

Document Classification:	DCC White
Paper Reference:	Proposed extension to TCHODR – February 2023
SEC Committee and Meeting Date:	28 March 2023 SEC Panel
Intent:	For Decision
Attachments:	DRAFT Tracked Changes TCHODR V5.1

1. Purpose:

- To provide SEC Panel with details of the proposed extension to the Temporary Communications Hub Ordering and Delivery Rules (TCHODR)
- To seek panels approval to implement the proposed changes to the TCHODR

2. Background

Issues with global supply chain have been well documented through 2021 and 2022. There have been numerous causes for the supply chain issues including the limited availability of component parts, issues with transportation, and increased competition for increasingly rare components.

DCC engaged with SEC Parties throughout 2021 and 2022 at the DCC Supply Chain Working Group, SEC Operations Group (SEC OPSG) and the Smart Meter Delivery Group (SMDG) to position the ongoing challenges faced and actions being taken to address them. DCC has also engaged with SEC Parties bilaterally to review their individual positions and ensure the forecasts they have submitted meet their requirements for installation plans in 2022 and 2023.

To help ease the issue in August 2020, DCC raised Smart Energy Code (SEC) [MP140 'CH Stock Transfer'](#), which was implemented in November 2022. This will allow optimisation of existing, not yet installed CH stock.

DCC has continued to engage with SEC Parties and Communications Service Providers (CSPs) to consider what potential requirements for CH forecasting and ordering would be required to secure supply while also offering SEC Parties sufficient flexibility and stability in their forecasting and ordering requirements.

The TCHODR currently in place allow parties to amend their forecasted figure by +/- 20% when confirming their order volume. To date SEC Parties have worked well with the TCHODR, managing their forecasting and ordering within the tolerance level set. To date Parties have only requested between 5-6% forecast to order variance. DCC considers that this indicates that the current TCHODR are workable for SEC Parties. DCC also confirms that aggregate order variance is considered when SEC Parties confirm order volume, and so a SEC

Party may exceed the tolerance and DCC will accommodate that where industry aggregate change is within the tolerance range.

Due to continued constraint in the supply chain, which show no signs of abating, DCC has also proposed SEC [MP215 'Communications Hub Ordering and Forecasting'](#) to consider changes to SEC standard rules covering forecasting and ordering. This modification is in the Refinement Process with a targeted implementation date of June 2023.

Version 5 of the TCHODR will expire from delivery month March 2024 with final forecasts against those rules due March 2023. In January 2023 DCC consulted and proposed that a form of continued TCHODR for delivery months April 2024 and beyond are required to secure supply.

In January 2023 DCC issued a consultation proposing that the rules be extended by 6 months. DCC presented the two options below and respondents were requested to consider each and respond with comments.

- Option One presented a do-nothing approach with regards to SEC obligations and would not see the extension of TCHODR post delivery month March 2024. Under this option, arrangements would revert to standard SEC requirements.
- Option Two would see an extension to the current TCHODR agreed and implemented. TCHODR would continue to override standard SEC obligations. This would provide the supply chain with increased certainty on CH volume required and reduce the risk of under supply or order deferral.

DCC received four responses to the consultation, all from large Suppliers.

- No responses supported moving back to the current SEC standard rules from delivery month April 2024. Responses also highlighted that SEC standard rules would not allow for supply chain risks to be managed. One respondent noted that SEC standard rules do not drive the accuracy in CH forecasting that is required to provide certainty to the supply chain and reduce the risk of under supply.
- Four respondents agreed with a six-month extension to the TCHODR, noting that the rules help to manage the supply chain risk and therefore the risk of under supply.
- One respondent detailed that they could work well with the current TCHODR and that they have not caused any major issues. One respondent considers that the variance also drives improved forecasting of future installation volume. One respondent noted that they would like to see the TCHODR implemented as permanent changes to the SEC, which is under consideration under SEC MP215.
- One respondent notes that the 20% variability is limiting and may not allow for changes to CH volume if they see a large swing in customer demand, the same respondent noted that there are multiple factors that may drive customer demand for smart meters and CH including higher energy bills and the end of Government support schemes.
- DCC considers that a smaller variance provides the supply chain with more certainty than a larger variance, and so reduces the risk of CH under supply. DCC also notes that an industry wide view is taken when considering order changes from forecast to order, and so a party may request a change greater than 20% which will be accommodated so long as

industry totals are within the 20% tolerance. While these rules have been in place the industry wide variance has been between forecasts and order volume has been 5-6%.

- One respondent would like to see information on the monitoring of the supply chain completed by DCC, and an early move to SEC standard rules where the supply chain issues have abated.
- DCC have worked regularly with the Supply Chain Working Group to provide details of any ongoing supply chain risks.
- DCC also proposed removing sections from the TCHODR that related to CH orders and delivery up to December 2023 since these rules no longer apply. All responses agreed with the removal of this section.

3. Proposals/ Results/ Milestones

DCC issued a consultation 11th January to propose an extension to the TCHODR and remove expired sections. Consultation responses provided broad support for the amendments.

Details of the changes were presented to SEC Operations Sub-Committee in February 2023 who supported DCCs proposals.

4. Next steps

If Panel approve the changes DCC will issue a consultation conclusion document and mass communication detailing that decision and provide customers with the amended TCHODR.

5. Recommendations

The Panel is requested to:

NOTE the contents of this paper

DECISION – approve the proposed changes to the TCHODR

Attachments

Appendix: DRAFT Temporary Communications Hub Ordering and Delivery Rules.

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DCC

28 03 2023