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SEC Panel Draft Budget 2019-22 Consultation Responses

The SEC Panel consulted on the SEC Panel Draft Budget 2019 – 2022 in January 2019 in accordance with SEC Section C8.11. The Approved Budget sets out the Panel’s good-faith estimate of the Recoverable Costs that is anticipates will be incurred (or committed to) for the next three Regulatory Years (2019 – 2022).

Four organisations submitted responses to the SEC Panel Draft Budget 2019 – 2022 consultation. The responses are set out below along with the comments from the Panel on each of the areas.

The Approved Budget has been published on the SEC Website and will be effective from 1 April 2019.

Annex A – Summary of Consultation feedback and proposed SEC Panel responses

Comment Reference	Response Excerpt	SEC Panel Comments	Action
Respondent: npower			
1	Note that the increase is largely driven by Project costs. Whilst recognising the need to focus resource on resolving issues and taking preventative measures to address potential security threats.....ask the Panel to scrutinise plans again to ensure resource is directed efficiently to priority tasks that will deliver value for money outcomes to and for SEC Parties.	The Panel note the comment and would like to reassure SEC Parties that every Project proposed will be subject to scrutiny prior to the release of funds to support it. Each Project proposed will require a Project Brief, detailing timescales, resources, costs and deliverables, for sub-committee and Panel consideration.	Noted
2	Budget states early in the document that the costs for Committee of Experts (CoE) would transition to Core Delivery Team (CDT) on an ongoing basis. However, we note that the forecast out-turn for the CoE resource in 2018-19 is higher than the approved budget, and we seek further reassurance that this will not happen again in 2019-20.	The Panel note the comment made. The Board will continue to monitor this through its monthly review of spend against budget and approval of forward workplans, assisted by more granular reporting on a project by project basis. The increase in CoE support in 2018-19 is mainly attributable to the additional workload supporting the TABASC, TAG and Operations Group and the number of Parties undertaking security assessments.	Noted
3	Document states that knowledge transfer has completed and therefore we should expect to see a reduction of costs for the CoE as this duplication drops away.....As the budget calls for repeated specialist help and technical expertise, it rather suggests that the knowledge transfer has, in fact, not been completed and the benefits realisations not enabled. If the expertise is to be provided by existing Industry parties, we would argue that they are already funded and therefore need clarity over their cost to SECAS. The costs for £72,000 for the TABASC Chair and £120,000 for the OPSG Chair and “Specialist” seem very high without justification and with little explanation given the above comment regarding knowledge transfer.	To clarify, technical expertise refers to the CoE, rather than Industry parties. Whilst knowledge transfer has and continues to take place between the CoE and CDT, the Panel acknowledge that there is an increasing demand for specialist technical expertise to support the delivery of the service, hence maintaining the existing budget for CoE resource. The complexity and volume of issues and projects being managed through the TABASC and OPSG meetings are driving costs in these areas. Again, the Board will monitor activity and expenditure through its monthly reviews, addressing any variances, as necessary.	Explain

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4	What are the grounds for a 3.5% assumption for RPI?	Since the Draft Budget was prepared, the RPI has been updated, and published at 2.7% (December 2018). This has now been reflected in the final budget.	Update
5	SEC Party Engagement – costs can be easily reduced; presentation packs do not require printing, for example.	The cost provisioned for printing presentation packs has now been removed from the final budget.	Update
6	We would welcome peer comparison and benchmarking in Service Area costs, relative to other industry Codes, with rationale and justification where costs are expected to significantly differ.	Industry codes are not always comparable due to content, complexity, meeting frequency and maturity of the Code in terms of lifecycle. However, the budgeted amount for SECAS services is based on the agreed rate card, which underwent benchmarking against other industry Codes in 2014/2015.	Explain
7	Committee Support equate to a cost of £6,630 per meeting. We would welcome exploration of meeting frequency to ensure costs are as efficient as possible.	The Panel note the comments and will request that SECAS undertakes a review of the scope and frequency of meetings held. This will be carried out in Q1 2019-20.	Explain
8	Cost increases under the headings for OPSG do not seem to align to other increases, e.g. 3.5% RPI.	The budget for 2019-20 has been set at a level closer to the forecast outturn for 2018-19 (rather than 2018-19 budget), reflecting the higher workload in this area than originally budgeted.	Explain
9	It would be helpful to have clarity on the time spent on OPSG matters. Is more time being spent on them than originally planned (particularly by the OPSG Chair) and therefore driving the cost increase?	<p>The forecast outturn for 2018-19, and therefore the budget proposed for 2019-20, is a reflection of the increasing workload relating to operational matters, evidenced by the length of the OPSG agenda. The Panel have been delegating significant continuing tasks and matters to the Ops Group and this is expected to continue.</p> <p>The time allocated by the OPSG Chair is reflective of this and includes the time spent working on OPSG matters, as well as advising the Panel Chair on matters relating to operations.</p>	Explain

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10	What is the difference between the cost increase on the OPSG Specialist provision and the additional £20,000 allocated for an “Independent Specialist”? We would welcome clarity on the nature, source and role of these specialists and the rationale for not sourcing them from the CDT.	The OPSG Specialist referenced is the same as the Independent Specialist. This resource has been engaged to review and provide constructive challenge to all DCC reporting received, a request made by the SEC Panel. The OPSG sees benefit from an industry expert who has been involved in the smart meter programme since its inception, and their support is envisaged until such time as members feel confident in the quality of DCC reports received.	Explain
Respondent: EOn Energy			
11	The costs associated with the Sub-Committee expenses denote budgeted provision for 100 meetings (100 meetings at circa £300/meeting = £30,000 budgeted). However, 138 meetings are estimated within the budget for Sub-Committee Support and Accommodation; even when removing the 14 meetings pertinent to Panel/Board this leaves a gap of 24 meetings that we cannot rationalise.	Thank you for highlighting this discrepancy. The figure should have read 138 in both places, which comprises the following: Panel/Board and PFCG – 14 Change Board and Working Groups – 52 SMKI PMA – 12 SSC – 24 TABASC – 12 Operations Group – 12 TAG - 12 Based on 138 meetings, the budgeted £30,000 would equate to approximately £217 per meeting. However not all meetings attract meeting expenses, and we will continue to improve our teleconferencing and video-conferencing facilities to help drive this down further.	Explain
12	What would justify SECAS incurring travel costs as part of Party Engagement and Support? We are not comfortable with the potential that we are subsidising Parties who have the same opportunities to engage that we do.	It is our intention to provide a Party Support Service which all Parties can benefit from, not just those who can easily access London. We are investigating holding seminars across the UK to enable more Parties to attend local events and have included a nominal amount to cover travel expenses.	Explain

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13	<p>The rationale provided for the SMETS1 Migration and Operational Oversight and Assurance project via SECAS and Panel engagement, and within the consultation document does not alleviate our concerns with regard to value for money here. The migration is being overseen by BEIS under transitional governance, no SMETS1 performance measures exist within the SEC. As such we are unaware of what benefit this project could have that would justify the proposed budget; we would welcome some clarity on this point.</p>	<p>Whilst BEIS are providing the oversight of Supplier obligations with respect to Enrolment and Adoption, it is anticipated that the influx of very significant numbers of SMETS1 meters will create operational issues for SECAS and OPSG to resolve.</p> <p>The Panel has been asked by BEIS to play a role in the governance of the SMETS1 migration, and the project will support the Panel in this regard. Our understanding at present is that this will include advice to BEIS on readiness for go-live (three phases anticipated), with BEIS overseeing the actual execution of the migration.</p> <p>Subsequently, once the meters are migrated, matters under the SEC regarding successful operations and any impact on existing operational services are within the remit of the Panel. Given the large number of meters being migrated, the project makes provision for advising the Panel on these matters.</p> <p>SECAS will need to put in place the appropriate processes to seek input from DCC and Users, analyse, challenge as needed, and report to the Ops Group and Panel.</p>	Explain
14	<p>The rationale provided for the Operational Issues Management project via SECAS and Panel engagement, and within the consultation document does not alleviate our concerns with regard to value for money. As previously given, all input here is provided by a few Suppliers who are engaged within this process, with much of the information required not available to SECAS. In addition, SECAS have no vires to affect or implement change in either the DCC or in SEC Parties, as such we are unsure of what benefit could materialise.</p>	<p>One of the Ops Group remits, assigned to it by the Panel, is to facilitate the resolution of operational issues. An increasing number of these are arising, a trend expected to continue as activity ramps up.</p> <p>The workload of the Ops Group itself means it is not possible for these issues to be fully addressed during Ops Group meetings, therefore a process has been established for addressing these in detail outside the meeting, bringing recommendations back to the Ops Group for approval. The Ops Group fully endorsed its creation and participation from Users has been invited through the Ops Group.</p>	Explain

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		<p>The issues being addressed are relevant to many or all users and are distinct from any bilateral discussions between suppliers and DCC.</p> <p>A key feature of this process is to co-ordinate the understanding of issues and the identification of potential solutions. Solutions will then be recommended for implementation to the appropriate body.</p>	
15	<p>It is unclear from the information provided by SECAS via Panel or within the consultation, why additional costs have been estimated for DCC Delivery of Modifications. The Release Management Policies were established a long while ago, and the Core Delivery team as well as the CoE of Change Management are already responsible for engaging with the DCC with regard to DCC-impacting Modifications. We would welcome some clarification as to what outstanding/non-'BaU' activity is required here, and what value such activity will provide that will offset the costs of the proposed budget.</p>	<p>We acknowledge the work being undertaken as part of the DCC Change Independent Review but envisage that a role will need to be played in relation to monitoring the DCC's ability to cost, manage and implement modifications thereafter.</p> <p>The enhanced Release Management responsibilities were established mid 2018/19 and carried no budget provision. We anticipate the first release that falls under the Panel responsibility to be in 2019-20, subject to the DCC establishing a cost-effective change delivery service.</p>	Explain
16	<p>We would be interested to understand how Panel or SECAS are managing the potential impact of the Retail Energy Code (REC) with regard to the shared services costs of Casewise.</p>	<p>SECAS are working closely with the MRA to determine future direction of the REC. However, the current assumption is that the MRA will continue to co-exist alongside the REC for at least 2 years and that the service costs will continue to be shared over that time. SECAS will open discussions with Casewise on the feasibility of independent services and the likely impact on cost.</p>	Explain
17	<p>We would be interested to understand the value for money assessment that Panel undertake with regard to SECAS costs, and would ask whether SEC Parties can be engaged in future assessments? Perhaps the SECAS</p>	<p>In 2014-15 a benchmarking exercise was undertaken in relation to the SECAS rate card, which underpins SECAS costs.</p> <p>On an ongoing basis, each quarter the SECAS team submit a Work Package to the Board for their consideration, challenge and approval, outlining the key deliverables and resources</p>	Explain

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	budget could be aligned with the process/ assessments currently being considered for DCC costs?	<p>required for the quarter ahead, and reviewing deliverables and costs in the previous quarter.</p> <p>SEC Parties have the ability to pass on their thoughts through their respective Panel Members in regard to value for money assessments.</p>	
18	<p>With specific regard to the 19/20 budget we would note that the following areas may benefit from a value for money assessment with a view to achieving additional efficiencies if possible and plausible:</p> <p>Specialist Resource – The budget makes provision for specialist resource to support the Panel’s Sub-Committees, and for a Community of Experts (CoE) in addition to a Core Delivery team in Technical Operations, the latter of which appear to undertake this ‘specialist’ role for the Sub-Committees as well. We would therefore ask when or if it may be expected that the SECAS CoE can fulfil the requirements for ‘Specialist Resource’ to maximise efficiency and avoid any potential duplication?</p>	<p>The SMKI Specialist and OPSG Independent Specialist are individuals with niche and specialist expertise which cannot be transferred to the Community of Experts. This resource will only be utilised when necessary, and reductions have already been made to their contracted days, in order to drive down cost.</p>	Explain
19	<p>Core Delivery Teams – Additional resource has been included within the proposed budgets for the Core Delivery teams in Sub-Committee Support; Technical Operations; Security and Privacy, and Party Support. We would be glad to understand the level of additional resource, but our main concern here is whether or not all of the additional resource is required. At present it appears as though 19/20 will require a level of additional resource to accommodate the Enrolment and Adoption Project and the anticipated influx of SEC Parties. However, the costs associated with DCC-impacting Modifications has caused a</p>	<p>Although the SEC arrangements have been in place for some time, the services continue to evolve. Due to the technical complexity of the arrangements and with the expectation of the DCC ramping up to full capacity in 2019-20, the anticipated demands on the team have increased, necessitating a change in team resourcing equating to 2 FTE.</p> <p>As highlighted, demand for raising DCC-impacting Change Mods has weakened in recent months, although this is expected to resume, post conclusion of the DCC’s cost benchmarking exercise. There are no proposed changes to resourcing of the</p>	Explain

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	<p>cessation in the progression of DCC-impacting changes and Party engagement in the Modification process has evidentially depleted as a consequence. We would therefore question whether the addition of all of the resource within the budget proposal for 19/20 would result in value for money.</p>	<p>Change function, with the focus being on other growth areas.</p>	
20	<p>Change Management – the 19/20 budget proposes to retain £350,000 for the CoE and we would note that we have concerns over value for money that is yielded for this service. The Panel have been provided continual feedback for this across Parties throughout 2018, and the budget itself notes areas of responsibility here which we have had repeated experience of below-par service (e.g. inaccuracies retained in solutions that are implemented: no less than 8 such Modifications throughout 2018; inaccuracies retained in working group documents with regard to working group commentary: no less than 4 that went to Change Board for vote in 2018, and PIA to solution requirements analysis not being done: SECMPs 25 and 38 etcetera). The rejections, send-backs and additional DCC assessments that have resulted from such issues duplicates/introduces additional costs that are avoidable and thus we would be glad of a value for money review from Panel here.</p>	<p>We acknowledge the feedback shared regarding user experience of the Change Modification Process. In recent months SECAS has been working on improvements in the areas highlighted, including improving the quality of the Working Group discussions in reports, improving the approach to business requirements and how these are used in DCC Assessments, and improving engagement with the DCC.</p> <p>As part of this, SECAS will be ensuring that CoE input on modifications is focused on ensuring technical accuracy of documents and requirements and ensuring that what is returned by the DCC meets the requirements set out.</p> <p>The Panel will be monitoring the impact of these improvements on the user experience and costs.</p>	Explain
21	<p>TSIRS Transfer – TSIRS is an existing, well documented meeting that will be moving under SEC governance with the same membership, and as we understand, the same terms of reference. We are therefore curious as to what the transfer to SEC will involve that accumulates a total cost of £75,000.</p>	<p>The meeting management, handover of content and secretariat support to the meeting has not been included in the main budget, as it is currently unclear as to when the transfer will take place, or whether the frequency and independent chair support will transition as is. The £75,000 is a prudent provision rather than a target.</p>	Explain

Comment Reference	Response Excerpt	SEC Panel Comments	Action
22	Printing – this is noted in the budget provisions for both the SEC Party Engagement Day and Party Engagement Support. We just wonder whether in the digital age this proffers value for money e.g. are these costs providing any benefit to Parties or do they simply generate recycling?	All event materials are supplied online and via email, but we do find that event attendees appreciate a hard copy, upon which they make notes. We will however, remove the printing costs from the budget.	Explain
23	Customer Satisfaction Survey – the Proposed budget for this item has £6,000 for SECAS as part of their contract, and £4,350 for Ofgem’s cross-code review. We are not familiar with the contract maintained with SECAS but we wonder whether £6,000 is warranted for a survey that is undertaken to such a detailed extent by Ofgem? Is there any opportunity to utilise the results of Ofgem’s Code Administrators satisfaction survey to reduce these costs and avoid any potential duplication?	At the January 2019 SECCo Board meeting it was agreed to undertake a more detailed SEC survey in addition to the Ofgem survey. The Board agreed the costs which are in line with the surveys undertaken in 2016.	Explain
24	<p>20-22 Budget Proposals</p> <p>We understand the influx of work that SECAS anticipates in 19/20 and 20/21 as the result of Enrolment and Adoption and additional Panel Sub-Committees, we are however not clear as to what additional work SECAS anticipate in 21/22 that would require an additional £185,000 for Core Delivery teams. If anything, we would have expected a decrease in 21/22 as the workload stabilises and efficiencies can be realised following the recruitment of additional resource in the previous two years. We would be glad to understand SECAS’s rationale for this proposed cost.</p> <p>The TAD and BAD updates are given as pertinent to Release 3 (Enrolment and Adoption) but the budget remains stable even in 21/22. We would be glad to understand whether £75,000 is the standard cost for these</p>	<p>The change purely relates to estimated increases in CPI year on year (which alters the SECAS rate card annually) rather than any change in headcount.</p> <p>With regards to the TAD, BAD and BAM updates, these include updates as a result of DCC releases, and so are not limited to Release 3.</p> <p>The figure for Release 3 is actually more than the 2019-20 budget suggests, as it spans this year and next. The following years are based on one update per year and are just a notional figure and will depend upon the extent of changes in the releases.</p>	Explain

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	updates on the premise of three SEC Releases a year, or whether SECAS anticipate Release 3 updates in 21/22.		
Respondent: EDF			
25	<p><u>Projects</u> The proposed expenditure on Projects is a significant proportion of the overall Budget, and £865,000 higher than originally estimated. While we agree that specific and targeted pieces of work are likely to be required in the next year as the number of meters enrolled in DCC increases, it must be ensured that these Projects:</p> <ul style="list-style-type: none"> - result in clear and measurable outcomes, - are undertaken in a lean and agile manner, - are focussed on delivery, - are subject to Panel oversight and - deliver value for money. <p>While none of the Projects identified in Section 4 are things that we would identify as obviously unnecessary, where they are undertaken they must endeavour to deliver the maximum benefit at the minimum cost.</p>	The Panel whole-heartedly agrees. As such, every Project proposed will require the scrutiny of the relevant Sub-Committee and Panel prior to expenditure being authorised. The ongoing expenditure and deliverables will then be monitored on a monthly basis.	Noted
26	<p><u>Core Delivery Team</u> It is noted in the Draft Budget that an increased spend of £200,300 'provides for additional members in, and restructuring of, the Core Delivery Team required to deliver SECAS obligations at an appropriate level and expertise'. While we agree that the Core Delivery Team needs to be appropriately resourced, we are disappointed that such changes are deemed as necessary. The SEC</p>	Although the SEC arrangements have been in place for some time, the services continue to evolve. Due to the technical complexity of the arrangements and with the expectation of the DCC ramping up to full capacity in 2019-20, the anticipated demands on the team have increased, necessitating a change in team resourcing.	Explain

Comment Reference	Response Excerpt	SEC Panel Comments	Action
	arrangements have been in place for some time, we would have hoped that costly changes to the Team would no longer be required at this stage.		
27	<p><u>Community of Experts</u> While the proposed expenditure on the Community of Experts is consistent with the previous estimate, this category makes up a sizeable proportion of the Draft Budget. While we recognise that the use of the Community of Experts allows for flexibility, the use of this resource should be subject to continual review to determine whether it could be better delivered at a lower cost as part of the Core Delivery Team.</p>	Yes, the SECCo Board will continue to keep this under review. Every quarter the SECAS team submit a Work Package to the Board for their consideration, challenge and approval, outlining the key deliverables and resources required for the quarter ahead, and reviewing deliverables and costs in the previous quarter.	Noted
Respondent: Centrica			
28	<p>We are grateful for the work that the Panel's Finance and Contracts sub-group (PFCG), the Independent Chairs and SECAS have carried out in preparing the budget. Suppliers are faced with ever increasing challenges to drive down costs and make efficiencies wherever possible – we are content that the work that has been carried out supports this need and that the Panel, with the support of SECAS, have the right budgetary controls in place.</p> <p>We have no adverse comments to make in relation the content of the budget and are supportive of the Panel using their judgement as to whether to approve the budget as currently drafted or to make any amendments based on other consultation responses.</p>	None required	Noted