party	Types of Party for which the risk is relevant												
	Risk Category	The area(s) that the risk relates to (Consumers, Financial, Legal/Regulatory)												
	SEC Section	The section of the SEC containing the relevant, related obligation												
	Date Added	The date the risk was added to the Performance Risk Register												
	Status	The current status of the risk: - Proposed – prior to PAB approval - Approved – after PAB approval - Closed – once the risk has been closed												
	Status Effective Date	The effective date of the current status												
Risk Scoring	Likelihood Score	1-5 banding, reflecting a range of values based on the likelihood of the risk materialising												
		<table><tr><th>Likelihood Score</th><th>Description</th></tr><tr><td>1</td><td>Very Unlikely (<5%)</td></tr><tr><td>2</td><td>Unlikely (5%, <20%)</td></tr><tr><td>3</td><td>Possible (20%, <50%)</td></tr><tr><td>4</td><td>Likely (50%, <80%)</td></tr><tr><td>5</td><td>Very Likely (80%+)</td></tr></table>	Likelihood Score	Description	1	Very Unlikely (<5%)	2	Unlikely (5%, <20%)	3	Possible (20%, <50%)	4	Likely (50%, <80%)	5	Very Likely (80%+)
		Likelihood Score	Description											
		1	Very Unlikely (<5%)											
		2	Unlikely (5%, <20%)											
		3	Possible (20%, <50%)											
		4	Likely (50%, <80%)											
5	Very Likely (80%+)													

Likelihood Score Rationale	Commentary on factors influencing the Likelihood Score, including any future events or changes forecast to potentially affect the risk in the year												
Impact Score	1-5 banding, reflecting a range of values based on the impact of the risk materialising <table> <tr> <th>Impact Score</th><th>Description</th></tr> <tr> <td>1</td><td>Negligible</td></tr> <tr> <td>2</td><td>Minor</td></tr> <tr> <td>3</td><td>Moderate</td></tr> <tr> <td>4</td><td>Serious</td></tr> <tr> <td>5</td><td>Major</td></tr> </table>	Impact Score	Description	1	Negligible	2	Minor	3	Moderate	4	Serious	5	Major
Impact Score	Description												
1	Negligible												
2	Minor												
3	Moderate												
4	Serious												
5	Major												
Impact Score Rationale	Commentary on factors influencing the Impact Score, including any future events or changes forecast to potentially affect the risk in the year												
Risk Score	The overall risk score before any mitigating measures are applied. (Risk Score = Likelihood x Impact) <table> <tr> <th>Risk Score</th><th>Description</th></tr> <tr> <td>1-5</td><td>Low</td></tr> <tr> <td>6-12</td><td>Moderate</td></tr> <tr> <td>13-19</td><td>High</td></tr> <tr> <td>20-25</td><td>Critical</td></tr> </table>	Risk Score	Description	1-5	Low	6-12	Moderate	13-19	High	20-25	Critical		
Risk Score	Description												
1-5	Low												
6-12	Moderate												
13-19	High												
20-25	Critical												
PAB Determination	The PAB determination on whether further mitigating actions are required to address the identified risk. Mitigate / Ignore												
PAB Determination Rationale	Commentary on the rationale for the PAB determination												
Target Likelihood Score	Reflects maximum Likelihood Score the PAB determines acceptable												
Target Likelihood Score Rationale	Commentary on the reason for the Target Likelihood Score												
Target Impact Score	Reflects maximum Impact Score the PAB determines acceptable												
Target Impact Score Rationale	Commentary on the reason for the Target Impact Score												
Target Risk Score	The overall target risk score (Target Risk Score = Target Likelihood Score x Target Impact Score)												

Controls	Performance Assurance Techniques	List of the SEC PAB approved Performance Assurance Techniques (PATs) that can control or mitigate the identified Risk
	Control Strength	H/M/L indicator for the effectiveness of the PAT(s) for the risk (For guidance, control strength <40% is rated low; between 40%-70% is medium strength and >70% is high)
	Control Strength Rationale	Describes how the PATs help and the reasoning for the assigned strength
	Movement	Increasing / decreasing / stable - observed trend over recent reviews, in particular since the Performance Risk Register was last reviewed by the PAB Additional trend analysis may be presented to the PAB to supplement this information
Additional Information	Relevant SEC Processes	Related SEC process / activity – relevant SEC clauses where obligations are described – may not be exhaustive
	Non-SEC Impacts	Supplementary information to support Parties in understanding potential consequences outside the SEC if the risk manifests - may not be exhaustive
	Supplementary Controls	Examples of preventative controls outside of the SEC PATs which affected Parties may seek to use – may not be exhaustive
	Key Risk Indicators	Key metrics that provide information such as the at risk population, potential failure rate, magnitude of error per failure, or otherwise support risk evaluation and assessment
	Notes	Any additional notes that may be relevant to the identified risk

Assessing Risks

The 'risk description' captured within the Performance Risk Register would be used to facilitate the assessment of the identified Risks by the PAB.

The purpose of this exercise would be to clearly set out the risks to the fulfilment of the SEC Objectives, the significance of each risk, and to allow the PAB to prioritise effort based on the most significant and/or most likely to occur.

The mechanism by which risks would be assessed would be to assign each identified risk a 'risk score'. Risk scoring is the process of assigning a numerical value to a risk depending on its impact and the likelihood that it will occur.

Both the Impact and Likelihood Score would be judgements, supported by data as far as possible and appropriate. The overall Risk Score would then be calculated by multiplying the Impact Score by the Likelihood Score.



Impact Scoring

The 'Impact Score' would be derived from an assessment of the scale of the impact should the identified risk materialise.

Impact Score	Impact Description
1	Negligible
2	Minor
3	Moderate
4	Serious
5	Major

Likelihood Scoring

The 'Likelihood Score' would be derived from an assessment of how likely it is that the identified risk will materialise.

Likelihood Score	Likelihood Description
1	Very Unlikely (<5%)
2	Unlikely (5%, <20%)

3	Possible (20%, <50%)
4	Likely (50%, <80%)
5	Very Likely (80%+)

Next Steps

Once Risks have been identified, evaluated, assessed, and captured within the Performance Risk Register, the next steps would be for the PAB to:

- Determine the next steps for each risk and whether further mitigation is required.
- Where further mitigation is required, to identify the Performance Assurance Techniques (PATs) that could be applied to mitigate the identified risks.
- Develop the 'Performance Assurance Operating Plan' to determine which of the PATs should be applied to which risks.

Appendix 1 - General SEC Objectives

- (a) the first General SEC Objective is to facilitate the efficient provision, installation, and operation, as well as interoperability, of Smart Metering Systems at Energy Consumers' premises within Great Britain;
- (b) the second General SEC Objective is to 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;
- (c) the third General SEC Objective is to facilitate Energy Consumers' management of their use of electricity and gas through the provision to them of appropriate information by means of Smart Metering Systems;
- (d) the fourth General SEC Objective is to facilitate effective competition between persons engaged in, or in Commercial Activities connected with, the Supply of Energy;
- (e) the fifth General SEC Objective is to facilitate such innovation in the design and operation of Energy Networks (as defined in the DCC Licence) as will best contribute to the delivery of a secure and sustainable Supply of Energy;
- (f) the sixth General SEC Objective is to ensure the protection of Data and the security of Data and Systems in the operation of this Code;
- (g) the seventh General SEC Objective is to facilitate the efficient and transparent administration and implementation of this Code; and
- (h) the eighth General SEC Objective is to facilitate the establishment and operation of the Alt HAN Arrangements.

Appendix 2 – Example Impact Matrix

In order to derive the 'Impact Score', the PAB (or the Code Administrator on its behalf) will need to undertake an assessment of the scale of the impact should the identified risk materialise.

One way that this might take place would be in the form of an 'Impact Matrix'. An example of such a matrix is included below, split by three potential impact categories:

- Consumers
- Financial
- Legal Regulatory

Category	Negligible	Minor	Moderate	Serious	Major
Consumers	<25k	25k, <100k	100k, <250k	250k, <500k	500k+
Financial	One off revenue impact <£50k Recurring annual revenue impact <£10k Industry wide impact <£100k	One off revenue impact £50k, <£250k Recurring annual revenue impact £10k, <£50k Industry wide impact £100k, <£500k	One off revenue impact £250k, <£500k Recurring annual revenue impact £50k, <£250k Industry wide impact £500k, <£2.5m	One off revenue impact £500k, <£2.5m Recurring annual revenue impact £250k, <£1m Industry wide impact £2.5m, <£10m	One off revenue impact £2.5m+ Recurring annual revenue impact £1m+ Industry wide impact £10m+
Legal/Regulatory	Breach of internal controls, limited impact.	Low level legal issue, quickly resolved. Breach of internal control.	Moderate legal issue, non-compliance or breach of regulation, increased scrutiny by authorities. Multiple breach of internal controls.	Significant breach, or latest in a series of breaches, involving investigation or report to authorities with prosecution or moderate fine possible.	Major legal/regulatory breach resulting in litigation, regulatory sanction and/or significant fine.

Appendix 3 – Example Risk

Risk 001

Interruption to the SMETS2 Communications Hub Supply Chain prevents Parties from being able to install Smart Metering Systems

High Quality
Guidance

Ongoing Risk
Monitoring

Additional information	
Types of Party	Suppliers DCC
Risk Category	Consumer Regulatory Financial
SEC Sections	Section F 'Smart Metering System Requirements' Section H 'DCC Services' Appendix I 'CH Installation and Maintenance Support Materials'
Non-SEC Impacts	MHHS rollout SMIP benefit realisation

Risk Scoring	
Likelihood Score	3
Impact Score	4
Risk Score	12

Rationale
External factors previously caused component shortages. Impacts likely to be experienced months after realisation. Would allow mitigations to reduce impact.

Risk Drivers		Performance Assurance Technique
001-1	Inaccurate Supplier forecasting results in DCC's Providers being unable to meet demand	High Quality Guidance
001-2	Issues within DCC supply chain result in component shortages	Ongoing Risk Monitoring
001-3	Engineers failing to decommission CHs correctly when removing from site prevents their return to DCC for refurbishment	Self-Assessment
001-4	The DCC Returns process prevents Parties from returning the CHs for refurbishment	Ongoing Risk Monitoring

DRAFT