



Stage 04: Final Modification Report

SECMP0017:

CGR Phase 3 outcomes: Code Administrator to chair Working Groups

This Modification Proposal seeks to bring into effect one of the outcomes from the Ofgem Code Governance Review Phase 3, which is for the Code Administrator (SECAS) to always chair modification Working Groups, unless there is a Panel-identified conflict of interest.



The Change Board voted unanimously to approve this Modification on 27th July 2016.

SECMP0017 will be implemented on 17th August 2016, five days after the end of the 10 Working Day referral period.



Impacts on:
SEC Panel, SECAS, and Modification Proposal Working Groups

What stage is this document in the process?

01	Initial Modification Report
02	Refinement Process
03	Report Phase
04	Final Modification Report

Any questions?

Contact:

David Barber

secas@gemserv.com

020 7090 7755

Proposer: **Simon Trivella**

Organisation:

British Gas

SECCB_07_2707

SECMP0017

Final Modification Report

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Version 1.1

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About this document

This document is the Final Modification Report for SECMP0017. The Change Board considered this report as part of their deliberations on whether to approve or reject SECMP0017. It has been updated following the Change Board vote on 27th July 2016.

Attachment A contains report phase consultation responses.

Attachment B provides details of the Change Board vote.

1. Summary

This section provides an overview of SECMP0017. For further details on the Modification Proposal, please refer to the subsequent sections. Defined terms and acronyms used in this document are listed in the Glossary (Appendix A) of this document.

1.1 Why Change?

The third phase of Ofgem's Code Governance Review (CGR3) concluded that Working Groups (used for the assessment and development of a Modification during the change process) should be chaired independently. Ofgem stated that the role of chair should be undertaken by the relevant Code Administrator, unless the Panel identifies that there is a conflict of interest.

The SEC currently sets out that the Panel, or the Working Group can ask the Code Administrator (SECAS) to chair the Working Groups. However, it does not state that SECAS shall chair the meeting unless the Panel believes there is a conflict of interest.

1.2 Solution

SECMP0017 is seeking to amend SEC Sections D6.3 and D6.4¹ to align it with the outcomes of the Ofgem Code Governance Review Phase 3 proposals. Namely that SECAS will chair all Working Groups, unless the Panel identifies that there is a conflict of interest.

1.3 Impacts and Costs

There will be no impact on SEC Parties. This Modification will formalise the existing approach that the SEC Panel has taken to have SECAS chair Working Groups.

1.4 Implementation

This Modification Proposal will be implemented on 17th August 2017.

1.5 Path 3: Self-Governance

As this Modification Proposal will be aligning the SEC with the outcome of Ofgem's CGR3, and the amendments are non-material, this Modification Proposal has been progressed as a Path 3 Modification Proposal and proceeded directly to the Modification Report Consultation without Refinement.

1.6 Report Consultation Responses

Seven SEC Voting Groups (representing a total of 13 SEC Parties) responded to the Modification Report Consultation, consisting of four Large Suppliers, two Network Parties, and one Other SEC Party. All of the respondents supported approving SEMP0017.

¹ SEC v4.14 – 13th July 2016

1.7 Change Board Decision

The Change Board unanimously agreed to approve SECMP0017.

2. Why Change?

2.1 Background

Introduced in November 2007, the first phase of Ofgem's Code Governance Review (CGR1) sought to reduce fragmentation and improve the governance arrangements, including code administration and modification processes. The CGR1 concluded in 2010 and implemented changes primarily to the Balancing and Settlement Code (BSC), Connections and Use of System Code (CUSC) and the Uniform Network Code (UNC).

A second phase of the Code Governance Review (CGR2) was initiated in April 2012 with the aim to extend the outcomes from the previous review to further industry codes and agreements. The CGR2 concluded in March 2013.

Although the SEC was not subject to either of the first two CGR phases, they were incorporated within the SEC from its first designation.

In October 2015, Ofgem published a consultation for a third phase of the Code Governance Review (CGR3). The proposals in CGR3 covered many areas including independence matters relating to Panel Chairs, Panel Members and Working Group chairs. The outcomes of the CGR Phase 3 were published on 31st March 2016².

2.2 What is the issue?

One of the key CGR3 outcomes is that modification Working Groups should be chaired independently, rather than an appointed Working Group member carrying out the role.

Ofgem proposed that this could be achieved through the respective Code Administrator carrying out this role. However, Ofgem did note that there may be some instances where the Code Administrator might have a direct interest in the modification, in which case it may be appropriate for an alternative independent chair to be in place.

The existing SEC provisions set out that Working Groups will be chaired by a Working Group member, however the Panel or the Working Group can request that the Code Administrator chairs the meetings. To deliver the CGR3 outcomes in this area, the relevant provisions need amending so that the Code Administrator will always chair the Working Group meetings, unless there is a conflict of interest identified by the Panel.

² Ofgem's CGR3 proposals are available [here](#).

3. Solution

3.1 Proposed solution

The proposed solution is to amend SEC Section D so SECAS will always chair SEC Modification Working Group meetings, unless there is a conflict of interest identified by the Panel. If this were to occur, the chair would be selected from amongst the Working Group members.

This will align the SEC with the CGR3 outcomes.

3.2 Proposers views against SEC Objectives

Objective (g): is to facilitate the efficient and transparent administration and implementation of the SEC.

The Proposer believes General SEC Objective (g) is better facilitated by this Modification Proposal as it will align the SEC with the outcomes of the Code Governance Review Phase 3. In addition, it will provide procedural efficiency as time will not be spent deciding on who should chair the Working Group meetings.

3.3 Proposed Legal Text

As this change only relates to who chairs Modification Proposal Working Groups, only SEC Sections D6.3 and D6.4 require amendment. It is proposed that SEC Section D6 is amended to the following:

D6.3 Each Working Group so established must comprise:

- (a) at least five individuals who:
 - (i) each have relevant experience and expertise in relation to the subject matter of the Modification Proposal (provided that there is no need to duplicate the experience and expertise available to the Working Group via the Technical Sub-Committee); and
 - (ii) whose backgrounds are broadly representative of the persons likely to be affected by the Modification Proposal if it is approved, (and the Panel, with the cooperation of the Parties, shall seek to establish a standing list of persons with potentially relevant experience who may be willing to serve on Working Groups);
- (b) where the Proposer nominates such a person, one person nominated by the Proposer; and
- (c) a Working Group chair ~~to be in accordance with (subject to Section D6.4) selected from among the members of the Working Group by such members.~~

D6.4 ~~The Code Administrator shall act as chair of a Working Group unless the Panel direct that there is a conflict of interest which prevents this, in which case a chair shall be selected from among the members of the Working Group by such members.~~ The Code Administrator shall attend meetings of the Working Groups established pursuant to this Section D6, and support the activities of such Working Groups. The Code Administrator shall provide feedback to any Party that requests it regarding the progress of the Refinement Process and the outcome of Working Group meetings. ~~Where the Panel or the relevant Working Group so determines, the Code Administrator shall act as chair of a Working Group~~

4. Impacts and Costs

4.1 Impacts

There are **no impacts** on SEC Parties, the DCC or any systems (including DCC Systems, User Systems and/or Smart Metering Systems). There are also no identified impacts on other Energy Codes, Greenhouse Gas Emissions or Consumers.

4.2 Costs

Costs to implement this change will be limited to the Code Administrator's time and effort to making the necessary amendments to the SEC, releasing a new version to SEC Parties, and its publication on the SEC Website. This is estimated at 2 Man Days maximum (equating to circa £1200³).

There will be no additional ongoing effort or costs as the Working Groups currently underway are already being chaired by SECAS.

5. Implementation

5.1 Recommended Implementation approach

As this Modification Proposal has no impact on SEC Parties, or the DCC, the following implementation approach was proposed:

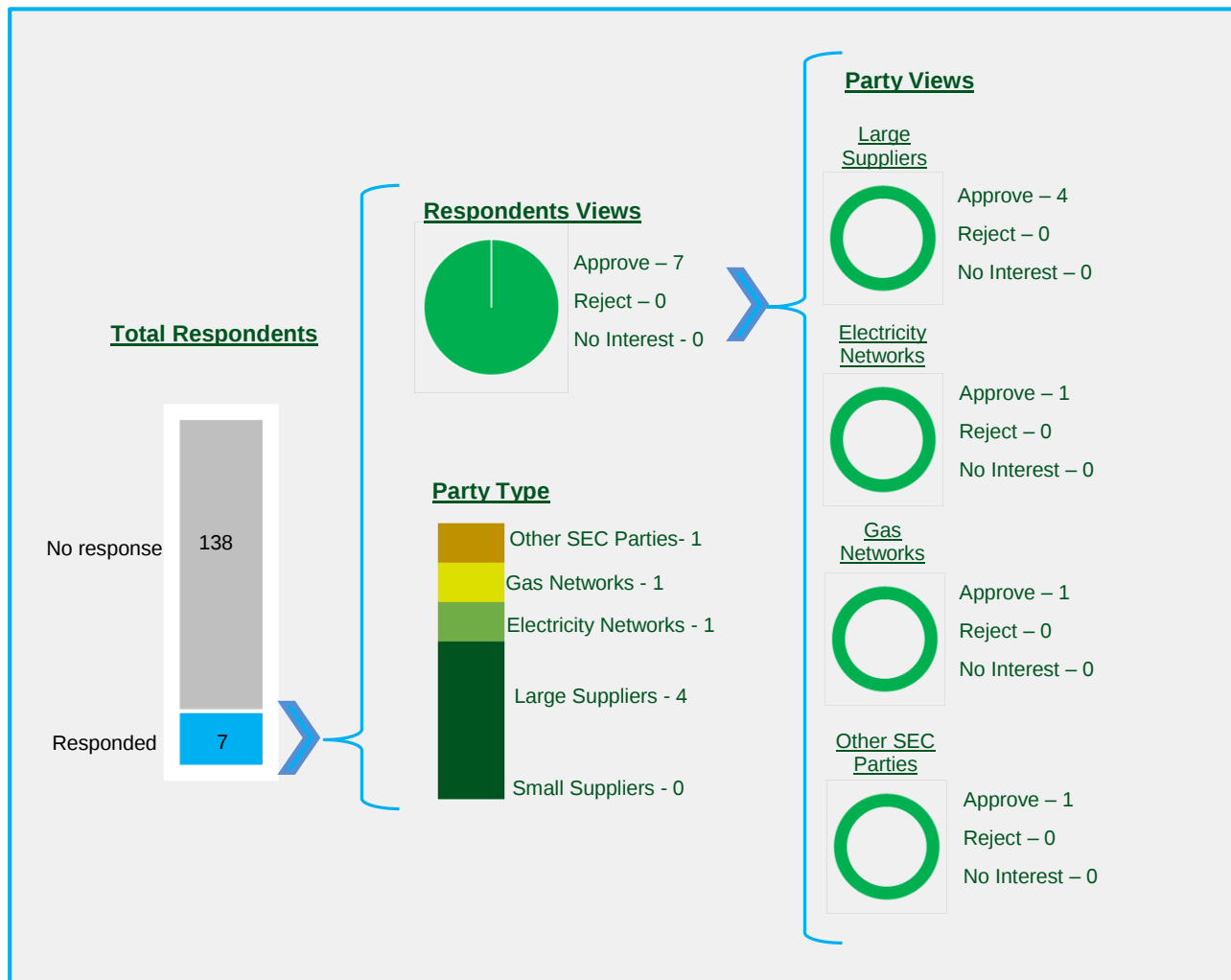
- **Five Working Days** following the end of the 10 Working Day referral period that applies after the Change Board vote.

³ Based on a blended rate of £600 per day.

6 Modification Report Consultation Responses

This section summarises the responses received to the Modification Report Consultation. Seven respondents, representing a total of 13 SEC Parties⁴, replied to the Modification Report Consultation. The full list of represented SEC Parties and the responses are provided in Attachment A.

6.1 Summary of Responses



⁴ Out of a total of 178 SEC Parties.

Summary of Large Suppliers' views for and against SECMP0017		
SEC Objectives	Benefit(s)	Drawback(s)
Objective (g)	- Aligns the SEC with the outcomes of CGR3. - Support procedural efficiency as there will be less time spent on allocating a Working Group Chair. - Helps ensure a consistent approach across Working Groups.	None
Summary of Networks' views for and against SECMP0017		
SEC Objectives	Benefit(s)	Drawback(s)
Objective (g)	- Aligns the SEC with the outcomes of CGR3. - Also aligns the SEC with other industry codes where Working Groups are chaired by the Code Administrator. - Transparent administration & efficient implementation of the code.	None
Summary of Other SEC Parties' views for and against SECMP0017		
SEC Objectives	Benefit(s)	Drawback(s)
Objective (g)	It avoids a conflict of interest in chairing Working Groups.	None

7. Change Board Decision

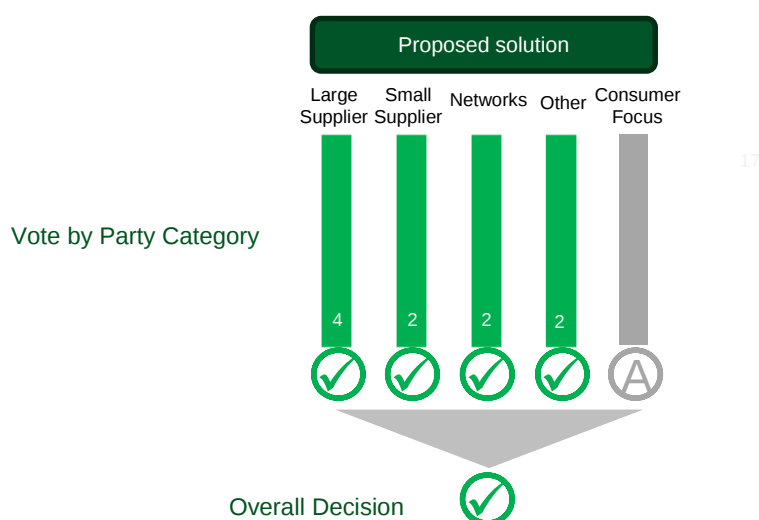
7.1 Deferral?

The Change Board unanimously agreed that SECMP0017 should not be sent back to the SEC Panel for further clarification or analysis and that a decision on it should not be deferred.

7.2 Approve SECMP0017

The Change Board unanimously agreed to approve SECMP0017 (noting that the Consumer Focus representative abstained) because it better facilitated SEC Objective (g); to facilitate the efficient and transparent administration and implementation of the SEC.

Details of voting by Party Category is provided in Attachment B, but a summary of the Change Board's views against the applicable SEC objectives can be found below.



Summary of Change Board views for and against SECMP0017		
SEC Objective	Benefit	Drawback
Objective g)	- Aligns the SEC with the outcomes of CGR3. - Help ensure a consistent approach across Working Groups. - Transparent administration & efficient implementation of the code. - Also aligns the SEC with other industry codes where Working Groups are chaired by the Code Administrator.	None

Appendix A – Glossary and References

Glossary	
Acronym	Term
BSC	Balancing and Settlement Code
CACoP	Code Administration Code of Practice
CGR3	Code Governance Review Phase 3
CUSC	Connections and Use of System Code
DCC	Data Communications Company
SCR	Significant Code Review
SEC	Smart Energy Code
SECAS	Smart Energy Code Administrator and Secretariat
UNC	Uniform Network Code

References

The following table contains any useful links relevant to this change or referenced in this document.

Links and References	
Description	Link
Ofgem Code Governance Review Phase 3: Final Proposals	https://www.ofgem.gov.uk/publications-and-updates/code-governance-review-phase-3-final-proposals
The May 2016 Panel meeting noted that action was required to implement this change via Panel Paper - <i>SECP_32_1305_05 – Implementation of CGR Phase 3 Final Proposals</i> .	https://smartenergycodecompany.co.uk/meetings/meetings-calender/all-meetings/meeting-details?Id=d8dda0ad-f26d-69b4-bb96-ff0000a6837f
SECMP0017 Modification Proposal form	https://www.smartenergycodecompany.co.uk/docs/default-source/modificationfiles/secmp0017/secmp0017---modification-proposal-form-v1-0.pdf?sfvrsn=0