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Smart Energy Code

End of Budgetary Year Report 2022-2023

Version 1.0

Contents

1. Background

The SEC Panel budget sets out the Panel's good faith estimate of the Recoverable Costs that it believes will be incurred during the next three Regulatory Years.

The budget setting process for 2022-2025 started in October 2021 with input from the Panel's Finance and Contract Sub-Group (PFCG). It was reviewed by Panel Members, and a SEC Party consultation was issued in January 2022 in accordance with SEC Section C8.13.

This End of Budgetary Year Report provides the out-turn of the Panel budget covering the period 1 April 2022 – 31 March 2023. The report has been provided for transparency purposes, for SEC Parties to view information that is normally available to SECCo Board Members on a monthly basis.

2. Executive Summary

The Panel set a budget of £8,643,423 for 2022-23, for the Panel, its Sub-Committees and the Smart Energy Code Administrator and Secretariat Service (SECAS) to complete the activities outlined within the SEC, alongside additional specified projects. Against this budget, £9,262,341 was utilised. However, this is subject to a discount of £703,294 for SECAS Services, which the SECCo Board negotiated into the SECAS contract. Therefore, the final out-turn will be £8,559,047, representing underspend of £84,376. Over-recovery will be credited back to the DCC in April 2023.

Mindful of cost pressures facing the industry, the Panel and Board have been careful to only release expenditure where absolutely required. The Projects category has come in significantly under budget, due in part to projects being deferred, and a lower than budgeted OPR audit cost.

An overview of budgeted versus actual costs is provided in Figure 1, with further detail outlined below.

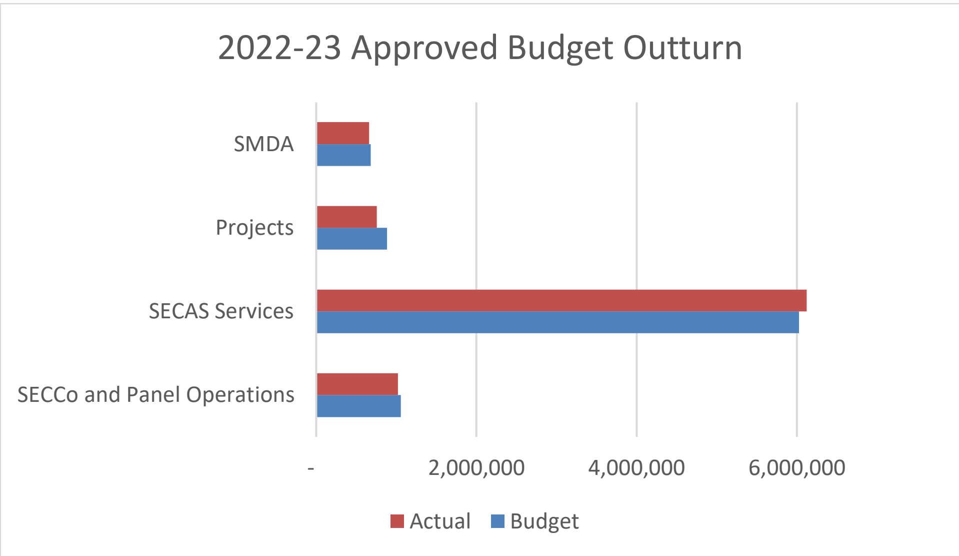

Figure 1: 2022-2023 Out-turn against Approved Budget

3. SECCo and Panel Operations

This budget category covers all the activities of the SECCo Board including insurance, legal advisors, licences, User Competent Independent Organisation (CIO)/ Independent Privacy Auditor (IPA) charges, website maintenance, and SEC Panel operations including remuneration of Independent Chairs, Panel and Sub-Committee expenses and specialist advisors. Overall, this category came in under budget by £35k. A breakdown of key variances is included in the sections below.

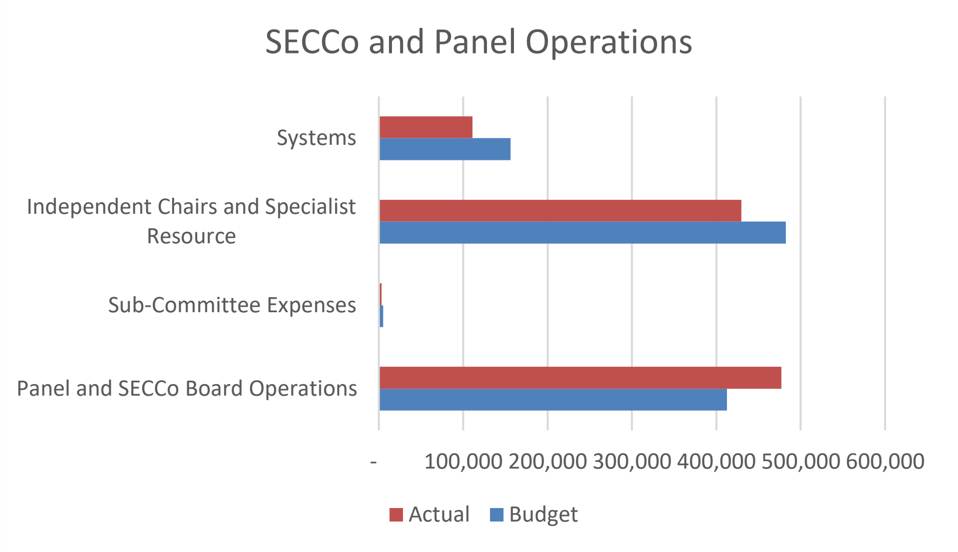

Figure 2: Panel and SECCo Board Operations Out-turn against Budget

3.1 Panel and Board Operations

The Panel and Board Operations sub-category includes costs of the Panel Chair remuneration, User CIO/IPA, Legal advisors, Insurance, Panel Member expenses, Licences, the annual SEC Party Engagement Day and Customer Satisfaction Survey. Overspend of around £65k is reported, driven primarily by legal review of a high-volume of SEC Modifications and contract changes, User CIO/IPA Security and Privacy assessment costs and Panel members which includes the SEC Panel Chair salary increase in line with RPI.

3.2 Sub-Committee Expenses

The Sub-Committee Expenses sub-category is for expenses related to the activities of the SEC Sub-Committees. Underspend of £2k is reported as most Sub-Committee meetings were held remotely.

3.3 Independent Chairs and Specialist Resource

The Independent Chairs and Specialist Resource sub-category contains provisions for external resources that support the Sub-Committees, including the Chairs for the Security Sub-Committee (SSC), Smart Meter Key Infrastructure Policy Management Authority (SMKI PMA), Technical and Business Architecture Sub-Committee (TABASC), Operations Group (OPSG), and the SMKI Specialist as defined in the SEC. Overall expenditure was £53k under budget for this category due to a decrease in SMKI Specialist activity and a lower volume of TABASC meetings than budgeted for.

3.4 Systems

The Systems sub-category contains provisions for the systems that are maintained on behalf of the Panel and SECCo, including the website, business process modelling software, Egress and CodeWorks. A £45k underspend is recorded in this area, driven by a move to a simplified Business Architecture Model to reduce cost under Business Process Modelling and a negotiation of reduced Licence costs for Codeworks.

The outturn against each SECCo and Panel Operations budget line is included in Table 1 below. Total out-turn was £35k below budget.

Budget Category	Budget Line	Budget	Actual	Variance
Panel and Board Operations	Panel Members	£156,108	£175,633	-£19,525
	SECCo	£33,000	£37,756	-£4,756
	Legal	£40,000	£77,373	-£37,373
	SEC Party Engagement Day	£10,000	£2,538	£7,462
	Customer Satisfaction Survey	£15,000	£4,655	£10,345
	User CIO/ IPA	£155,000	£174,705	-£19,705
	Licences	£3,300	£3,692	-£392
	Bank Charges	£0	£572	-£572
Sub-Committee Expenses	All Sub-Committees	£5,000	£3,125	£1,875
Specialist Resource	SMKI Specialist	£30,000	£6,720	£23,280
	SSC & SMKI Independent Chair	£200,000	£195,000	£5,000
	TABASC Independent Chair	£86,400	£55,200	£31,200
	OPSG Independent Chair	£166,000	£172,800	-£6,800
Systems	Website Maintenance	£20,000	£16,744	£3,256
	Business Process Modelling	£41,000	£7,938	£33,062
	CodeWorks	£90,000	£80,219	£9,781
	File Sharing Solution	£5,000	£6,200	-£1,200
Total		**£1,055,808**	**£1,020,870**	**£34,939**

Table 1: Budget Line Variances for SECCo and Panel Operations

4. SECAS Services

SECAS Services expenditure is broken down by Service Area and Accommodation Costs.

4.1 Service Area

Each service area is supported by the Core Team and Subject Matter Experts. The Core Team is the core resource deployed to provide the Smart Energy Code Administrator and Secretariat (SECAS) Service for the SEC and is charged in accordance with the SECCo agreed rate card appended to the SECAS contract. The Subject Matter Experts are Gemserv resources outside the Core Team whose in-depth technical, security and privacy skills are called upon for subject specific activities, only on an as-needed basis to minimise overheads. Also included in this category is financial accountants and IT specialists.

The activities to be undertaken by the SECAS Core Team and Subject Matter Experts and associated costs are presented in a forward-looking quarterly Work Package, approved by the SECCo Board in advance of work commencing. Thereafter, a monthly paper is presented for the SECCo Board which details the actual costs for approval. The out-turn against each Service Area is provided in Table 2 below. Overall, the outturn was £141,554 above budget.

The underspend for Change Board, CSC and Working Groups (£42k), TABASC (£49k), TAG (£8k) and SMKI PMA (£9k) was driven either by the Core Teams being under budgeted headcount in these areas, or fewer meetings required than budgeted for.

The overspend on SSC (£112k) was driven by increased security expert support to review and align the SSC Risk Register with the 9th iteration of the Security Risk Assessment, providing validation of the DCC CIO Assessment in line with the newly implemented DCC Security Controls Framework, and an increase in remediation plan reviews to address non-compliances in Security Self-Assessments.

Panel & Board also exceeded budget (£85k) due to unbudgeted work being carried out such as quarterly SECCo strategy days, the introduction of the new Communications Transition Group to support the retirement of 2G and 3G network coverage and 4G Communication Hub roll-out, support to the Panel Chair recruitment process, and the introduction of the Programme Assurance Policy, into business as usual.

The OPSG overspend (£60k) was driven by Performance Measure Review Group meetings set up to support a more suitable suite of performance reporting to the benefit of SEC Parties. Additional resource was also brought into the SECAS team to support a high volume of operational issues, which is budgeted for moving forward.

Service Area	Budget	Actual	Variance
Panel & Board	£755,046	£839,819	-£84,773
TABASC	£772,656	£724,089	£48,567
OPSG	£727,434	£787,777	-£60,343
TAG	£424,838	£417,329	£7,509
SSC	£1,367,842	£1,480,291	-£112,449
SMKI PMA	£111,523	£102,279	£9,244
SCIRS	£52,641	£30,248	£22,393
Privacy	£105,372	£112,391	-£7,019
Change Board, CSC, Working Groups	£1,513,750	£1,471,962	£41,788
Party Engagement	£795,915	£802,386	-£6,471
Total	**£6,627,017**	**£6,768,571**	**-£141,554**

Table 2: SECAS Services Out-turn against Budget

4.2 Accommodation Costs

The Accommodation Costs relate to costs incurred for the Panel Chair's office, meetings held at the registered office, and space rental whereby a SECCo contractor, e.g., Independent Chair, utilises a desk within the registered office. Underspend of £4k is reported due to fewer in-person meetings held than anticipated. Actual costs against the budgeted amounts are shown below in Table 3.

	Budget	Actual	Variance
Meeting Room Hire	£35,000	£30,318	£4,682
Panel Chair Office	£24,000	£24,000	£0
Contractor Space Rental	£1,800	£2,100	-£300
Total	**£60,800**	**£56,418**	**£4,382**

Table 3: Breakdown of Accommodation Costs

4.3 Contractual Discount

Any time spent by the SECAS Core Team and Subject Matter Experts working on the SECAS Areas or Projects, is subject to an annual contractual discount, linked to the level of spend within the year. This year, spend qualified for a discount equating to £703k, £41k above budget, as illustrated in Table 4 below.

	Budget	Actual	Variance
Contractual Discount	**£662,702**	**£703,294**	**£40,592**

Table 4: Contractual Discount

5. Projects

The projects category is used for emerging requirements. These projects are under the control of the SEC Panel who authorise the scope and commencement of project work and subsequent requests to release funds for the projects from the SECCo Board, with input from the relevant Sub-Committees. An out-turn against each project is also reported monthly.

Further to more detailed scoping, the list of projects and final approved budgets are not always the same as those estimated in the SEC Panel Approved Budget, agreed at the start of the year. Total project spend for 2022-23 was £756k against a budget provision of £883k, representing underspend of £126k. Further detail on each of the project categories is available in Table 5 below, along with an explanation of any significant variances to Budget.

Project	Budget	Actual	Variance
Network Evolution/ Programme Assurance	£75,000	£80,296	-£5,296
OPR Auditing	£200,000	£98,940	£101,060
Performance Assurance	£45,000	£60,772	-£15,772
Monitoring and Quality Assurance (of DCC Services)	£45,000	£82,625	-£37,625
Annual Security Obligations – Risk Assessment	£75,000	£72,636	£2,364
Annual Security Obligations – Security Architecture	£70,000	£50,000	£20,000
CPA Matters	£80,000	£60,420	£19,580
Digitalisation	£56,250	£51,838	£4,413
Strategic Working Group Projects	£56,250	£29,059	£27,191

Project	Budget	Actual	Variance
June and November SEC Release/Impact assessment	£35,000	£28,800	£6,200
Comms Hub Testing Pre UIT	£15,000	£33,623	-£18,623
Transfer of BEIS Issues Management Process including management of TSIRS/HAN WAN	£75,000	£0	£75,000
DCC DSP Procurement impacts	£10,000	£0	£10,000
User CIO Procurement	£10,000	£0	£10,000
SMDA Test House Procurement	£25,000	£0	£25,000
Meter Splitting	£0	£6,182	-£6,182
Panel Chair Recruitment	£0	£20,000	-£20,000
Panel Chair Transition	£0	£25,000	-£25,000
2G/3G Steering Group	£0	£40,511	-£40,511
Website Upgrade Scoping	£0	£6,182	-£6,182
SMDA Network Party Test Scenarios	£0	£9,600	-£9,600
Unallocated Project Budget	£10,000	£0	£10,000
Total	**£882,500**	**£756,483**	**£126,017**

Table 5: Breakdown of Project Costs

5.1 Network Evolution/ Programme Assurance

The DCC is leading a 5-year Network Evolution and a number of other User impacting Programmes. As part of the Panel's duty to consider developments in services from a SEC Party perspective, DESNZ has asked the Panel to form a view on the Network Evolution proposals, which will shape DESNZ' decision on how to progress. The Panel agreed to use this budget as part of a broader assurance project covering all User impacting DCC Programmes. SECAS has produced a Programme Assurance Policy to provide a clear methodology for DCC Programmes to proceed through SEC governance and has met regularly with the DCC to improve programme documentation to meet the needs of Sub-Committee and Panel members, perform technical reviews of documentation, and co-ordinate responses to consultations on behalf of Panel or its Sub-Committees. The work has come in over budget by £5k.

5.2 OPR Auditor Procurement & Auditing

As part of the update to the Operational Performance Regime (OPR), Ofgem is undertaking an independent audit of DCC's contract management. An underspend of £101k is recorded against this project, following a procurement exercise for a third party to deliver the audit.

5.3 Performance Assurance

The BEIS SMETS2 Interoperability Review identified that a performance assurance framework may be required to ensure that Parties are complying with their obligations. This project was initiated to identify the type of framework that industry wants to be put in place, and the changes required to the SEC to afford the SEC Panel greater powers to take action. A modification to the SEC has been raised to explore introducing a Performance Assurance Board under the SEC. An overspend of £16k is recorded.

5.4 Quality Assurance (of DCC Services)

Shortcomings in the operational quality of DCC Services continue to cause concern for Users. This project was initiated to consider whether further DCC Service quality assurance measures are required. Delay to the project commencing in the previous year and therefore not utilising the full 2021-22 allocated budget resulted in an overspend against the 2022-23 budget of £38k.

5.5 Annual Security Obligations – Risk Assessment

SEC Section G7.19(b) specifies that the SSC must carry out reviews of the Security Risk Assessment at least once each year, in order to identify any new or changed security risks to the End-to-End Smart Metering System. SECAS and the SSC procured the services of a specialist security organisation to complete the 9th iteration of the risk assessment covering MOC Secure and FOC. Underspend of just £2k is reported.

5.6 Annual Security Obligations - CPA Security Architecture

SEC Section G7.19 (d) requires the SSC to review and maintain the End-to-End Security Architecture and Security Obligations and Assurance Arrangements, to ensure it is up to date. The SSC procured the services of a specialist consultancy to complete the review and is part way through the work, which will complete in 2023-24. Underspend of £20k is therefore reported.

5.7 CPA Matters

SEC Section G7.19 (f) requires the SSC to maintain the Security Characteristics. Annual maintenance is required, and a test lab was used to undertake the exercise. This provision provided for 4-6 iterative workshops with industry on proposals either for changes to the CPA Security Characteristics; review of the Re-certification process documentation and SSC Guidance for Device Security Assurance and documentation or to investigate Use Cases for Device Refurbishment. Spend was £20k below budget for this area.

5.8 Digitalisation

In support of Ofgem's desire for industry codes to be digitalised, further work has been carried out to digitalise the security assessment management process. This area has come in under budget of £4k.

5.9 Strategic Working Group Projects

The Strategic Working Group (SWG), directed by SEC Panel, commissioned a project to understand premature asset removal. No other projects were commissioned by SWG and spend was £27k below budget.

5.10 June and November SEC Release/Impact assessment

Changes in the SEC June and November 2022 releases required updates to SMDA testing to ensure that the Scheme continues to align with industry testing standards. This work was delivered £6k below budget.

5.11 Comms Hub Testing Pre UIT

Following the outcomes of the Comms Hub testing pilot programme, the SMDA Scheme tested new DCC Comms Hubs Firmware pre-UIT to provide additional confidence to the industry. The project spend was £19k above budget.

The following projects were originally allocated budget in the SEC Panel Approved Budget 2022-23 but were either deferred or subsumed into other activities:

5.12 Transfer of BEIS Issues Management Process including management of TSIRS/ HAN WAN

BEIS (now ESNZ) intended to transfer the operation and management of the Technical Specification Issues Resolution Sub-group (TSIRS) and Home Area Network (HAN) and Wide Area Network (WAN) Working Group to SECAS, however this has been deferred by a further year, resulting in an underspend of £75k.

5.13 User CIO Procurement

The contract for the Independent User CIO expires in July 2023, and budget had been set aside to manage the procurement. However, the Panel, supported by SECAS, was able to negotiate a contract extension with improved commercial terms, negating the need for a procurement exercise and resulting in a £10k underspend.

5.14 SMDA Test House Procurement

The budget provisioned for the cost of running a full competitive tender of the SMDA Test House. The tender exercise has been postponed until the SMDA Review project has concluded. The £25k budget has therefore not been utilised.

5.15 DCC DSP Procurement impacts

The current DSP contract with the DCC ends in 2024. Budget was allocated to allow for further investigation to take place to determine if changes to the contract would impact the SMDA Scheme. It was too early for the work to take place and therefore the £10k budget was not utilised.

The following projects were not allocated budget in the SEC Panel Approved Budget 2022-23 but a need was identified for them funded from savings against other budgeted projects:

5.16 Meter Splitting (P375)

This project was a continuation of work in the previous year to identify the impacts on smart metering technical infrastructure of BSC Modification P375 (Metering behind the Boundary Point). Overspend of £6k is recorded against budget, after additional scope was agreed to undertake an analysis of existing data that could be used by DCC systems to identify any SMETS assets associated with Virtual Lead Parties and to develop a DCC data solution.

5.17 Panel Chair Recruitment

This budget provision funded a specialist recruitment agency to support the SEC Panel Independent Chair recruitment process. £20k was utilised to fund this.

5.18 Panel Chair Transition

This budget provision funded a transition period between the existing and new SEC Panel Independent Chair, to support a successful handover. £25k was utilised to fund this.

5.19 2G/3G Steering Group

This budget provision funded the scoping, set-up, implementation and chairing of a new Sub-Committee of the SEC Panel to manage the transition activities associated with the retirement of 2G and 3G network coverage and the roll-out of 4G Communications Hubs. This work incurred £42k expenditure this year and has been built into the SEC Panel Approved Budget for the next budgetary year.

5.20 Website Upgrade Scoping

This budget provision funded a scoping exercise for improvements to the SEC website to improve the SEC Party experience incurring £6k expenditure this financial year.

5.21 SMDA Network Party Test Scenarios

This project introduced a new set of test scenarios into the SMDA Scheme requested by the Network Party Operators. The project incurred £10k expenditure.

5.22 Unallocated Project Budget

A £10k provision was erroneously included in the budget, after a last-minute change to remove budget provision for the SMKI Document Set Review. This was not utilised for any other project.

6. SMDA

The SMDA Scheme now falls under the governance of the SEC, with the fixed costs of the SMDA Scheme Operator and Test House being borne by the SEC Panel Budget.

A reduction in Test House costs resulted in underspend of £20k.