SEC

Smart Energy Code

SECCo BUSINESS PLAN & BUDGET

2025-2028 (Draft)

CONTENTS

SEC

INTRODUCTION

ANGELA LOVE
SEC Panel Chair
January 2025

Last year's Smart Energy Code Company (SECCo) Business Plan and Budget saw a step change in the approach to the management of the smart metering governance arrangements, with the SECCo Board seeking SEC Parties' endorsement of their approach to strengthen and evolve how the SEC is facilitated. The SECCo Board recognised that the industry is at an important juncture, where the SEC arrangements need to evolve both to address the multi-faceted issues facing SEC Parties and to make the arrangements robust enough to take on future requirements, such as the move to enduring governance and to become a Licensed Code Manager. I am please to say that last year's business plan was supported by SEC Parties. Since then the Board, the Executive and myself have been working hard to introduce the changes that we outlined.

Less than a year on, we are now operating under a new government which is focused and committed to delivering clean power by 2030 as a stepping stone to the UK reaching net zero by 2050. Smart metering is an enabler to a lot of changes required of a net-zero energy system and therefore, the time has never been more critical for the SEC and smart metering arrangements to ensure that they are robust and well supported to effectively contribute to the net-zero ambition. Smart metering data is the cornerstone to a digitally-enabled smart energy system and so it is imperative that the governance arrangements around the data, and systems supporting smart metering, are robust and can evolve effectively and speedily. Across the Government and Ofgem, there are several significant multi-year change programmes and initiatives transforming the way the central market arrangements will operate in future.

> Smart metering is an enabler to a lot of changes required of a net-zero energy system - therefore SEC governance is key

The NESO (National Energy System Operator) Clean Power 2030 report, published in November 2024, presented an analysis of the foundations for clean power, the core elements of a clean power system, the pathways, critical enablers and the benefits and costs. In their report, NESO predicted that the clean power pathways will require demand-side flexibility at peak to grow by 4 - 5 times current levels. Unlocking this demand-side flexibility will require connected and interoperable digital infrastructure, policies, technical standards and governance, alongside access to high quality data. Smart meters, smart appliances and EVs with vehicle-to-grid (V2G) capability will provide the foundations for the new way to operate the energy system.

In section 4 of our Plan, we provide further detail of what these changes mean for SECCo, SEC Parties and the impact on our operating environment.

We set out our strategy and approach in the last year's Business Plan and Budget, explaining our Target Operating Model work. During 2024 we have created a new SECCo structure to support our strategy, bringing in a new Executive team, which comprises a Head of Industry Operations, Head of Code and Regulatory Strategy, Head of Sub-Committee Management and Head of Service Management. We are also recruiting for a Head of Business and Technical Architecture. These resources are supported by managers within the SECCo team, who are working with and augmenting the work that SECAS carries out for the SECCo and SEC Parties. Further details of these roles and how they are providing benefits to SEC Parties and the services we provide are outlined below in Section 5 of this document.

During our first year of operation under the new Target Operating Model, we have committed to building a service delivery model that allows us to be agile and deliver cost-effectively and efficiently for the SEC Parties, bringing in other value-added services as necessary. Since the last Business Plan and Budget was published in March 2024, we have been working with the Department of Energy Security and Net Zero (DESNZ) to agree the transfer of the Central Product Assurance (CPA) Scheme, from the National Cyber Security Centre.

At the same time, we have been in discussions with DESNZ about transitioning the smart arrangements to enduring governance, making the SEC responsible for all governance of smart arrangements from the Smart Metering Implementation Programme, moving from the current split between DESNZ and SEC. SEC Modification MP224 'SEC Performance Assurance Framework' was also approved by Ofgem in November 2024. Therefore, we will start work on the development of the SEC Performance Assurance Framework (PAF) starting from January 2025.

Our Strategy and emerging service delivery model are based on the five key themes:

Building an agile and transparent business model based on operational and digital best practices

Transforming service delivery so that we continue to be a trusted delivery partner to the industry, Regulator and Government

Proactively developing our Code Manager capabilities to support the transition to net zero in the most cost-effective way

Becoming customer-centric to raise the standards of customer care and support to existing SEC and new SEC Parties

Providing excellent value through cost transparency and high quality of service

Lastly, in Section 6 of our Business Plan and Budget we outline our 2025-2028 Financial Projections. We have changed the way in which we present the budget figures to make the costs more transparent and granular, and to align with our Target Operating Model. All of our costs are now categorised by function, making it easier to track costs, demonstrate value for money and apply best practice in operational and financial management. This development in our budgeting and reporting practice is in response to SEC Party feedback and has been possible with the expertise and dedication of the new Executive team.

To deliver on our continued evolution our proposed costs for FY 2025/2026 are £17.4m. This represents an increase of £2.3m from our previous financial year's approved budget for 2025/2026 of £15.1m. This increase is necessary for SECCo to be able to manage additional elements of work that have become apparent since the last Business Plan and Budget were published in March 2024, and also for us to actively manage the changing environment and priorities that we are having to deal with, for example, DCC2 licence workstream, implementation of the Energy Code Reform, implementation of the SEC Performance Assurance. We provide detailed line by line explanations of the factors driving this increased funding need in the Financial Projections section below.

We have provided indicative financial projections for Year 2 (2026/2027) and Year 3 (2027/2028). These costs will be further refined as part of our engagement with the industry, Regulator and Government in 2025-2026, as significant regulatory and policy initiatives become firmer and we have a greater understanding of what aspects of our service may need to change and evolve.

Our budget planning starts at the operational and individual project level to make it as robust as possible. The draft budget is subject to a rigorous internal review by the Executive team and the SEC Panel's Procurement, Finance and Contracts Group (PFCG) prior to us presenting it to the SEC Panel for their approval to issue for consultation.

We have been actively listening to SEC Parties' feedback to understand their priorities and are setting up our strategy function to fully engage with the numerous developments that are and will become important for SEC Parties.

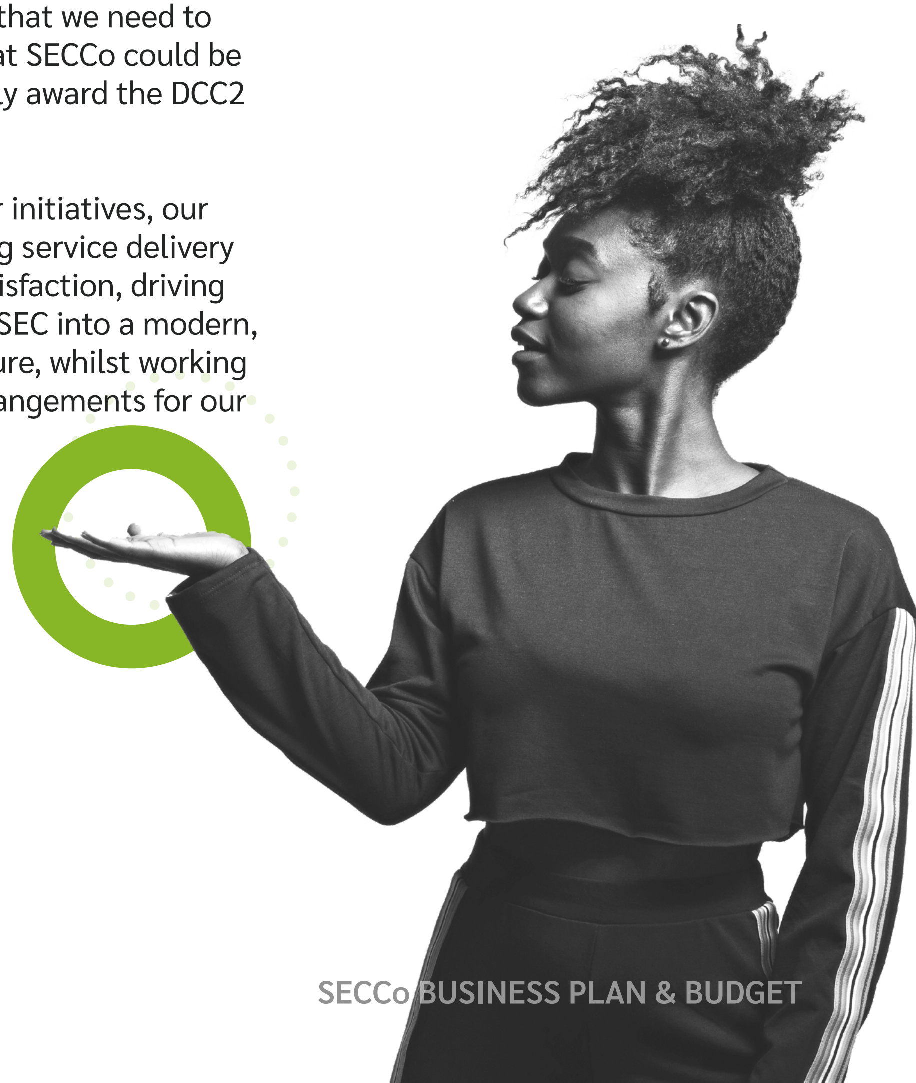
Having listened to SEC Parties we are in discussion with Ofgem to set up two Sub-Committees to allow SEC Parties to have greater scrutiny and say in what DCC (Data Communications Company) focuses on:

- a Finance Sub-Committee of the SEC to scrutinise DCC costs.
- a SEC Independent Stakeholder Group to constructively challenge DCC on their business plans and hold DCC to account on performance against their plans.

Concurrently DESNZ is, at the time of writing, consulting on whether SECCo should be permitted to set up a subsidiary Special Purpose Vehicle (SPV) to allow industry to bid to become the DCC2 Licence holder. We have included a contingency cost of £800,000 to cover the potential significant work needed in respect of the DCC2 Licence to avoid having to go back out to SEC Parties early in the Business Plan process, should the ability to set up and SPV be enacted.

This is something that we are actively considering and will keep developments under review over the period of the Business Plan consultation, taking into account the DESNZ consultation outcome. There is also a prospect that Ofgem may look to directly award the DCC Licence to one of the not-for-profit code companies. This is another aspect that we need to keep under review, on the basis that SECCo could be Ofgem's preferred option to directly award the DCC2 Licence to.

However, despite all of these other initiatives, our overriding priorities remain - raising service delivery standards, improving customer satisfaction, driving value for money and transforming SEC into a modern, digitally-driven code fit for the future, whilst working to improve the smart metering arrangements for our customers and end users.



ABOUT THE SEC & SECCO

The Smart Energy Code (SEC) sets the regulatory and operational framework for smart metering in the GB market, covering several key areas.

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

SECCo (Smart Energy Code Company) is a not-for-profit company that plays a crucial role in administering and overseeing the SEC. SEC Panel approved a new Target Operating Model (TOM) for SECCo in its 2024-2027 Budget, published in March 2024. The new TOM was designed to address a range of issues with the SEC model and operating framework, summarised in the 2024-2027 Budget, including effective and cost-efficient running of SEC arrangements, being equipped for change and enduring governance, strategic input to Code and wider industry change, and Sub-Committee alignment.

SECCo is supported by SECAS (Smart Energy Code Administrator and Secretariat) a dedicated team at Gemserv, which delivers code administrator and secretariat duties.

SEC regulatory and operational framework

ROLES & RESPONSIBILITIES	DATA PRIVACY & SECURITY	TECHNICAL REQUIREMENTS	OPERATIONAL REQUIREMENTS	CHANGE MANAGEMENT	COMMUNICATION INFRASTRUCTURE
Establishes obligations for various stakeholders, including the Smart DCC, energy suppliers, network operators, and other parties utilising the smart metering ecosystem	Outlines strict measures to ensure that consumer data collected by smart meters is secure and handled in line with data protection requirements; as well as ensuring the end-to-end security of the Smart Metering infrastructure and protecting CNI (Critical National Infrastructure)	Specifies the functional and technical standards for smart metering systems to ensure interoperability and efficiency across all users	Sets out many of the key operational processes that SEC Parties need to follow to ensure successful installation and ongoing operation of smart metering equipment	Provides a governance structure for the continuous evolution of the SEC, allowing for updates and improvements, as technology & policy change	Details the requirements for data transmission between smart meters and service providers, facilitated by the Data Communications Company (DCC)

The new SECCo TOM is being implemented through an initial two-phased approach.

01

- Introduce a number of key roles into SECCo
- As set out in SEC Business Plan and Budget published in March 2024 - the proposed resourcing started with the introduction of four new leadership roles, which are being used to bring in the other roles, to drive and deliver the SEC strategy

02

- Work is being undertaken to review subcontractor arrangements, service needs and to identify re-tendering requirements
- If necessary, conduct further work to undertake re-tendering exercises

Priorities during Phase One and Phase Two of the new SECCo TOM (Target Operating Model) and what we are setting to achieve.

SECCo TOM	Building expertise and capacity; in-house capability to deliver; enabling a more strategic approach to change; and preparing for Code Manager role.
Business planning, future service requirements & resourcing	Increasing transparency, value for money through cost control, scalability, and flexibility in service delivery.
Industry operations	Increasing operational efficiency, reaching higher productivity, and improving processes and improved decision making.
Sub-committee alignment	Alignment of priorities across SEC Panel Sub-Committees; reduction in Panel workload whilst preserving oversight; improvements and efficiencies in information management and decisions.
Strategy & becoming a trusted delivery partner	In-depth understanding of the policy and regulatory priorities; proactively support industry change and influence policy.
Engagement & stakeholder management	Improving end-to-end customer service; and anticipating and planning for longer-term large-scale change initiatives.

Summary of the key achievements during June-December 2024.

	JUNE	JULY	AUG	SEP	OCT	NOV	DEC
SECCo TOM	Exec. role in place			Key position filled	Exec. role in place		Key position filled
Business planning, future service requirements			Service review & recommendations completed	Business architecture & target service requirements completed		In-depth analysis on the future service delivery model completed	New business architecture & financial planning template
Industry operations (SEC Ops Group)	Introduced the concept of four key workstreams	Reduced the overall length of OPSG meetings	Facilitated closer working collaboration between SEC Parties & DCC		Completed a review of the OPSG Risks and Issues Management process		
Sub-Committee alignment starts							Alignment of Sub-Committee operations
Strategy & becoming a trusted delivery partner		Analysis of future changes stemming from the ECR & CM licencing	Formulation of strategic priorities through the Board Strategy Day		Review and expansion of the SEC Strategic Plan initiated	Business Planning & Budgeting for 2025-2028	
Engagement & stakeholder management	Closer alignment with DCC & ongoing DCC projects Engagement with industry on strategic initiatives On-going engagement with Government & Regulator						

SEC

OUR OPERATING ENVIRONMENT

SEC, as one of the vital industry codes, sits at the crossroads of energy, telecoms, secure data provision and consumer data privacy considerations. Government policy and energy regulation set the context for the ongoing and upcoming changes to all these factors. The pace of change in these areas is accelerating, making it essential for SECCo to thoroughly understand these changes, evaluate their impacts, influence their outcomes and effectively plan for their implementation. This section reviews significant trends that shape our broader operational environment as the energy industry transforms on its journey to net zero.

Several SEC-specific projects and programs are entering into an active development phase at the same time as out operating environment is undergoing significant change. We know these will require changes to the SEC, our operating model and processes but the exact nature of those changes will only become clearer during the 2025/26. This requires SECCo to develop and embed a service delivery model that will enable us to be agile and evolve in a cost-effective and efficient manner to support SEC Parties and to bring in new services as needed.

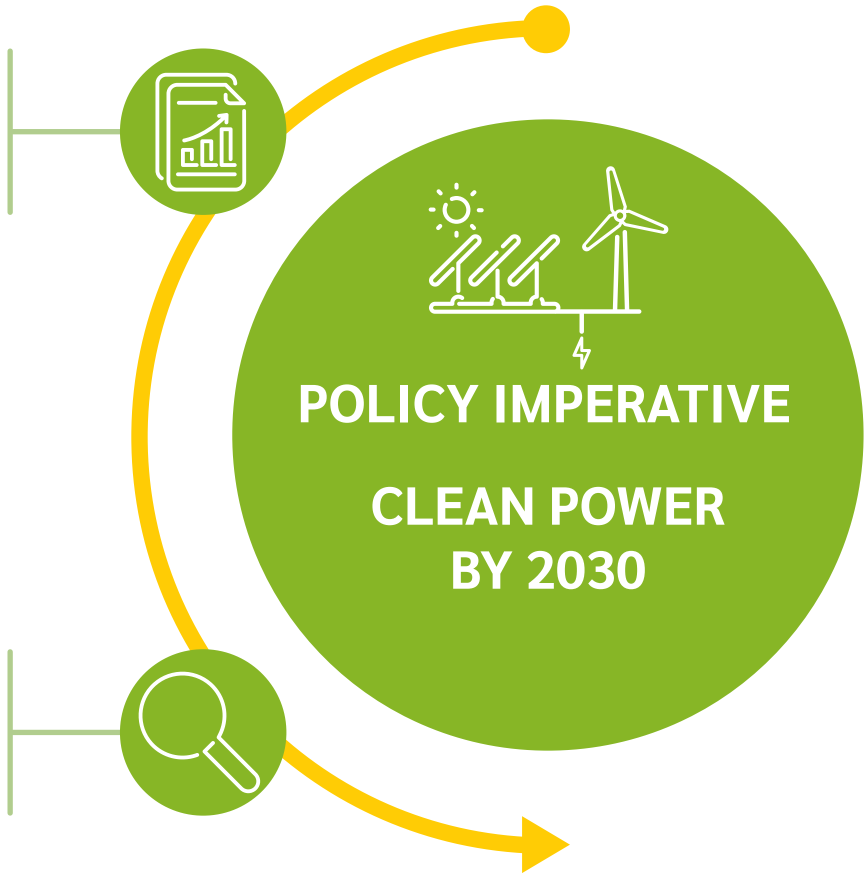
Our Operating Environment diagram:

Industry-wide changes

- Structural industry changes, new central market roles, evolution of business models in the energy industry
- Market re-design: REMA (Review of Electricity Market Arrangements) & retail market evolution

Ongoing policy development work

- Consumer Consent Framework
- The Smart Secure Electricity Systems (SSES) Programme
- Data Sharing Infrastructure (Digital Spine)
- Energy Code Reform and the Introduction of Code Manager Role & Licence



INDUSTRY-WIDE CHANGES:

Policy imperative - Clean Power by 2030

Smart meter functionality may need to be enhanced to unlock increased demand-side flexibility, whilst still providing the same high standards around data privacy and security. There is the potential for the role of smart meters to expand from simply monitoring consumption to enabling active participation in a low-carbon energy system, and the SEC may need to evolve accordingly to enable new capabilities and services of the future.

> Smart metering is one of the cornerstones of enabling the delivery of the UK's net zero by 2050 target. However, this ambition will necessitate changes to both the SEC and smart metering arrangements, to reflect the broader shifts needed in the energy system

Structural industry changes, new central market roles, evolution of business models in the energy industry

The energy industry landscape and central services are changing fast. Among the most significant changes are the following:

- In October 2024, NESO (National Energy System Operator) was designated to plan and facilitate the energy industry development. NESO will facilitate further digitalisation of the energy industry and is likely to explore the value that can be extracted from the available data, including smart meter data.
- Elexon was appointed as a Market Facilitator in August 2024 to develop more coordinated market arrangements across distributed energy markets. At the same time, there is a host of other market participants such as independent aggregators, Local Energy Communities, and energy service companies looking to innovate and offer new products and services to consumers.

We will support specific initiatives and workstreams driven by NESO under its digitalisation agenda, and Elexon, in its Market Facilitator role.

Real-time access to data to support dynamic pricing and/or automated demand response is fast becoming a reality. The SEC already places significant requirements on SEC Parties and Other Users around data privacy and security and has established protocols and capability in this regard. However, significant market changes are likely to require new rules around data sharing and governance and may necessitate a review of data privacy and security requirements for smart metering.

Ongoing consideration is being given to any impacts or changes to the SEC if there is a requirement to include interoperability with new technologies and demand-side response solutions. SECCo recognises that work needs to be done to understand wider stakeholders, including Other Users who are using smart metering data, and considering implications for use of DCC infrastructure and whether or not there should be specific requirements around those accessing this information.

Market re-design: REMA (Review of Electricity Market Arrangements) and retail market evolution

The Review of Electricity Market Arrangements (REMA) is a comprehensive initiative led by the UK Government to evaluate and potentially overhaul the existing electricity market structure. Launched in response to challenges posed by the transition to a net-zero energy system, REMA aims to ensure that the electricity market remains secure, affordable, and flexible as the energy landscape evolves. Although it is still in development, REMA is likely to drive the need for greater data granularity, enhanced meter functionality, and more complex settlement and billing processes, as well as expanding the roles of demand-side flexibility providers and aggregators.

When it comes to the retail market, Government published its vision for the future and a package of targeted reforms in July 2023 aimed at transforming the retail energy market to work better for consumers, to be more resilient and investable, and to support the transformation of the energy system.

The SEC will need to evolve and respond to these new market dynamics, ensuring that the smart metering system can support a low-carbon, flexible and consumer-centric energy market, whilst protecting customer data and ensuring that increased demand for data does not adversely affect DCC's services and capability.

ONGOING POLICY DEVELOPMENT WORK:

Consumer Consent Framework

The Consumer Consent Framework, as defined by Ofgem, ensures that consumers have control over their energy data. It aims to empower individuals to securely share their data with trusted parties, which can lead to benefits like lower bills, access to renewable energy, and more efficient energy management. The framework emphasises trust, security, and accessibility, outlining that any data-sharing process should be transparent, understandable, and should not disadvantage those less digitally engaged. The introduction of a Consumer Consent Framework could significantly impact the SEC and smart metering arrangements by enhancing consumer privacy protections, data access controls, and transparency requirements.

While these changes will empower consumers to control their energy data, they will also introduce complexities for market participants, particularly in the context of flexibility markets, innovation, and data sharing. The SEC will need to evolve to strike a balance between protecting consumer rights and supporting the continued development of a flexible, low-carbon energy system.

The Smart Secure Electricity Systems (SSES) Programme

The Smart Secure Electricity Systems (SSES) Programme is an initiative aimed at creating a regulatory and technical framework to harness the potential flexibility offered by small-scale energy devices, such as electric vehicle (EV) charge points, heat pumps and other devices. The Programme focuses on decarbonising the electricity system while ensuring consumer protection and the system's overall security. It includes the implementation of standards for energy smart appliances, regulatory measures for demand-side response (DSR) service providers, and a phased rollout of policies to address both opportunities and risks as the energy landscape evolves.

SSES will likely require enhanced cyber security and data management and privacy requirements, improved system resilience and grid flexibility, integration with emerging technology, for example, AI for grid management, blockchain secure data exchange, ‘edge’ computing etc.

At the very least, SEC can offer valuable insights into how cyber security, data management and privacy requirements have been designed and evolved for smart meters, thus it can hopefully streamline and accelerate the development of the SSES rules framework. SEC practical experience of managing the smart metering arrangements through the technology and operational changes in the past 10 years can offer valuable, pragmatic insight into all facets of the new framework from development through to managing it.

Data Sharing Infrastructure (Digital Spine)

The Data Sharing Infrastructure (DSI), commonly referred to as the Digital Spine, is a key concept aimed at advancing data sharing within the UK's energy sector. It emerged from the Energy Digitalisation Taskforce’s recommendations, and seeks to establish a secure, efficient, and resilient framework for sharing energy-related data. This infrastructure aims to facilitate seamless data exchange, reduce barriers to collaboration, and enable real-time, intelligent energy management, which supports the transition to a more decentralized and responsive energy system aligned with the UK’s net-zero goals. SEC will need to connect to and interface with the DSI for the purposes of data sharing and exchange. Considerations needs to be given to Security and Access Control as well as alignment on Data Formats and Interoperability.

Energy Code Reform and the Introduction of Code Manager Role and Licence

Energy Code Reform (ECR) is a multi-year, industry-wide initiative led by Ofgem and the Government. ECR aims to streamline the governance of energy industry codes to better support the transition to net zero and improve efficiency in delivering policy changes.

A Code Manager will manage code changes, facilitate cross-code coordination, and take decisions previously made by Code Panels. Code Managers will be licensed by Ofgem.

Proposed licence conditions include requirements around not-for-profit status, budget setting, cost recovery and performance incentives. They also include provisions to manage conflicts of interest, ensure financial stability and maintain and modify codes.

The introduction of the licensed Code Manager role will require a number of changes in the SEC itself, which can be summarised under two broad categories:

a. Changes to SECCo and SEC governance
b. Changes to business and operational processes

The detailed and specific changes stemming from the ECR will be gradually formed and implemented for the Phase 1 codes (BSC and REC) in the next 18-24 months. While many changes can be anticipated at a general level, the code-specific changes can only be taken forward once policy and regulatory positions are final.

This continuous 'trickling' of changes in the next 2-3 years and beyond will require a constant re-evaluation of the suitability of the existing Code service delivery models and processes.

> "Agility and adaptability will be vital to foresee and implement the upcoming changes at the least cost to the industry and SEC Parties

Agility and adaptability will be vital to foresee and implement the upcoming changes at the least cost to the industry and SEC Parties. Work will be required to ensure that we are close to Ofgem's thinking, picking up evolving ideas and ensuring that we understand stakeholder views.

This level of multi-layered industry change and lack of certainty and clarity on the exact manifestation of the ongoing change initiatives creates a strong need for SECCo to have the following capabilities and skills:

Strategic Thinking
to remain on top of the ongoing and new industry change, defining the implications for SEC and the smart metering arrangements in time to drive cost-effective implementation of the policy and regulatory changes

Subject Matter Expertise
to ensure reliable and timely support to the SEC Parties leading to better decision-making and agile change

Ability to Adapt
to embed flexibility, learning agility, innovation and customer-centric approach

Proactiveness
to anticipate customer/Party needs and to stay ahead of trends, offering additional value and service, whilst also seeking to influence change

Scalability
could be necessary requirement given the uncertainty of workload that SEC will be facing with DCC2, ECR, enduring governance and the introduction of the SEC Performance Assurance

MAJOR ONGOING SEC-RELATED PROJECTS AND PROGRAMMES

Major operational projects in delivery phase:

- CPA
- CHPN
- DSP Re-procurement
- Asset Life
- Test Automation

Major upcoming projects in scoping phase:

- SMIP Transitional Governance
- DCC2 License
- PAF function development
- Digital code re-development

In addition to the major operational projects in the delivery phase, several high-impact initiatives are entering into an active scoping phase, however, the exact requirement, service scope and delivery parameters are not known at this stage and, therefore, the best model to deliver those will become clear in the next 12-18 months. This means that:

- We will have to remain open and flexible as to how to deliver new functions.
- We will have to develop a robust understanding of the expertise and services available through various service providers
- Our service provider/s will have to be agile, proactive, strategic and we will have to be able to access a varying range of skills and capabilities
- Our contracts will have to allow for flexibility and cost-efficient delivery of modular work packages

SEC

SECCO STRATEGY & OPERATING MODEL

Set against the industry and business environment summarised in the previous chapter, SECCo's strategy is based on the five key themes: Agile Business Model, Transforming Service Delivery, Developing Code Manager Capabilities, Becoming Customer-Centric, Providing Excellent Value.

Among the upcoming multi-dimensional changes, it will be critical to maintain the reliable and cost-effective delivery of our core services.

This requires clarity, transparency and control over key levers driving our processes to create well-defined, fit-for-purpose, effective operations. The ability to proactively apply learnings, innovate and develop best practices will need to become SECCo's 'modus operandi'.

Building an agile and transparent business model based on operational and digital best practices

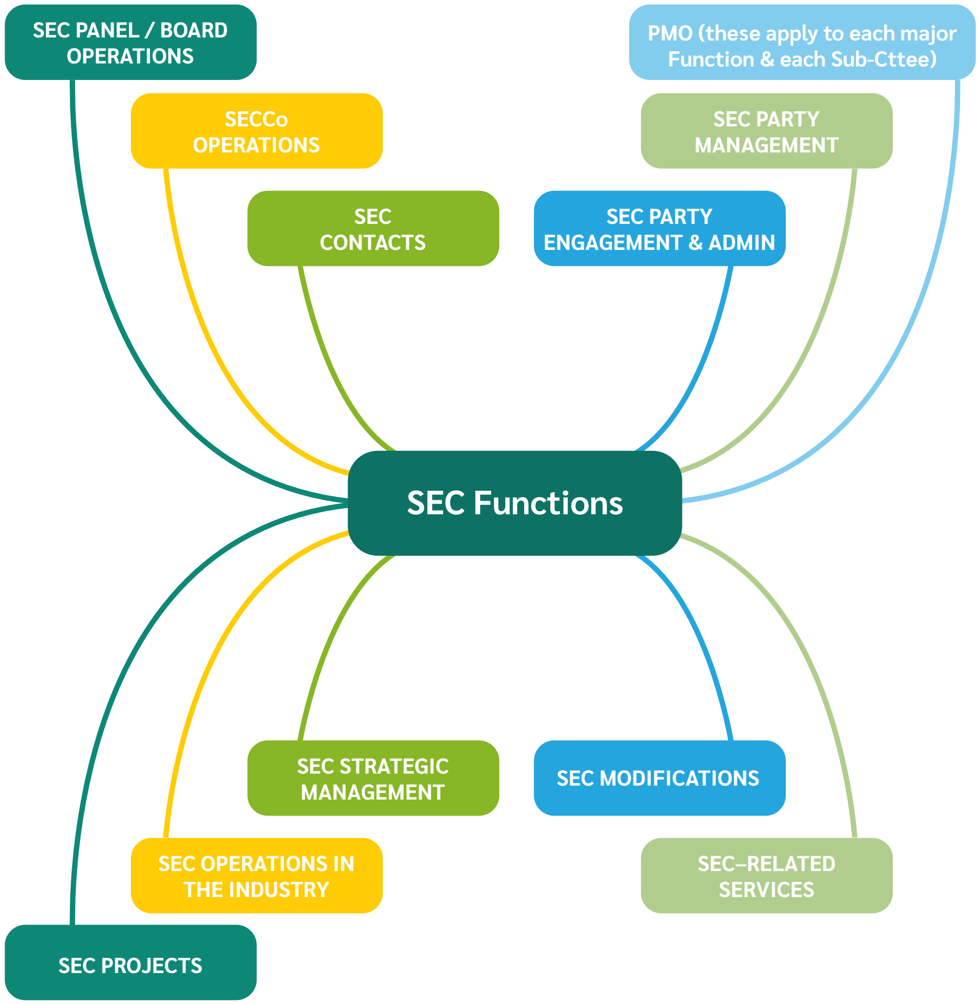
Transforming service delivery so that we continue to be a trusted delivery partner to the industry, Regulator and Government

Proactively developing our Code Manager capabilities to support the transition to net zero in the most cost-effective way

Becoming customer-centric to raise the standards of customer care and support to existing SEC and new SEC Parties

Providing excellent value through cost transparency and high quality of service

To reflect new business and operating requirements as part our new TOM, we developed the new SEC functional diagram and business architecture, which comprises 11 functions.



This is crucial for several reasons:

	Reason	Explanation
1	Clarity and understanding	Clear visual representation of functions makes it easier for everyone in the organisation to understand how different tasks and functions are interconnected.
2	Efficiency and optimisation	By mapping out functions & their constituent processes, we can identify bottlenecks, redundancies and inefficiencies. This will allow for streamlining and optimising of workflows, leading to improved productivity.
3	Consistency and Standardisation	A common framework ensures we can carry out, outsource and control processes consistently. Standardisation helps maintain quality and reduces errors.
4	Training and onboarding	New employees can quickly get up to speed. It is a valuable training tool, building an understand of roles and responsibilities within the larger organisational framework.
5	Compliance and accountability	Documented processes ensure compliance with regulations and standards. They establish clear accountability, as it’s easier to track who is responsible for each part of the process.
6	Continuous improvement	Having a detailed framework will allow us to regularly review and update our processes. It fosters a culture of continuous improvement and adaptability to changing business environment.

The 11 functional groupings form a robust business and financial framework, resulting in a 'map' describing SEC operations; this will allow for new functionality and services to be added in a logical way. And this approach will mean that we have clear line of sight as to how best to deliver new services – be that in-house, out-sourced or by contracting additional services from an existing service provider.

These functional groupings were also utilised for establishing the new budget to increase the level of transparency and financial oversight – factors that a number of SEC Parties have said are important to them.

The new SEC functional diagram and business architecture

Function		What it includes
1	SEC Panel/Board operations	All the business of the Panel and Board, including appointments, financial oversight, management of SEC activities/ Sub-Committees and overall risk.
2	SEC strategic management	Strategy development, business and technical architecture management, security architecture management, consultations/regulatory affairs and liaison with other Codes (includes the work of SWG, TABASC, SSC, PSC and SMKI PMA). We understand that some of this work could currently be considered more operational than strategic, but it is our intention to re-orientate this work to a more strategic level.
3	SEC operations in industry	Work relating to industry operations, communications transition, system performance management, testing and new/ enhanced activities for this coming year - SEC Party performance assurance and DCC liaison (this covers the work of OPSG, CTG, TIRG, PMR WG, TAG, SMIRT and the new PAF). We are also in discussion with Ofgem about setting up a new DCC Industry Stakeholder Group and DCC Finance Group, prompted by SEC Parties' comments on transparency with respect to the DCC.
4	SEC Mods	All activity relating to Modifications: Modifications process oversight and management, MP refinements, Impact Assessments and recommendations, DESNZ designation management and SEC document maintenance (including the activities of Change Board and CSC).
5	SEC Party engagement & admin	Engagement calls/meetings, website maintenance, webinars/workshops, contact list/email group maintenance, helpdesk/email management and Customer Satisfaction Survey.

Function		What it includes
6	SEC Party management	Management of: SEC accession/exit, SoLR, default, DCC User process.
7	SEC-related services	Operation of: CPA (including the work of SCIRS), CPL, User security/privacy assessment, SMDA (covering the work of SMDASC).
8	SEC contract management	Procurement and management of Code Administrator/Secretariat and of other service providers as well as (yet to be established) service provider independent audit.
9	Change/SEC projects	All projects set up to deliver a one-off outcome. Note that many items considered “projects” in previous years have now been included elsewhere because they are recurring annual items.
10	PMO	All project management office-related activities, regardless of the Sub-Committee (or other activity) to which they are linked. This is another change from prior budgets and aligns with our TOM. Included in PMO are planning, monitoring/reporting, administration, secretariat, elections, risk management and continuous improvement.
11	SECCo operations	IT, financial, HR/payroll & other admin, recruitment and any other activities which allow SECCo to operate as an independent company.

During 2025-2026, we will continue working on embedding the new TOM through continuous development of the internal expertise and capacity, operational processes review and improvement.

SEC

2025-2028 FINANCIAL PROJECTIONS

We fully recognise that we are spending industry and consumers' money. We are developing and putting in place the highest standards of efficiency in our ongoing cost and project management. We will adhere to and utilise proven and effective business methodologies and analytical frameworks to ensure our operations become streamlined and effective. These are our commitments to the SEC Parties and one of the benefits of the new SECCo Target Operating Model.

> To achieve our goals across the range of changes in the market and smart metering arrangements, SECCo needs to be a well-structured, expert organisation made up of employees with in-depth knowledge and expertise in SEC and wider market arrangements

To achieve our goals across the range of changes in the market and smart metering arrangements, SECCo needs to be a well-structured, expert organisation made up of employees with in-depth knowledge and expertise in SEC and wider market arrangements. This principle underpins our thinking in drawing up the budget and has led us to increase the projected SECCo employee count for 2025/26.

Our overall financial projections are shown below. Contingency is significant so the totals are shown first without contingency and then with contingency.

The largest single contingency element is £800,000 planned for the possibility of significant work needed in respect of DCC2, in particular concerning the possible Special-Purpose Vehicle that may need to be set up under SECCo, pending the outcome of the DESNZ consultation1. The contingency percentage, excluding DCC2 remains the same as in 2024/25 at 5%

In past years, SECAS costs have included a discount. However, all figures shown here are undiscounted, pending completion of discount discussions with SECAS, after which the figures will be amended, as applicable, before the publication of the final budget in March 2025.

Table 1. Difference in total forecast for FY 2025/26

	Total forecast (undiscounted SECAS costs)	
Date of forecast for FY 2025/26	EXCLUDING contingency & OPR Audit	INCLUDING contingency & OPR Audit
March 2024 (contained in budget for 2024-2027)	£14.342M	£15.140M
December 2024 (contained in this budget for 2025-2028)	£16.257M	£17.756M
Difference	£1.915M	£2.616M

Table 2. Total projected expenditure by function. Indicative cost projections for next 3 years (undiscounted)

Indicative Cost Projection (Undiscounted SECAS cost)	2025/26 £000s	2026/27 £000s	2027/28 £000s
SEC Panel / Board operations	991	1,026	1,063
SEC strategic management	2,924	3,039	3,089
SEC operations industry	2,312	2,438	2,691
SEC Mods	1,826	1,897	1,951
SEC Party engagement & admin	1,184	1,246	1,288
SEC Party management	202	207	212
SEC-related services	2,981	3,070	3,144
SEC contract management	411	311	326
Change / SEC projects	1,008	677	582
PMO	1,424	1,461	1,499
SECCo operations	994	1,222	1,279
Contingency	1,400	800	800
OPR auditing	99	99	99
TOTAL	17,756	17,493	18,023

Note that we expect SECCo to reach its BAU size by the end of FY 2025-26. Costs for the subsequent years represent BAU continuity and have been uplifted by 5% where relevant, to allow for inflation.

Comparison of current estimate for 2025/26 with the forecast from last year (March 2024):

The following table summarises the major changes between our forecast FY2025-26 budget from March 2024 and the figures proposed in this Business Plan and Budget. We note that because of our budget re-structure, comparisons at a detailed level with last year's forecasts will not be meaningful. We have therefore made comparisons at a high level to provide clarity to the SEC Parties and to increase the financial transparency of our operations. Since last year's budget we have introduced a quarterly finance report, which is published as a "clear" paper on the SEC Panel part of the SEC Website. This initiative was introduced with the aim of giving greater insight into SECCo's financial position. Going forward this report will be spilt by the 11 functions noted on page 23.

Table 3. Major categories of change by budget line

	Major changes to budget line
1	Contingency
2	CPA scheme operation
3	Newly-identified SECCo roles
4	Additional SECCo roles taking over SECAS functions
5	Removal of SECAS cost where SECCo is taking over delivery of processes and functions
6	Additional SECAS cost
7	New cost in projects
8	Reduced probability of projects/projects no longer needed
9	Licences, recruitment, legal
10	Accommodation & expenses
11	SMDA scheme operation
12	Market and policy monitoring
13	User security/privacy assessment
14	Miscellaneous other additions/reductions

Table 4. Major categories of change by budget line - detailed commentary. Page 1 of 4

Major Change	Forecast Mar 2024 (£000s)	Current forecast (£000s)	Difference (£000s)	Notes
Contingency	699	1,400	701	The figures contain an allowance for contingency of approximately 9% of the total proposed budget. This is higher than last year (5%) because of the number and wide impact of major changes now starting to crystallise. Allowance is being made as follows: • DCC2 - £800k for the possibility of significant work needed in respect of DCC2, in particular concerning the possible Special-Purpose Vehicle that may need to be set up under SECCo, pending the outcome of the DESNZ consultation. • Energy Code Reform/Licensed Code Manager - £200k for the possibility that more work than initially anticipated will have to be done in implementing the necessary changes in the forthcoming year. • Performance Assurance - £200k for the possibility that the scope of performance assurance is greater than originally envisaged. The budget line allowance (under SEC operations in industry) made for the service provider to conduct the performance assurance, assumes the assurance to be relatively limited in scope and this contingency mitigates the risk of the actual scope (when agreed during the course of the Financial Year) being greater than that envisaged. • Other - £200k for the possibility that more work than planned will have to be done for the move from Transitional Governance to Enduring Governance, as well as covering any other areas that are presently unknown.
CPA scheme operation	0	669	669	The intention was that CPA scheme operation would be funded directly by the DCC from 2025/26 onwards. This is no longer the case. It therefore constitutes an addition of £669k to the SEC budget. (Note that this does not include any SECAS professional support which is covered elsewhere.)

Table 4. Major categories of change by budget line - detailed commentary. Page 2 of 4

Major Change	Forecast Mar 2024 (£000s)	Current forecast (£000s)	Difference (£000s)	Notes
CPA scheme operation Newly-identified SECCo roles	0	334	334	Further roles have been introduced into SECCo, reflecting our evolving operational needs and requirements from the ongoing projects and initiatives, as well as our Target Operation Model evolution: PAF - We have introduced an additional role in performance assurance (bringing the team to two people) so that SECCo can tender this work timely and efficiently, as well as then manage the PAF service provider. Our initial approach was that the performance assurance would be carried out by SECAS and require relatively little input from SECCo. However, the SECCo Board decided that it would be prudent to test the market in relation to this service. Data and digital - We also now see the need for a SECCo data management resource, to ensure that SECCo is involved in wider industry consideration of data and in particular making sure that any proposed use of smart metering is understood and those looking to use the smart meter data fully understand and meet the requirements of the SEC. Additional resource in strategy/business analysis and project management areas - Now that DESNZ and Ofgem plans have developed, we need an analyst resource to work on the requirements and planning of the major industry change programs (moving to Enduring Governance, Energy Codes Reform and Licenced Code Managers).
Additional SECCo roles taking over SECAS functions	0	467	467	Following further elaboration of our Target Operating Model, we have decided to transition a small number of functions from SECAS to SECCo. This will require further SECCo resource (in addition to the newly-identified SECCo roles above).
Removal of SECAS cost where SECCo is taking control for delivery of processes and functions	501	0	-501	Some SECAS functions will have a reduced time spent on SEC-related activities, as SECCo takes control of some of the currently out-sourced work.

Table 4. Major categories of change by budget line - detailed commentary. Page 3 of 4

Major Change	Forecast Mar 2024 (£000s)	Current forecast (£000s)	Difference (£000s)	Notes
Additional SECAS cost	0	565	565	This is due to new roles the need for which has been identified during the last year and for other existing roles which have expanded. New roles are needed to cater for: CPA Delivery, DCC Finance Group and Industry Stakeholder Group and TIRG. Expanded scope applies to: SSC support and finance/payroll. The figure shown here is a net increase – the full increase has been partially offset by resource efficiencies made by SECAS in the areas of OPSG and Panel/Board, where SECAS has collaborated with SECCo to streamline the work required for both.
New cost in projects	0	501	501	Four new projects have been added for the coming year (Virtual WAN Device, SEC Mods benefits realisation, Data Use and Access Bill and AI risks and opportunities, totalling £151k). The project implementing the Target Operating Model has increased by an estimated £350k to cover the use of a third-party consultancy.
Reduced probability of projects/ projects no longer needed	730	472	-258	Many projects foreseen last year have a reduced probability of materialising in 2025/26. For example, the FY 2025/26 estimate made for Quantum Computing last year was £150k. We now believe that this has a 75% likelihood of actually happening and therefore the allowance we are now making is £150,000 * 0.75 = £112,500 (a cost reduction of £37.5k). There are 7 projects which have been subject to a similar reduction, totalling £158k. Two further projects are now no longer needed (total £100k). Note that the overall “projects” total may appear much reduced compared with previous years but this is a false impression. The actual reduction is only £258k (as described above); many items previously considered as “projects” have now been moved elsewhere since they should be classified as Business-as-usual (BAU). For example, the annual security architecture document review is now in SEC strategic management (part of the Security workstream).
Licences, recruitment, legal	72	104	32	Egress and CRM licences have increased. More allowance has been made for recruitment (possible use of a recruitment consultant) and for legal fees. To date all posts in SECCo have been recruited without the need for use of an external recruiter.

Table 4. Major categories of change by budget line - detailed commentary. Page 4 of 4

Major Change	Forecast Mar 2024 (£000s)	Current forecast (£000s)	Difference (£000s)	Notes
Accommodation and expenses	47	117	70	There are 3 new Sub-Committees, which has increased accommodation/expenses costs. For the existing Sub-Committees, at the instigation of the Sub-Committee members themselves, more face-to-face meetings are being introduced. The assumption is that each Sub-Committee will meet in person at least once per quarter so this too has increased accommodation and expense costs.
SMDA scheme operation	360	290	-70	The service has been re-procured at lower cost.
Market and policy monitoring	0	18	18	This has been added to aid SECCo with the monitoring and tracking of changes in political, policy and regulatory domains.
User security/ privacy assessment	142	153	11	The service provider costs have increased.
Miscellaneous other additions/ reductions	0	77	77	There are various other additions to predicted cost as well as reductions, giving this net total.
TOTAL			2,616	

Total projected expenditure by cost centre in 2025/26:

For FY 2025/26 we have introduced a further change to enhance transparency. We have broken down the total cost into cost centres:

- **SECAS/Service Provider cost –** cost of SECAS staff and associates together with cost of companies who provide a specific service to us (including any individual who acts as a Sub-Committee Chair via a Limited Company)
- **SECCo cost –** cost of SECCo staff and associates (including the associated normal support costs covering provision of standard IT facilities etc)
- **Other cost –** any other cost such as travel, accommodation, conference room facilities, audit, legal fees or specialised software licences

Table 5. Total projected expenditure by cost centre in 2025/26

Indicative Cost Projection 2025/26 (with Undiscounted SECAS cost)	SECAS / Service Provider costs £000s	SECCo cost £000s	Other cost £000s	Total cost £000s
SEC Panel/Board operations	674	179	138	991
SEC strategic management	2,002	889	33	2,924
SEC operations industry	1,341	927	44	2,312
SEC Mods	1,653	173	0	1,826
SEC Party engagement & admin	952	232	0	1,184
SEC Party management	202	0	0	202
SEC-related services	2,975	0	6	2,981
SEC contract management	0	411	0	411
Change/SEC projects	516	142	350	1,008
PMO	1,424	0	0	1,424
SECCo operations	1,424	0	0	1,424
Contingency	0	0	1,400	1,400
OPR auditing	0	0	99	99
TOTAL	11,876	3,809	2,071	17,756

Comments

We invite all comments from interested parties via email by 5pm on Monday 17th February to secas@gemserv.com

Webinar

We will be presenting on the information contained within this business plan during our webinar on Monday 20th January at 3pm. For more information or to register please contact secas@gemserv.com