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| <b>Action:</b>                                          | <b>For Discussion</b>   |
| <a href="#">Acronyms and Defined Terms SEC Glossary</a> |                         |

## DP218 RFI responses overview

### 1. Purpose

This document provides an update on the progress of [DP218 'Review of the SEC Charging Methodology'](#) and a high level summary of the responses received to the recent request for information (RFI) which closed on 31 January 2023. The Panel is invited to provide any views and comments on the RFI responses, to help inform the assessment of this modification.

The full non-confidential collated responses are included as Appendix A to this paper.

### 2. Summary of DP218

Smart Energy Code (SEC) Section K 'Charging Methodology' sets out how the Data Communications Company (DCC) charges SEC Parties. This includes how the types of Fixed Charges are apportioned between DCC Users and how communications services (the sending of Service Requests (SRs)) are charged.

The Smart Energy Code Company (SECCo) Board has previously queried how much work is generated by Other Users. The SEC Panel has also looked at Other Users' and Other SEC Parties' usage of SEC and DCC services. It was agreed that further investigation into the current charging arrangements would be beneficial. To support this investigation, the DCC raised this modification, at the request of the SEC Panel, to holistically review the DCC Charging Methodology and determine whether any change should be taken forward.

This Draft Proposal was raised to consider the questions around how SEC charges should be apportioned. Two distinct issues were identified and are set out below. For efficiency, we sought views on both issues under the one RFI. Following a review of these responses with the Working Group, these will be split out and each will be progressed under separate proposals outlined in sections 2.1 and 2.2 below.

Further details on this Draft Proposal can be found on the [DP218](#) page of our website.

## 2.1 DCC User charges for use of system

The costs incurred by the DCC for communication services (the sending of Service Requests across the DCC's network) are currently charged out to Parties via Fixed Charges. This means that these costs are incurred by Suppliers and Network Parties in line with their market share, regardless of how much traffic individual Users generate across the DCC's network. In recent months, there has been an increased use of the DCC systems and services by Users who are currently paying minimal or no costs.

## 2.2 Allocation of Fixed Charges

Currently, only Suppliers and Network Parties are recognised as Charging Groups in SEC Section K3.10, and therefore liable for a share of the DCC's Fixed Charges (which includes the SEC Panel budget). Registered Supplier Agents (RSAs) and Other Users are not liable for any Fixed Charges, though may incur Explicit or Elective Charges. The same will be true of Metered Data Retrievers (MDR) once this new User Role goes live in June 2024. This means all Fixed Charges are funded only by Suppliers and Network Parties in line with market share, regardless of who used the different services included in the charges, and how much use they made of them.

## 3. Summary of responses

We received 28 responses to the RFI and two additional comments via the SEC website. The RFI respondents comprised of 4 Large Suppliers, 5 Network Parties, 17 Other SEC Parties (OSPs), the DCC and a non-SEC Party. The two additional comments were from consumers. The full responses can be found in Appendix A to this paper.

### 3.1 Transactional Charges (RFI questions 1-3)

There was a mixed response to developing transactional charging further. The majority of respondents were concerned whether the cost of implementing and delivering such a change would deliver any additional benefits. They were also concerned around how this may add significant complexity to what is already a complex billing system from the DCC. However, some respondents would be supportive if the benefits outweighed the costs.

Some respondents noted this could support more efficient use of the DCC Systems by Users. It could be used to influence best practice in innovation and product development, while also protecting the DCC's infrastructure, and not restricting the drive for better consumer engagement with their energy usage. However, other respondents noted concerns this could disincentivise some Users, which could impact the overall use of Devices and possibly affect the drive to Net Zero.

One respondent noted that any approach should be based only on Service Requests issued, and not on Alerts received. Another noted concerns that inconsistent success with communicating with smart meters may mean multiple attempts are needed to communicate with a Device. A Network Party respondent noted they send periodic requests to Devices during a network fault to understand the

status of restoration. These would need to be considered in any solution. There were also differing views on whether a 'user pays' approach would be consistent with other similar types of services.

There were also a few responses indicating interest for the DCC to levy Explicit Charges in more scenarios and therefore negate any SEC changes needed to the Charging Methodology. This is similar to the approach taken for the costs for MP181 'Meter Asset Provider and Device Manufacturer access to asset related data held by the DCC', which will be incurred by Users signing up to the new reporting through an Explicit Charge.

### 3.2 Fixed Charges (RFI questions 4-7)

Large Suppliers and Networks Parties stated that they are impacted by the current apportionment of Fixed Charges, and a large majority of the remaining respondents were not impacted. Generally, those Parties defined in Charging Groups were in favour of reviewing the allocation of Fixed Charges, whilst those that are not currently defined were not in favour.

There were concerns among respondents of reapportioning costs and developing a new Charging Group. Some respondents considered this may deter involvement from Other SEC Parties who feed into the Smart Metering Implementation Programme (SMIP), and that this could possibly stifle innovation. One respondent felt the current approach works efficiently and follows the precedent set for other total system costs (such as for transmission or distribution).

Other respondents felt this would be a good opportunity to ensure that Parties using services are apportioned an appropriate amount for this. This would also create a more level playing field, rather than only some User types paying for everything regardless of who benefitted from the services or generated the costs.

We asked for views on how any costs allocated among Users without a market share could work. There was general acknowledgement that this would be a complex question to answer. Respondents considered that more granular information on what costs are incurred under Fixed Charges is required to help with this. Care is also needed to make sure creativity and innovation is not stifled, and that there is no negative impact on the end consumer, who ultimately pays these costs, as a result of any added complexity.

### 3.3 General comments

Some respondents did acknowledge the Smart Metering landscape has changed somewhat since the SEC was established almost 10 years ago, with the Charging Methodology not being reviewed since inception. They believed that it would be beneficial to explore further whether any changes should be made at this time, or whether this should wait until there is greater stability, a higher penetration rate of Smart Meters across Great Britain, or when the completion of mass rollout (COMR) period ends.

There were calls for a broader conversation around equitable charging, with the main goal aiming towards a fair charging model, ensuring it does not introduce cross-subsidisation.

One respondent considered the optimal model would entail a scheduled retrieval of data from meters once, and this data placed in a secure repository which other participants could then access without needing to contact the meter again.

Some Parties believed that more granular data is needed from the DCC in order to identify if the benefits outweigh the costs, and get clarity on what the issue is in relation to the total DCC Fixed Charges. At this stage, we were seeking initial views from the industry to clarify the issues and understand the merits of exploring these further. We will be working with the DCC to obtain a more granular assessment of the costs and usage, including the impacts that any proposed changes would have on the allocation of these, as the modification progresses.

## 4. Next steps

SECAS and the DCC are working on a joint response to the full non-confidential collated RFI responses, which will be published in early March 2023 on the SEC website.

We will hold an ad hoc Working Group meeting on 22 March 2023 to discuss the DP218 RFI responses with industry. After this initial discussion, we will work with the DCC, as the Proposer, to split this modification into the two parts set out in sections 2.1 and 2.2 above.

## 5. Recommendations

The Panel is requested to:

- **PROVIDE** any views and feedback on the DP218 RFI responses.

Elizabeth Woods

SECAS Team

21 February 2023

### Attachments

- **Appendix A:** DP218 non-confidential request for information responses