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# SECMP0068 ‘Alt HAN Company third party rights to enable external financing arrangements’

## Change Board vote

### About this document

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This document summarises the discussions of the Change Board on SECMP0068 and the outcome of the vote.

This vote forms a recommendation to the Authority on SECMP0068.

## 1. Change Board discussions

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### Views and discussions on the proposal

#### Section Z4.7 amendment

The DCC understood how the amendment to Section Z4.7 would work in principle but they were unsure how it would work in practice. The DCC advised that they had been seeking further legal advice on the amendment to Section Z4.7 and could not properly assess the impacts that it would have on them until this had been received, although they advised that they did not think there will be any material impact. As a result, the DCC advised that there may be a minor risk that they would appeal an Authority decision to approve this modification if their lawyers advised that the amendment to Section Z4.7 would have too large a material impact on them.

A Change Board member advised that they thought the amendment to Section Z4.7 was unnecessary and queried why it had been included under this modification, although could not foresee any negative impacts as a result of this. An AltHANCo representative advised that the reason for its inclusion under this modification was to provide any potential funders comfort that AltHANCo would have enforceable rights under the SEC to receive payments from the DCC and the ability to assign these rights. Again, the DCC and other Change Board members agreed with the reason for this amendment. However, the DCC could not provide a final view until it had received legal advice.

SECAS and the AltHANCo representative reaffirmed that both the SEC and AltHANCo lawyers had reviewed the legal text and could not see any negative impacts on the DCC or any other SEC Parties as a result of this modification. The Change Board were advised that the SEC and AltHANCo lawyers stated that Section M2 (referenced in Section Z4.7 of this modification's legal text) would not limit DCC's ability to recover Charges. They were unsure which provisions of Section M2 the DCC would want to apply in respect of the DCC's liability to pay Alt HAN Costs. The DCC is obliged to pay all the Alt HAN Costs, and is entitled to pass-through these amounts under the revenue restriction conditions in its licence. Section M2 doesn't limit the DCC's ability to recover charges and doesn't limit SECCo's ability to recover SECCo's Recoverable Costs. The legal text simply brings AltHANCo's position into line with SECCo's obligation under Section M2.18.

Following on from the discussions relating to the legal text, some Change Board members made the point that the SEC is a code and should not form a contract for those wishing to adhere to it. Those Change Board members understood the rationale of this modification but believed that some of the obligations in the SEC were not for the benefit of the code but were being used as a contractual tool.

The Change Board noted that the modification had been raised as AltHANCo is not a SEC Party, and so currently has no rights or obligations under the SEC. The modification seeks to address this for a narrow part of the SEC (Section Z4) to enable AltHanCo to finance, as per the policy intent and will of the Alt HAN Forum. A Change Board member supported this view stating that the Third-Party Rights option was the preferred options as AltHANCo is not impacted by the majority of the SEC and therefore becoming a Party was not considered appropriate.

#### DCC comments on financing options

The DCC made comments on the potential financing options in response to the Modification Report Consultation noting that it would be in favour of arrangements that continue to allow payments to be made to AltHANCo as per the current arrangements, rather than directly to a lender. The DCC noted that this would result in fewer changes to its finance operations processes. Subsequently the DCC

advised that their comments had been addressed by AltHANCo who had clarified that it was pursuing arrangements where AltHANCo would provide two invoices to the DCC, one for financed costs and one for non-financed costs i.e. the DCC would not pay an external funder directly. As a result, the DCC stated they no longer had any concerns in relation to these comments under this modification.

## Views against the General SEC Objectives

### Objective (d)<sup>1</sup>

The Change Board unanimously believes that SECMP0068 will better facilitate SEC Objective (d) by spreading costs over a number of years, preventing Suppliers having to pay high in-year costs for Alt HAN. This would aid competition by helping to avoid cashflow issues for Suppliers.

### Objective (h)<sup>2</sup>

The Change Board unanimously believes that SECMP0068 will better facilitate SEC Objective (h) by enabling energy Suppliers to exercise their right under licence obligations with respect to [SLC 55 'Smart Metering – The Alt HAN Arrangements'](#) under 55.4(c) and 55.5(h), and finance Alt HAN Activities and Alt HAN Services which is prohibited under the current SEC drafting.

### Objective (c)<sup>3</sup>

One Change Board member believed that SECMP0068 will also better facilitate SEC Objective (c) by enabling AltHANCo to investigate solutions that enable Energy Consumers with no Home Area Network to manage their use of electricity and gas through the provision to them of appropriate information by means of Smart Metering Systems. All other members believed SECMP0068 was neutral against this objective.

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<sup>1</sup> To facilitate effective competition between persons engaged in, or in Commercial Activities connected with, the Supply of Energy.

<sup>2</sup> To facilitate the establishment and operation of the Alt HAN Arrangements.

<sup>3</sup> 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.

## 2. Change Board vote

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### Change Board recommendation

The Change Board voted to recommend that the Authority should **approve** SECMP0068.

The vote breakdown is summarised below.

Change Board vote				
Party Category	Approve	Reject	Abstain	Outcome
Large Suppliers	4	0	0	<b>Approve</b>
Small Suppliers	1	0	0	<b>Approve</b>
Network Parties	2	0	1	<b>Approve</b>
Other SEC Parties	2	0	0	<b>Approve</b>
Consumer Representative	0	0	0	-
<b>Overall outcome:</b>				<b>APPROVE</b>

One Network Party abstained from the Change Board vote as they did not believe that this modification had enough of an impact on Gas Transporters for them to provide a recommendation to the Authority.

The Consumer Representative was absent for this Change Board meeting.