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Paper Reference:	SECP_154_2807_09
Action:	For Decision
<u>Acronyms and Defined Terms SEC Glossary</u>	

Consultations Update – July 2026

1. Purpose

This paper outlines the key messages that will be used for the response to the following open consultations:

- DESNZ consultation on draft strategic policy guidance for electricity networks growth;
- The DCC consultation on Wide Area Network Selection Arrangements (WANSAs) updates;
- Ofgem consultation on artificial intelligence (AI) assurance;
- DESNZ changes on SEC changes for VWAN; and
- Ofgem consultation on guidance for the preparation and operation of the DCC Remuneration Policy for Senior Managers

The Panel is requested to discuss the messages outlined for each consultation and delegate approval of the final responses to the Panel Chair.

2. Strategic policy guidance for electricity networks growth

DESNZ published this [consultation](#) on 8 July, with responses invited by 19 August. This consultation seeks feedback on proposed social and environmental guidance for the Gas and Electricity Markets Authority (GEMA) – the governing body for Ofgem – on delivering growth through electricity networks. The purpose of the guidance is to ensure that Ofgem is able to support electricity networks to enable growth in a way that is consistent with its objectives, duties, and functions.

Whilst the consultation is principally concerned with the strategic direction provided to Ofgem in relation to electricity network growth, we have identified a small number of areas where the SEC Panel can provide relevant observations based on its expertise in smart metering, digital infrastructure and code governance. The key messages we propose the SEC Panel response focuses on are:

- **Support for the Government's objective** – The SEC Panel supports the Government's objective of enabling economic growth through timely investment in electricity networks and recognises the important role Ofgem will play in facilitating this through effective regulation.
- **Recognition of digital infrastructure as an enabler of network growth** – The SEC Panel encourages greater recognition of the role that secure digital infrastructure, including smart metering, interoperability and data sharing, plays in supporting efficient network operation, flexibility and consumer participation.
- **Maintaining effective regulation across the sector** – The SEC Panel highlights the importance of ensuring that implementation of the Strategic Policy Guidance is appropriately resourced so that increased focus on electricity network growth complements, rather than displaces, timely regulatory oversight across Ofgem's wider portfolio. This includes areas such as code governance, Code Modification decisions, Energy Code Reform and digital energy infrastructure, all of which support the delivery of a secure, interoperable and consumer-focused energy system.
- **Whole-system and cross-code coordination** – The SEC Panel encourages continued collaboration across the energy sector to ensure that regulatory frameworks and industry codes remain coordinated as the electricity system becomes increasingly integrated and digitalised. There is also an over-arching need to secure the end-to-end transfer and use of smart metering data.

3. Wide Area Network Selection Arrangements (WANSA) Updates

The DCC published this [consultation](#) on 30 June, with responses invited by 27 July. However, due to the timing of the SEC Panel meeting, SEC has secured an extension to 29 July. This consultation seeks views on proposed changes to the WANSA document to provide greater clarity on the parameters used by Virtual WAN Communications Hubs (VWCHs).

The key messages we propose the SEC Panel response focuses on are:

- **SM WAN interface link state assessment** – The SEC Panel seeks clarification on how criterion states are updated during monitoring periods that span several hours. In particular, it is unclear whether a criterion state is reassessed continuously, at defined intervals, or only once the full monitoring period has completed, and how changes in performance during the monitoring period are reflected in the current state. Such additional explanation of the relationship between monitoring intervals, criterion outcomes and interface switching would aid stakeholder understanding of the algorithm's operation.

The SEC Panel also recommends revising the Appendix C process diagrams to make it clearer that the three-assessment criteria form part of the SM WAN link assessment carried out every minute. This relationship is evident from the document text but is not clearly conveyed in the diagrams, limiting their value as a standalone reference.

- **VWAN activation during I&C** – The SEC Panel agrees that a VWCH communicating over VWAN should only switch back to cellular WAN communications once sufficient evidence has been gathered across the assessment criteria, and notes that the earliest such switch should occur after the longest measurement interval has elapsed. The proposed approach to VWAN activation during I&C appears sensible.

- **Proposed VWCH parameters** – The SEC Panel considers the proposed VWCH parameters to be a reasonable starting point. Given that the parameters are configurable, they should be kept under review and reassessed using performance data obtained from production use of VWCHs and Virtual WAN Devices.
- **Legal drafting** – We have provided separate comments on the draft legal text to support clarity, consistency and ease of interpretation. We appreciate the inclusion of flow diagrams but note that a tracked changed version of the legal text would have assisted in reviewing the changes.

4. AI Assurance

Ofgem published this [consultation](#) on 17 June, with responses invited by 12 August. This consultation seeks views on the growing use of AI across Britain's energy sector and how organisations are assuring the safe, secure, fair and effective operation of these tools and systems.

This was discussed by the Privacy Sub Committee (PSC) on 16 July and by the Security Sub Committee (SSC) on 22 July; verbal updates from these meetings will be provided to the SEC Panel. A '[Smart Energy Code and AI](#)' report was previously presented to the SEC Panel in July 2025, which we will also consider in formulating the full response to this consultation.

Subject to agreement and further comments from the PSC and SSC, the key messages we propose the SEC Panel response focuses on are:

- **Proportionate, outcomes-based approach to AI assurance** – The Panel believes that existing governance, security, privacy and assurance arrangements should remain the foundation wherever possible – noting that the security and privacy arrangements under the SEC have been in place for many years and have served the industry well to date. Any additional AI-specific requirements should be introduced only where they address genuinely new risks and should build on an augment what is already existing, making sure not to introduce fragmentation.
- **Avoid duplication of existing regulatory and Code assurance mechanisms** – The Panel expects that any future AI assurance framework will be complimentary to established mechanisms and that care must be taken to avoid creating unnecessary reporting or governance burdens, where robust assurance arrangements already exist.
- **Proportionate to the risks of individual use cases** – The Panel considers that expectations should reflect the potential impact of AI on consumers, cyber security, operational resilience, and critical infrastructure, recognising that not all AI applications present the same level of risk.

5. SEC changes for VWAN

DESNZ published this [consultation](#) on 10 July, with responses invited by 21 August. A previous consultation proposed a series of amendments to the SEC to implement the enduring Virtual WAN (VWAN) arrangements, including drafting relating to security, assurance, reporting and supplier obligations. Following consideration of consultation responses, including feedback provided by the SEC Panel, DESNZ has largely confirmed the proposed changes and is undertaking a further consultation on revised drafting relating to Virtual WAN Device functionality following a change of supplier event.

The key messages we propose the SEC Panel response focuses on are:

- **Legal Drafting and practical implementation** – The Panel welcomes DESNZ's continued engagement with industry stakeholders and appreciates that previous concerns regarding the interpretation of the proposed legal drafting have been considered and subject to further consultation. The Panel notes the feedback raised by OPSG members regarding the practical interaction between the proposed obligations and existing supplier contractual and operational arrangements. The Panel understands that these concerns will also be reflected in individual SEC Party consultation responses and encourages DESNZ to take these stakeholder views into account when finalising the arrangements to ensure that any resulting obligations are clear, proportionate and capable of effective implementation.

6. DCC Remuneration Policy

Ofgem published this [consultation](#) on 8 July, with responses invited by 5 August. This consultation seeks feedback on guidance for the preparation and operation of the DCC Remuneration Policy for Senior Managers. The proposed guidance is intended to strengthen the link between remuneration and performance under the DCC2 regulatory framework. It seeks to ensure that pay outcomes are clearly evidenced, aligned to delivery.

The key messages we propose the SEC Panel response focuses on are:

- **Overall principle** – The SEC Panel supports the overall principle of linking senior management remuneration to customer outcomes, system performance and value-for-money delivery.
- **Four pillars** – The SEC Panel supports the proposed four-pillar structure (Customer Satisfaction, System Performance, Business Plan Quality, and Business Plan Delivery) as broadly consistent with the DCC2 model and considers that these pillars provide an appropriate foundation for assessing organisational performance and accountability.
- **Existing metrics** – The SEC Panel agrees that current System Performance reporting under the Operational Performance Regime for DCC1 does not always fully reflect the experience of system users. KPI flexibility should therefore be used to encourage the ongoing evolution of performance measures and reporting so that they better reflect the outcomes experienced by SEC Parties and DCC users.
- **KPI framework** – The SEC Panel supports Ofgem's proposal to retain flexibility for DCC and industry to develop KPIs that better reflect user experience. However, as the System Performance KPIs referenced in paragraph 3.15 have not yet been defined, it is difficult to assess whether they will provide an appropriate basis for remuneration decisions. Additional clarity would support stakeholder confidence in the proposed approach and its transparency and auditability.
- **Transitional arrangements** – The consultation references transitional arrangements but provides limited guidance on how remuneration assessments will operate during the transition from DCC1 to DCC2. The SEC Panel seeks clarity on how performance should be assessed where metrics, reporting frameworks, governance arrangements and delivery responsibilities are evolving, to ensure remuneration outcomes remain fair, transparent and understandable (to DCC employees) during the transition period.
- **Customer satisfaction methodology** – As Customer Satisfaction will form one of the four pillars, the SEC Panel would welcome assurance that remuneration outcomes will be based on

robust, representative, and transparent engagement methodologies, including appropriate consideration of different customer groups and user segments.

7. Recommendations

The Panel is requested to:

- **DISCUSS and COMMENT** on the key messages for the consultations detailed in the paper; and
- **AGREE** to delegate approval of the final responses to the SEC Panel Chair.

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20.07.2026