Smart Energy Code

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Stage 01: Initial Modification Report

SECMP0027:

Amending Service Request Forecasting

This Modification Proposal seeks to amend Service Request forecasting provisions in one of two ways:

- Aggregate / Service Request Forecasts; or
- Remove Energy Consumer driven Service Request 2.2 ‘Top Up Device’ from the report described under SEC Section H3.24 (c).

P2

Refine

The recommendation is that this Modification Proposal should:

- follow Path 2: and
- be progressed through the Refinement Process.

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Potential Impact on:

- Data and Communications Company (DCC); and
- DCC Users

What stage is this document in the process?

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

Proposer

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Any questions?

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About this document

This document is an Initial Modification Report (IMR). It enables the SEC Panel to carry out its initial consideration on how this Modification Proposal should be progressed through the Modification Process.

The Panel considered this Initial Modification Report at its meeting on 13th January 2017.

This Initial Modification Report has two attachments:

- **Attachment A: SECMP0027 - Modification Proposal Form**
- **Attachment B: Working Group Terms of Reference**

1. Summary

This section provides an overview of SECMP0027. For further details on the Modification Proposal, please refer to subsequent sections. Defined terms and acronyms used in this document are listed in the Glossary and References (Appendix 1) of this document.

1.1 What is the problem?

SEC Section H3.22 requires Users to provide forecasts to the Data and Communications Company (DCC) of each type of Service Request (SR) that it will send, within a 10% tolerance, for each of the eight-months following the month in which the forecast is provided.

Utilita Energy (the Proposer) suggests that under current arrangements, to keep within the 10% constraint, Suppliers may have to choose between restricting Energy Consumer driven SRs or to frequently be in breach of the SEC requirements on forecasting and accept the penalty from not being within the 10% constraint.

1.2 Solution

This Modification Proposals seeks to amend Service Request forecasting provisions in one of two possible ways:

1. aggregating Service Request forecasts; or
2. remove Energy Consumer driven Service Request 2.2 ‘Top Up Device’ from the report described under SEC Section H3.24(c).

1.3 Potential Impacts

SECMP0027 will impact DCC User forecasting. This in turn will impact the DCC, who will be required to integrate the necessary changes to SR forecasting into its demand management systems.

1.4 Proposed Progression

The Proposer and SECAS recommend that SECMP0027 is progressed as a Path 2 Authority Determined modification. This is due to the modification potentially having a material effect on:

- competition of the Supply of Energy (SEC Section D2.6(b)).

This modification will impact competition of energy supply. As per the requirements in SEC Section D3.9(c), it has therefore been recommended that SECMP0027 undergoes refinement by a Working Group.

2. Why Change?

2.1 Background

SEC Section H3.22 requires Users to provide forecasts to the DCC, within a 10% tolerance, of each type of SR they will send, for each of the eight months following the month in which the forecast is provided.

Some Users, notably suppliers, have to forecast the number of Energy Consumer driven SRs, in particular top up requests (SR 2.2 – 'Top Up Device').

In the event Users fail to forecast within the 10% threshold, the DCC will report such failure to the SEC Panel within the monthly report required by Section H3.24(c). This report may be openly published, subject to a determination of reasonable circumstances (per the provisions in Section H3.25).

2.2 What is the issue?

The Proposer (Utilita Energy) suggests that under current arrangements, suppliers will struggle to provide accurate forecasts. To achieve better accuracy, suppliers may have to choose between restricting Energy Consumers' choice to keep within the 10% constraint or accepting the penalty from failed forecasting. This would result in suppliers being required to report regularly to the SEC Panel to explain Energy Consumer behaviours and changes in those behaviours.

The Proposer believes that the difficulty of Energy Consumer driven forecasting particularly penalises suppliers with a significant percentage of pre-payment meters in their portfolio. The requirements of credit customers are inherently more predictable, as they are less immediately dependent on customer choices.

The Proposer also believes that current arrangements penalise Small Suppliers with growing portfolios. With lower volumes of devices, smaller errors will have greater impact in their forecasting than they would if their portfolios were larger.

A final problem the Proposer has pointed out is that the number of Energy Consumers is flexible (The difficulty will arise from the combination of:

(a) the uncertainty of Energy Consumer numbers on the portfolio (such numbers are dynamic as a result of effective competition; and)

(b) the fact that Energy Consumer driven requests are by definition uncertain and driven by Energy Consumer choice. For example, customer top up behaviour is variable within year, varies between different types of Energy Consumer and may reflect Energy Consumer personal income frequency. If a customer moves from being paid monthly to being paid weekly, it is likely that their frequency of top up will change, which will affect the number and frequency of related SRs.

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3. Solution

3.1 What's the solution?

The Proposer suggests that current provisions relating to Service Request forecasting should be amended in one of the two following ways:

1) Aggregate Service Request forecasts;
2) Remove Energy Consumer top up Requests from the report described in SEC Section H3.24(c).

Option 1:

The Proposer suggests that the SEC is altered to request that Users submit a forecast of the total number of SRs and the category of SR (i.e Future Dates, On Demand or Scheduled) only. This would exclude making reference to each Service listed in SEC Appendix E - DCC User Interface Services Schedule.

Option 2

Here, the Proposer suggests that the SEC is altered so that SR 2.2 'Top Up Device' is excluded from the report described in SEC Section H3.24(c). This would mean that if SEC Parties fail to forecast consumer driven top up requests within the 10% threshold, they would not be reported to the SEC Panel.

3.2 Draft Proposed Legal Text

Under Option 1, the Proposer suggests altering the SEC as follows:

H3.22 By the 15th Working Day of the months of January, April, July and October, each User shall provide the DCC with a forecast of the number of Service Requests that the User will send in each of the 8 months following the end of the month in which such forecast is provided. Such forecast shall contain a breakdown of the total number of Service Requests by ~~reference to each Service listed in the DCC User Interface Services Schedule and~~ the category of Service (i.e. Future Dated, On Demand or Scheduled).

H3.24 By no later than the 10th Working Day following the end of each month, the DCC shall provide:

…

(c) a report to the Panel that sets out:

(i) the aggregate number of Service Requests sent by all Users collectively during that month (in total and broken down by reference to each Service listed in the DCC User Interface Services Schedule), and comparing the actual numbers for that month sent against the numbers most recently forecast for the applicable month;

(ii) where the <u>total</u> number of Service Requests sent by any User during that month is less than or equal to 90% or greater than or equal to 110% of the User's most recent monthly forecast for the applicable month, the identity of each such User and the number of Service Requests sent by each such User (in total and broken down by reference to each Service listed in the DCC User Interface Services Schedule); and

(iii) where the measured value of any Monthly Service Metric for any User and that month is greater than or equal to 110% of Monthly Service Threshold, the identity of that User and the values of such Monthly Service Metrics during that month.

Under Option 2, the Proposer suggests altering the SEC as follows:

H3.24 By no later than the 10th Working Day following the end of each month, the DCC shall provide:

…

(c) a report to the Panel that sets out:

(i) the aggregate number of Service Requests sent by all Users collectively during that month (in total and broken down by reference to each Service listed in the DCC User Interface Services Schedule), and comparing the actual numbers for that month sent against the numbers most recently forecast for the applicable month;

(ii) where the number of Service Requests (excluding Service Request 2.2 – 'Top Up Device') sent by any User during that month is less than or equal to 90% or greater than or equal to 110% of the User's most recent monthly forecast for the applicable month, the identity of each such User and the number of Service Requests sent by each such User (in total and broken down by reference to each Service listed in the DCC User Interface Services Schedule); and

(iii) where the measured value of any Monthly Service Metric for any User and that month is greater than or equal to 110% of Monthly Service Threshold, the identity of that User and the values of such Monthly Service Metrics during that month.

3.3 Requested Implementation

The Proposer has requested that this modification be implemented as soon as possible.

3.4 Views against SEC Objectives

The table below highlights the Proposer's view on how this modification would better facilitate the achievement of the SEC Objectives.

Proposers views against the SEC Objectives	
General SEC Objective	Proposer views
(c) 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.	SECMP0027 would avoid Users curbing Energy Consumer driven SRs in order to forecast accurately.
(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;	SECMP0027 would facilitate forecasting for prepayment specialised suppliers and allow them to forecast as easily as credit suppliers.
(g) the seventh General SEC Objective is to facilitate the efficient and transparent administration and implementation of this Code.	SECMP0027 would better facilitate objective (c) by aligning supplier and code incentives with Energy Consumer choice.

4. Potential Impacts

The following section sets out the intial assessment of the likely impacts arising from SECMP0027. Additional impacts may be identified by the Working Group during the Refinement Process.

Potential Impacts of SECMP0026	
Smart Energy Code Parties	
Suppliers	SECMP0027 would require Suppliers to amend how they undertake SR forecasting.
Networks	No impacts have been identified at this stage.
Other Users	No impacts have been identified at this stage.
DCC	SECMP0027 may impact how the DCC manages its SR forecasting processes.
Systems	
DCC Systems	SECMP0027 may impact the DCC systems that are used in the processing and reporting of SR forecasting.
User Systems	No impacts have been identified at this stage.
Smart Metering Systems	
Other	
SEC and subsidiary documents	
SEC Sections	SEC Section H (DCC Services) would be amended by SECMP0027.
Subsidiary Documents	No impacts have been identified at this stage.
Other Industry Codes and Documents	
No impacts on other codes are expected by this modification.	
Greenhouse gas emissions	
No impacts have been identified at this stage.	
Impact on Consumers	
This modification is expected to have a minimal and or positive impact on Consumer experience.	

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5. Proposed Progression

5.1 Modification Path and the need for refinement

The Proposer and SECAS recommend that SECMP0027 is progressed as a Path 2 Authority Determined modification. This is due to the modification potentially having a material effect on:

- competition of the Supply of Energy (SEC Section D2.6(b)).

This modification will impact competition of energy supply. As per the requirements in SEC Section D3.9(c), it has therefore been recommended that SECMP0027 undergoes refinement by a Working Group. SECAS recommend that Working Group (WG) 2, who has previously worked in the refinement of DCC Service related modifications also inputs to the refinement of SECMP0027.

5.2 Indicative Progression Plan

The following is a high level indicative progression timetable. The detail in this plan is subject to change, however, changes to the overall timetable are subject to a Panel review.

Modification Timetable	
Stage	Date
Modification Proposal Raised	19th December 2016
Panel initial consideration of the Modification Proposal	13th January 2017
Refinement Process	January 2017 – July 2017
Modification Report to Panel	August 2017
Change Board vote	October 2017
Authority Decision	November 2017
Implementation	November 2018 (earliest potential implementation date)

Note that the project plan has been drafted based on the minimum expected turnaround time for DCC Preliminary Assessments (PA) / Impact Assessments (IA).

5.3 Working Group

The Working Group should be made up of existing Working Group 2 members (as they have previously considered Modification Proposals that have an impact on DCC Services and activities) supplemented by other interested SEC Parties.

5.4 Working Group Terms of Reference

A complete Terms of Reference for this Working Group can be found in **Attachment B**.

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6. SEC Panel Decisions

The SEC Panel:

- **AGREED** for SECMP0027 to progress to the Refinement Process;
- **AGREED** the progression path (Path 2 – Authority Determined) and the progression timetable as outlined in this IMR; and
- **AGREED** the Working Group Terms of Reference provided as **Attachment B**.

7. Further Information

More information is available in:

- **Attachment A**: SECMP0027 Modification Proposal Form.

For further information, please see the Modification Register page of the SEC website or contact SECAS at secas@gemserv.com.

Appendix 1 – Glossary and References

Glossary		
Acronym	Term	Plain English Summary
	General SEC Objectives	Has the meaning given to that expression in Section C1 (SEC Objectives) (Section C1, SEC Stage 3.0). The SEC Objectives are those objectives that the SEC has been designed to achieve.
	Greenhouse Gas Emission	Means emissions of Greenhouse Gases, as defined in section 92 of the Climate Change Act 2008 (Section A1, SEC Stage 3.0).
	Path Type	Means the Modification Path to be followed in respect of a Modification Proposal. The type of Path will depend upon the nature of the variation proposed in the Modification Proposal (D2.1, SEC Stage 3.0). The four Modification Paths under the SEC are: • ***Path 1 Modifications: Authority-led*** (Section D2.4/D2.5, SEC Stage 3.0) • ***Path 2 Modifications: Authority Determination*** (Section D2.6, SEC Stage 3.0) • ***Path 3 Modifications: Self-Governance*** (Section D2.7, SEC Stage 3.0) • ***Path 4 Modifications: Fast-Track Modifications*** (Section D2.8, SEC Stage 3.0)
	Party Category	Means one of the following categories: (a) the Large Supplier Parties collectively; (b) the Small Supplier Parties collectively; (c) the Electricity Network Parties collectively; (d) the Gas Network Parties collectively; or (e) the Other Sec Parties collectively. (Section A1, SEC Stage 3.0).
	Smart Metering Systems	Means a system installed at premises for the purposes of the Supply of Energy to the premises that, on the date it is installed, as a minimum; (a) consists of the apparatus identified in; (b) has the functional capability specified by; and (c) compiles with the other requirements of, the Smart Metering Equipment Technical Specification that is applicable at the date (Section A1, SEC Stage 3.0). In summary, this includes: • Gas Smart Metering Equipment; • Electricity Smart Metering Equipment; • In Home Display; • Prepayment Interface Device; and • HAN Connected Auxiliary Load Control Switch.

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SR	Service Requests	A command issued by a DCC User to a device or the DCC.

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