SEC
Smart Energy Code

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SEC Strategic Working Group (SWG) Meeting 18

03 June 2024, 13:00 – 15:00

Teleconference

SWG_18_0306 – Minutes (GREEN)

Attendees:

Category	SWG Members	Company
Meeting Chair	Ash Pocock (AP)	MetaEnergy
SEC Panel Chair	Angela Love (AL)	SEC Panel Chair
Large Suppliers	Ralph Baxter (RB)	Octopus
Networks	Alex Travell (AT)	BU UK
Independent Chair	Gordon Hextall (GH)	SSC/SMKI Chair
Independent Chair	Julian Hughes (JH)	TABASC Chair

Representing	Other Participants
DESNZ	Peter Morgan (PM)
	Sanu de Lima (SDL)
	Taghreed Ayaz (TA)
Ofgem	Michael Walls (MW)
	Jakub Kormarek (JK)
DCC	Paul Clark (PC)
SECCo	Alina Bakhareva (AB)
Meeting Secretary	Cady Chappell (CC)
SECAS	Abigail Hermon (AH)
	Tom Rothery (TR)
	Tim Newton (TN)

Apologies:

Category	SWG Members
SECCo	Jason Stevens (JS)
DESNZ	Simone Chiappi (SC)
Ofgem	Jamie Flaherty (JF)

Welcome and Introductions

A Member (AL) introduced the newly appointed SECCo Head of Code and Regulatory Strategy, Alina Bakhareva (AB), to SWG Members. SWG welcomed AB's attendance.

1. Actions Log Update (GREEN)

SECAS (CC) presented the Strategic Working Group (SWG) with the Actions Log and the SWG **NOTED** the updates and **AGREED** any actions marked 'Propose to Close' can be closed.

The SWG Chair (AP) noted it would be valuable for SECAS to note to SWG any longer-term strategic issues that are raised at the Operations Group Sub-Committee (OPSG), in the context of the update provided on SWG Action 07/07 whereby SECAS advised that Firmware Version Proliferation was being managed by the OPSG Chair as a strategic issue.

A Member (PC) provided an update on SWG Action 17/08 and noted that progress had been made between the DCC and SECAS' Party Engagement Team on coordinating work on the On-Boarding User process. SECAS (AH) queried if the DCC could provide further insight on the intentions of prospective DCC Users and whether the DCC captures this data, or if this is a gap SECAS should be capturing. A Member (PC) noted that the DCC have trackers that capture Other User data and offered to present on this at SWG 19. SWG welcomed the DCC's offer and **AGREED** for the DCC (PC) to present on this topic at the next meeting.

A Member (AL) committed to providing updates on outstanding SEC Panel Chair actions at SWG 19.

The SWG **NOTED** the update.

SWG 18/01: SECAS to monitor any longer-term strategic issues raised at OPSG and provide an update to SWG.
SWG 18/02: DCC (PC) to return to SWG 19 and provide an overview on DCC Other Users and the data DCC captures when new Users join, including the intentions provided by Other Users in accessing DCC Services.

2. DESNZ Update on Strategic Matters (GREEN)

DESNZ (SDL) provided an overview of the Delivering a smart and secure electricity system: implementation (SSES) consultation, which was published on 16 April 2024. DESNZ (SDL) advised that the consultation was published as a package and covered proposals related to the Energy Smart Appliances (ESA), the Licencing Regime, and Time of Use Tariffs (TOUT). DESNZ (SDL) noted that industry engagement was completed prior to the consultation's publication, including with an industry advisory group and technical working group, and further noted a working group on tariff data and interoperability was due to convene in the near future.

DESNZ (SDL) advised that the consultation is set out in two parts, with the first half focusing on defining a set of minimum requirements, including security requirements, for ESAs as part of the first phase ESA regulations. DESNZ (SDL) noted that DESNZ aims to consult on draft regulations in 2025. DESNZ (SDL) advised that the second half of the consultation provides proposals for the second phase of ESA device regulations and enduring governance and will build on the existing regulations set out in PAS1878.

DESNZ (SDL) noted that key considerations when drafting the consultation included making it clear to stakeholders that DESNZ were not proposing to licence organisations, but instead to licence activities performed by organisations. DESNZ (SDL) further advised the Security of Network & Information Systems Regulations (NIS) would be updated with cyber security provisions to align with the Cyber Assessment Framework (CAF).

DESNZ (SDL) noted that the consultation also focuses on strengthening consumer choice, control and confidence, and will require Demand Side Response (DSR) services to have basic hygiene to improve financial and control management. DESNZ (SDL) further advised the TOUT proposals were the shortest section in the consultation and concerned setting a premise for DSR services to provide the maximum benefit for consumers and to improve the standard format for sharing tariff data, however acknowledged more work is required on this.

DESNZ (SDL) advised that the consultation response time has been extended from 11 June to 21 June 2024 to allow further time for engagement, and any further request for extensions would be considered on a case-by-case basis.

In relation to the 2024 General Election, DESNZ (SDL) advised that there was consensus among political parties behind the DESNZ agenda and DESNZ has a high degree of confidence current initiatives will continue post-election.

A Member (AT) queried if DESNZ has a timeline for consulting on the various components of the consultation proposals, noting that it takes time to implement licences and regulatory changes.

DESNZ (SDL) advised that DESNZ is working closely with Ofgem on licencing conditions and highlighted potential consultations for Q1 2025, as well as noting that DESNZ and Ofgem are conscious that implementation of the compliance requirements will need to be tiered and consider industry expectations. DESNZ (SDL) clarified that Ofgem is the primary decision-maker in relation to any licencing conditions.

A Member (AT) commented on the difficulty of previously implementing interoperability standards within the UK and noted that adopting international standards has proved easier.

The SWG Chair (AP) noted that a number of SEC Parties had been developing initiatives related to SSES, and queried how the proposals outlined in the consultation would affect the SEC. DESNZ (PM) reiterated that smart metering underpins the TOUT and remains essential for that type of DSR, however noted complaints from consumers regarding smart meters not communicating. DESNZ (PM) clarified that there are no intentions to utilise smart meters as the only way to determine loads, and noted that the consultation would provide consumers with choice.

A Member (PC) noted the Radio-Tele-Switch Switch Off would be managed through the smart metering system and queried how this would be included in the proposed arrangements, and DESNZ (PM) confirmed this will be managed through legacy systems.

DESNZ (TA) noted that the current consultation has taken a step back in terms of prescribing where arrangements will be set out in the regulatory framework. DESNZ (TA) noted the aim was to understand what functions exist and where they sit amongst industry codes and asked for feedback to be submitted in consultation responses on the appropriate places for prospective governance arrangements.

A Member (AL) sought clarification on the role of the working groups, and DESNZ (TA) advised there was a security working group that would look at some governance arrangements related to enduring security arrangements. The SWG Chair (AP) advised that the SEC has relevant members that could participate in the working group, and a Member (AL) suggested SWG determine if any current SEC members were involved.

DESNZ (PM) noted that the SEC was represented on the Grid Stability Working Group, and a Member (GH) confirmed he attended the working group.

The SWG sought clarification on whether ESA devices and load will be controlled outside of the Smart Metering System and DCC Network. DESNZ (PM) noted the arrangements were still in the consultation phase but noted that the use of the DCC network has not been excluded to communicate with ESA devices, but it will not be mandated as the sole route.

A Member (AL) queried that if devices are being controlled, how will consumption be recognised if not using the meter. DESNZ (PM) noted that if houses are on a TOUT, it is likely the charge point will be the biggest load, which is then reflected on the bill. A Member (AL) noted that DSOs and DNOs have expressed concerns about charges being added onto their bills.

SECAS (TN) noted the SSC/SMKI Chair (GH) was providing SECAS with a response to the consultation and noted that if SWG members wanted to raise any particular points, these should be provided to SECAS.

The SWG Chair (AP) noted that SEC Parties were interested in being provided an overview of the SSES consultation, and SECAS (TN) advised they are working with the SECAS Party Engagement Team to provide this.

The SWG **NOTED** the update.

SWG 18/03: The SEC Panel Chair and SECAS to reach out to SEC Members and determine involvement in DESNZ working groups that are related to the SSES consultation.

3. 2033 Horizon Scanning Survey Findings (GREEN)

SECAS (TR) presented an overview of the Horizon Scanning Survey Findings and a proposed long list of triggers based on horizon scanning activities, for SWG consideration.

SECAS (TR) advised horizon scanning activities had continued since SWG 17, noting the SWG's previous direction that the project should not be static, and noted the following activities had occurred:

- Engagement with ENA to gather DNO responses, noting no DNO responses had been received via the survey
- Initial engagement with Engage and Gemserv to gain consultancy perspectives, with follow up engagement to occur
- Further engagement with DCC to understand Other User 'personas', with the suggestion that the DCC present this area of work to SWG at the next scheduled meeting.
- Proposed presentation on horizon scanning at the SEC Panel Engagement Day in July to increase engagement.

SECAS (TR) presented the proposed long list of trigger conditions to be included in the SEC Strategic Plan and asked SWG members to agree which triggers should be included. The SWG discussed the following triggers:

- **DCC 'Permitted purpose' or 'Permitted Business' activity**:

SECAS (TR) noted that the DCC has been involved in projects such as automatic asset registration, delivered through its Licence, outside of the SEC, suggesting triggers here should be where the DCC provides any updates on proof of concepts or pilots being undertaken, or where Ofgem agrees to these. A Member (AL) queried what involvement the SEC should have if Ofgem agree DCC undertake additional activities, and noted the SEC's interest in monitoring these, as the DCC continues to complete BAU. SECAS (TR) advised there is no formal requirement that Ofgem provide regulatory engagement with the SEC on DCC's permitted business.

A Member (RB) noted that any additional business would need to consider what resources would be required for the DCC to complete the work, and if it would affect resources assigned to BAU activities, and noted TABASC would play a role in understanding any technical or cost implications. The SWG Chair (AP) further noted that issues would only arise should both the additional business and the SEC require the infrastructure as this would have consequences on how the SEC operates.

A Member (PC) noted engagement would only be needed if significant activity were proposed to be undertaken, and if the DCC were awarded a new capability. A Member (PC) clarified that the DCC reports to Ofgem and DESNZ on activity it undertakes outside of the SEC, and noted that any costs associated with these projects would be recoverable by Ofgem through the DCC's price control, if not supported.

A Member (AL) noted they would broach the topic with Ofgem offline while discussions on the licence were occurring.

- **Increased use and access to DCC 'system data':**

The SWG Chair (AP) noted that suppliers are changing their usage, and it was not just an issue that applied to Other Users, given they are moving towards delivering new services that would change the demand on DCC systems. SECAS (TR) confirmed this point would be noted against the trigger.

A Member (JH) queried the impact of dynamic tariffs in relation to impacting DCC systems, and noted any strategic capacity management should be considered by OPSG. The SWG Chair (AP) noted that it needs to be determined if the impact would be transformative for the SEC, for example if any capacity management forecast indicates the DCC systems will not cope, and a Member (JH) noted that TABASC considers long-term forecasts.

- **Political Party Manifesto/Policy commitments:**

SECAS (TR) noted that smaller parties might play a role in the upcoming government, and any monitoring of references to smart metering in their manifestos would be sensible, however acknowledged that the Civil Service would also be monitoring any impacts on smart metering and the SEC should utilise information that could be provided by DESNZ to ensure this was done as efficiently as possible.

SECAS presented the proposed next steps for the horizon scanning process. A Member (AL) noted that consideration of next steps should be taken offline, with the SEC Panel Chair, SWG Chair, SECCo Head of Code and Regulatory Strategy and SECAS to discuss strategies and any funding that may be required.

The SWG **AGREED** for the longlist of triggers to be incorporated into the SEC Strategic Plan and for the SEC Panel Chair to return to SWG and advise the next horizon scanning steps once agreed offline.

The SWG **NOTED** the update.

SWG 18/04: The SEC Panel Chair to reach out to Ofgem and discuss the process related to DCC's Permitted Other Business, and any involvement of the SEC.
SWG 18/05: The SEC Panel Chair, the SWG Chair, the SECCo Head of Code and Regulatory Strategy and SECAS to discuss Horizon Scanning next steps and return to SWG with an update once next steps are agreed.

4. DCC Update on DP218 'Review of the SEC Charging Methodology' – Request for Information (GREEN)

A Member (PC) provided an update on the DP218 'Review of the SEC Charging Methodology' – Request for Information (RFI). A Member (PC) advised that the RFI closes on 25 June 2024 and noted that the DCC was taking written responses and queries via the DCC consultations inbox (consultations@smartdcc.co.uk). A Member (PC) noted that all relevant documentation is published on the DCC and SEC Website, including slides and a recording from an FAQ webinar session held on 23 May 2024.

The SWG **NOTED** the update.

5. Ofgem Update on Strategic Matters (GREEN)

Ofgem (JK) presented an update on Ofgem's consultation 'DCC Review Phase 2: Governance and Centralised Registration Service arrangements', which closes on 16 July 2024.

Ofgem (JK) noted Ofgem had completed the first focusing stage of the review on the scope of DCC's Core Mandatory Business in August 2023, and this subsequent consultation focuses on DCC's future governance arrangements under the successor licence, and who should be responsible for the delivery of the centralised regulatory service.

Ofgem (JK) advised that in addition to the DCC Review Phase 2 consultation, Ofgem will be consulting on the Future role of the DCC and the Determination of Allowed Revenue, with publication dates to be determined.

Ofgem (JK) noted on the DCC Review Phase 2 Consultation, Ofgem is seeking views on the proposals related to Board composition, Board appointment processes and requirements, and incentivisation of the DCC Board and executive leadership.

Ofgem (JK) advised that Ofgem had considered four options for the development of a future Board composition and Option 4, which proposes a majority independent Board, is Ofgem's preferred option. Ofgem (JK) further noted Ofgem is seeking views on the proposals to place a requirement on any future Board to possess sufficient experience in core areas, for example the GB energy market, commercial and contract management, data and communications technology, and consumer advocacy.

Ofgem (JK) noted that Ofgem proposes DCC services should be delivered on a not-for-profit basis, but that it was important that there were incentives in place for optimal performance. Ofgem has considered three-year term appointments, reputational incentives, financial incentives, and building in a non-binding no-confidence motion.

Ofgem (JK) advised that the DCC already has an Operational Performance Regime, focussing on system performance as a reputational incentive, as well as Business Planning and Cost Management reporting to government. Ofgem (JK) further noted the proposal for a non-binding no-confidence motion would allow Industry to have a voice and articulate key issues, which the Board would be required to rectify with any rectification activities to be overseen by Ofgem.

Ofgem (JK) advised that Ofgem has estimated an extension to the current licence of between 12 and 36 months and noted some governance changes could be progressed through the extension; for example, the appointment of an independent Director as successor to the current Chair, the appointment of an independent Director for consumer advocacy, and enhanced stakeholder engagement with the Board. Ofgem (JK) noted the intention for these changes to be implemented without any licence modifications, and as such are proposing to focus on reaching an agreement with the DCC in the first instance.

Ofgem (JK) noted that Ofgem is considering two options in relation to Switching arrangements, with the option for Switching to be a continued provision under the DCC or to be transferred to the REC to be delivered by RECCo, and noted the latter option isf Ofgem's preferred option.

A Member (AL) queried if Ofgem would be providing a consultation extension, noting DESNZ's SSES consultation had recently been extended, and Ofgem (JK) noted they had not received any internal advice on extensions but could consider extensions on a case-by-case basis. Ofgem (JK) noted the consultations on the Future role of the DCC and the Determination of Allowed Revenue could not be released prior to the General Election.

The SWG Chair (AP) queried if Ofgem had considered incentives in relation to the retention of excellent staff, and noted the retention of key staff within the DCC is an issue as well. Ofgem (JK) advised that they had not considered a specific incentive for excellence, however noted one approach could be for the DCC to state in the DCC Business Plan the funding required to attract and retain good staff, or through a remuneration policy created by the Board. Ofgem (JK) encouraged any specific incentive examples to be included in consultation responses.

SECAS (TN) advised the SEC consultation response would be presented to the SEC Panel at the June meeting prior to the consultation closing date of 16 July 2024, and requested that SEC Panel and Board members send through any comments on the consultation. SECAS (TN) noted that the SEC needed to consider if there were any impacts on SEC services should Switching arrangements be transferred to the REC.

The SWG Chair (AP) noted that the SEC is sensitive to migration and transition and would share thoughts on what a well planned and executed transition looks like for the consultation response.

The SWG **NOTED** the update.

SWG 18/06: SWG Members to send any comments to SECAS on the 'DCC Review Phase 2: Governance and Centralised Registration Service arrangements' consultation, to be considered in the SEC Panel Consultation Response, prior to SEC Panel Paper Day on 18 June 2024.

6. New Strategic Risks and Issues for Investigation (GREEN)

The SWG Chair (AP) presented new strategic risks and issues for investigation, including:

- **Market-Wide Half Hourly Settlement:**

The SWG Chair (AP) queried if SWG should manage any risks arising from the Market-Wide Half Hourly Settlement (MHHS) now that it is underway, or if these risks are sufficiently managed elsewhere. A Member (JH) noted they did not think there was a great deal of risk related to MHHS, but questioned what extent energy suppliers make use of the settlement data. A Member (AL) noted that suppliers complete MHHS themselves and there is no increase in traffic.

The SWG Chair (AP) queried if the data on the meters and data on MHHS is aligned and a Member (JH) noted that service users pick up 48 half-hourly slots and send them to settlement, but questioned if this data could be manipulated by suppliers to meet their obligations. The SWG Chair (AP) noted that if there is an operational issue, this would be picked up in testing.

- **Longer Term impact of non-communicating devices**

The SWG Chair (AP) noted there is ongoing discussion on the longer-term impact of non-communicating devices, and suggested SWG wait until Industry have clarified what is driving the non-communicating devices, and then determine if there are any residual longer-term impacts that SWG should consider.

The SWG **AGREED** that any risks related to Market-Wide Half Hourly Settlement and Longer-Term impact of non-communicating devices did not currently need to be managed by SWG.

The SWG Chair (AP) noted that if members would like to flag any risks or issues for SWG investigation, these could be sent through to the SWG Chair and SWG Secretariat.

A Member (AL) raised risks relating to Radio-Tele Switching (RTS), and SECAS (CC) noted SWG have an open action for the OPSG Chair to investigate RTS and provide an update to SWG, and SECAS understood the OPSG Chair was due to raise RTS with Sub-Committee Chairs prior to returning to SWG with an action update.

The SWG **NOTED** the update.

8. AOB (GREEN)

The SWG Chair (AP) invited SWG Members to discuss the General Election. A Member (AL) noted that Labour had issued a manifesto on changing the electricity markets and SECCo's Head of Code and Regulatory Strategy would be monitoring this, and further noted it was likely a number of decisions would be delayed.

The SWG Chair (AP) noted that DESNZ had accelerated decisions prior to the announcement of the election, and SECAS (AH) noted the future CPA Scheme had been approved. SECAS (AP) further noted that the Data Protection and Information Bill had been sidelined, which impacts a budgeted SEC project.

The SWG **NOTED** the update.

No further business was raised, and the meeting was closed.

Next Meeting Date: 5 August 2024