SEC
Smart Energy Code

Meeting SECP_03_1312, 13th December 2013 at 10am

Gemserv, 10 Fenchurch Street, London, EC3M 3BE

Minutes

Attendees:

Category	Panel Members
Large Suppliers	Simon Trivella (Chair)
	David Ross Scott
Electricity Networks	David Lane
Gas Networks	Erika Melen
Small Suppliers	Mike Gibson (Alternate for Andrew Beasley)
	Leyton Jones
Other SEC Parties	Eric Graham
	Howard Porter (Alternate for Richard St Clair) (part)
DCC	Paul French

Representing	Other Participants
Ofgem (the Authority)	Roberta Fernie
	Dora Ianora
DECC (for Secretary of State)	Ian Anthony (part)
Panel Secretary	Alys Garrett
SECAS (Gemserv)	Jill Ashby
	Sarah Gratte
	Jane Butterfield
	Ken McRae
	Phillip Twiddy (part)
	Rebecca Mottram (part)

Apologies		
	Other SEC Parties	Richard St Clair
	Consumer Member	Richard Hall

1. Minutes of SEC Panel Meeting 02_1511

The suggested amendments to the Minutes submitted by DECC and Ofgem, that had previously been circulated to the Panel, were agreed unanimously.

Subject to the agreed changes, the Panel approved the minutes as written.

2. Actions Update

SECAS highlighted that the majority of the actions outstanding from the previous meeting had been closed and the outcomes would be discussed under the respective agenda items. The remaining ongoing actions are all on target for completion and would remain on the actions log.

3. Operations Report for November

SECAS introduced the Operations Report, the standing agenda item to inform SEC Parties and the Panel of the SECAS activity that has taken place in the past month and the resource effort for Panel approval.

The Panel noted that a forecast of the number of meetings to be attended and the resource effort until the end of the Regulatory Year had been provided in this month's report. The forecasts were based on proposed activity at the time of the bid and contract award. SECAS highlighted that as detailed work plans are being developed to underpin the 3 Year Plan, the forecasts and narrative will become more detailed.

The Panel discussed whether the type of resource used should be included in the report and if the level of granularity is too detailed for all readers. SECAS noted that the type of resource provided a level of transparency that may be useful for Parties during the Mobilisation phase and this could be reviewed at a later date if the Panel thought it necessary.

The Panel requested that it would be useful for the volumes of helpdesk enquiries to be detailed in the report.

The Panel:

- **NOTED** the contents the paper; and
- **AGREED** the SECAS resource effort of 214 days for November 2013.

ACTION 03/01: SECAS to update the Operations Report with volumes of helpdesk enquiries

4. Transition Governance Update

This paper consolidates headline updates from each of the Transition Work Groups attended throughout the month by SECAS as a standing agenda item to inform the Panel and the SEC Parties of activities occurring in the SMIP. It was also highlighted that updates from non-DECC led groups attended such as the Smart Metering Device Assurance group and the DCC established Test Design and Execution Group would be included in this paper in order to collate the information in one place for ease of reference.

SECAS provided a verbal update on the Test Design and Execution Group (TDEG) that had been attended after the issue of the paper. The DCC had indicated that a draft version of the DCC's test strategy would be published before Christmas. A number of testing design forums would also be established by the DCC, commencing with the common test scenarios, with the aim to start this in mid-January with a 'hot-house' approach.

A Panel Member had attended the Smart Metering Delivery Group on 12th December and agreed to provide an update to be included in the paper for the next Panel meeting.

The Panel highlighted the usefulness of this document and the positive feedback it received from constituents. It was also suggested that it be included on the SEC website when it is live.

The Panel **NOTED** the contents of the paper.

ACTION 03/02: SECAS to upload the Transition Governance Update document on to the SEC website when live

5. New SEC Parties

SECAS advised the Panel that the following organisations had completed applications to be admitted as Parties to the SEC in the Small Supplier category following execution of an Accession Agreement:

- Angel Energy Limited
- Axpo UK Limited
- Barbican Power Limited
- Co-operative Energy Limited
- Holborn Energy Limited
- Kensington Power Limited
- Marble Power Limited
- Paddington Power Limited
- Regent Power Limited
- Zog Energy Ltd

The Panel **NOTED** the admission of the Applicants as parties to the SEC with effect from 13th December 2013, being the date that SECCo would complete the counterpart of the Accession Agreement.

6. Accession Licence Conditions

SECAS introduced the paper and advised that it had been prepared in light of an action that had arisen to set out the licence condition as well as documenting a number of queries that had arisen regarding the obligation to accede to the Smart Energy Code. The objective of the paper was to facilitate consistent guidance to prospective SEC Parties.

SECAS noted that, following enquiries, the issue of Non-Domestic licensees acceding had been discussed with ICOSS to provide them with clarifications on the licence conditions. In particular, there was a desire for understanding of the implications arising from acceding to the SEC; e.g. obligations that may attach; contrasted to the uptake of DCC services within this sector. From these informal discussions, it was further highlighted that there may be delays in some organisations acceding to the SEC as there are matters regarding their prospective use of the DCC services (noting that small non-domestic premises can 'opt out') as well as the obligation to be a SECCo shareholder, and preceding internal corporate processes and sign-offs that had to occur.

The Panel discussed the definition of Designated Premises was clear and noted that the criteria were set out within the licence definitions and therefore, licensees should be able to determine applicability based on knowledge of their portfolio. SECAS noted that the criteria for 'Domestic' and 'Designated' premises set out in the licence were based on classifications (e.g. meter size or settlement profile) used in the respective gas and electricity arrangements rather than any underlying specifics such as customer type. However, the licence condition as written was the only available evaluation methodology.

The Panel also noted that licence-holders with 'inactive' business models (e.g. start-up, dormant or wind-down) might also apply to accede. Such organisations would then be entitled to participate in the SEC arrangements according to their Party Category. SECAS highlighted that the licence condition

makes provision for such Parties to accede from SEC designation or 'when commencing supply to a relevant premises'; however this did not take into account any pre-conditions on meeting SEC Entry Process requirements prior to eligibility to receive DCC services.

Panel discussed a preference to be in a position where the relevant licensed organisations were facilitated to accede, whether this arose through the licensee's actions or through contact by SECAS. Not least, Panel were mindful of mitigating future issues with the timing of licence-holders being signed up to the code. Panel agreed to request information from the DCC in order to produce a list of the number of organisations with registered supply points in order to consider the matter further.

The Panel agreed that relevant organisations had been made aware of the licence obligations through the letters that had been sent out by SECAS and there was no further action to be taken at this time in the absence of engagement by recipients of the letter. SECAS confirmed the Panel would be updated on any further matters arising from the letter issued to all licensees.

For completeness, the Panel considered whether the commencement of an Application Fee should be revised. The licence condition was implemented in July 2013, so existing licensees have been aware for some time of the requirement, and the preference was to retain the start date of 1st January 2014, so that costs of administering applications are recovered as provided for in the SEC.

The Panel:

- **NOTED** the contents of the paper;
- **NOTED** that licensees are looking for further clarification to inform their decisions on the next steps and that these enquiries will be monitored to assess whether they persist in order to determine whether clarifications from the SEC Panel are required; and
- **NOTED** the considerations regarding the Event of Default set out in M8.1(a), if an Applicant accedes before they are ready to take up DCC services within six months; and that whilst this is not material at this time, it may merit further action at a future date (e.g. after DCC Go Live).

ACTION 03/03: SECAS to request registration data from the DCC and produce a list of any licensees that had not signed up to the SEC who had eligible supply points.

7. Independent Chair Appointment Update

The Panel agreed that certain matters under this agenda item were confidential, and these minutes reflect the non-confidential matters.

SECAS provided the Panel with an update on the appointment of an independent Panel Chair, highlighting the process that had been undertaken since the previous Panel meeting.

The Panel noted that the Independent Chair Sub-Committee had selected six candidates for interview, out of which five accepted the invitation. The Sub-Committee met on 4th December 2013 to discuss the feedback from the interviewers on each of the candidates and came to a unanimous decision on the candidate that they would like to recommend to the Panel as best fit for the role.

The Independent Chair Sub-Committee provided the Panel with an overview of the preferred candidate detailing how they were the best fit for the role through relevant experience and qualities. It was also highlighted that the preferred candidate was amongst a number of strong candidates.

The Chair asked the Panel Members whether they were satisfied with the process and if there were any reasons why the Panel should not approve the recommendation and progress it the Authority for approval. The Panel unanimously agreed to recommend the appointment of the preferred candidate be put forward to the Authority for their approval.

The Panel discussed that, following Authority approval, the appointment would be conditional on the forming of a contractual agreement. The Panel unanimously agreed to allow the Independent Chair Sub-Committee to draft the contract for sign off by the SECCo Board.

The Panel noted that supporting information would be required for the Authority approval, such as why the candidate was the best fit for the role. SECAS agreed to provide a pack of supporting information along with the candidate recommendation to the Authority to provide confirmation of the process followed and that the outcome was robust.

The Panel:

- **NOTED** the contents of this paper;
- **APPROVED** the recommended candidate to be progressed for Authority approval; and
- **AGREED** that the Independent Chair Sub-Committee prepare the contract for SECCo Board approval.

ACTION 03/04: SECAS to issue a letter of recommendation to the Authority accompanied by a supporting pack of information including the process that had been followed.

8. System and Equipment Testing Government Response

SECAS introduced the agenda item, highlighting that the paper had been produced following the publication of the Government response to the consultation on their proposals for testing Smart Metering Systems and Equipment.

The paper provided an overview of the rights and responsibilities placed on the Panel for each testing phase.

A Panel Member raised a potential issue with the Panel having to approve DCC documentation in an independent manner as there are only a limited number of test experts and it is likely they would have contributed in the production phase of the documentation. The Panel discussed that as the DCC would be taking a consultative and collaborative approach, the Panel may only need to check that the DCC had taken the industry views into account when producing documentation.

The Panel discussed that in approving the relevant DCC documentation the wider context should be taken into account and the Panel should have an understanding and clarity of how the end-to-end objective can be achieved.

Another new responsibility on the Panel is for them to hear an appeal against a DCC determination that the Party is not ready for a specific test phase. However, such an appeals process, including its hierarchical dependencies, is not yet explicit. In order to be prepared SECAS would start to clarify with DECC their thinking on timings and details of the process, noting that the forthcoming consultation of the SEC 3 content may include further information on the requirements.

The Panel also discussed that it may be difficult to make a determination in the event of an appeal as they may have had little involvement with the process beforehand. A Panel Member highlighted that the Supplier community views are that the Entry and Exit criteria for DCC Users should be clear and unambiguous and it should be a 'yes/no' determination to mitigate the risk of an appeal. The Panel agreed to keep a watching brief on the risk of appeals, nevertheless they should have a process in place to deal with an appeal if one arises.

The Panel:

- **NOTED** the responsibilities and rights placed on the SEC Panel as a result of this Government Response; as documented in sections 3-7 of the paper;

- **NOTED** the dates by which the SEC Panel will need to conclude these activities (or be prepared for if circumstances dictate)
- **AGREED** to defer the development of an appeals process until the SEC 3 Consultation had been released and to review this decision in Q1 2014; and
- **AGREED** that SECAS should report back to the SEC Panel in Q1 2014 with a proposal for providing support to the SEC Panel in discharging the new duties.

9. Customer Satisfaction Survey

SECAS introduced the agenda item, noting that this paper had been produced following discussions at the SECP_01 and SECP_02 meetings. The paper set out the proposed approach and methodology and a timetable for approval by the Panel.

SECAS proposed that SurveyMonkey was used to gain quantitative data and a research company would be used to provide qualitative data. The Panel agreed that rather than a specified number of qualitative surveys taking place, it should be proportional to the number of survey respondents. SECAS also requested that the Panel Members communicate with their Party Categories near the time of the issue of the survey to raise awareness of the contract-related nature of the topics to encourage sufficient responses.

The Panel discussed the proposed timetable for the surveys and agreed that the first survey should be issued in late May 2014. They also agreed to decide on whether the Modifications questions should be asked depending on the amount of Modifications work that had taken place by the time of the issue of the first survey. The Panel recognised the merits of the approach to omit questions on meeting facilities and Company Secretariat from the surveys issued to Parties on the grounds that they will have little interaction with these matters at this time.

The Panel:

- **NOTED** that Gemserv will define the mapping between the Customer Satisfaction Survey and contract KPIs & Performance Targets to support remediation and agree this with the Customer's Manager (expected to be the Panel Chair);
- **AGREED** the use of SurveyMonkey to gain quantitative data for the Customer Satisfaction Survey and the use of a market research company to gain qualitative data;
- **AGREED** to review the timing and frequency of Customer Satisfaction Surveys after DCC go-live at a later date (closer to DCC go-live);
- **AGREED** to decide which questions will be included in/excluded from the first survey, as set out in section 6/Appendix 1 of the paper and whether to include Modifications-related questions in the first survey at the April or May 2014 Panel meeting, noting that exclusions would depart from the listed items in the SECAS contract; and
- **AGREED** the creation of two variants of the Customer Satisfaction Survey, with questions regarding Company Secretariat and Meeting Facilities asked of SEC Panel and Board, noting this approach is a minor departure from the SECAS contract.

10. Website Demonstration

SECAS provided the Panel with a demo of the website, which is in its test phase ready for go-live on 23rd December 2013. The Panel noted that this initial release of the website had been built to fulfil the contract requirements. The intent is to further develop the website over time, based on feedback from SEC Parties and the evolving SEC.

The Panel were pleased with the layout and content of the website. SECAS agreed to ensure that there were links to both the DCC and Ofgem website and to let the respective organisations know when the website was up and running so they can link to the SEC website.

11. Establishing the Change Board

SECAS provided the Panel with an update on the activities being undertaken to establish the Change Board so that it can commence its duties. The nominations process for the Change Board Members had taken place and the confirmations are being finalised.

The SEC contains a requirement for a declaration to be made by Change Board Members, subject to the Panel directing otherwise. SECAS provided the Panel with a draft of the confirmation set out in the SEC, as modified by the role of the Change Board. It was suggested that the declaration should take into account that a person may attend in the Change Board Member's place or if a category are using a rotation of attendees that is not fixed. This would avoid each attendee having to sign their own declaration before participating at a meeting.

The paper also provided a draft Terms of Reference (ToR) for the Panel to approve. SECAS highlighted that the ToR had been drafted with particular regard to the Transition phase, including a section of additional duties that the Panel may wish to delegate to the Change Board from time to time. The Panel agreed to include the provision for them to delegate these duties if they so wished, noting that the drafting did not state these as explicit duties.

The Panel discussed the frequency of the Change Board meetings and the date of the first meeting. It was agreed that the first meeting would be held on the 3rd February 2014 and that the Members should discuss their meeting frequency preference at this meeting.

The Panel:

- **NOTED** the contents of the paper;
- **NOTED** the nominations received to date;
- **AGREED** the requirements for, and form of, a declaration for each of the Change Board Members;
- **AGREED** the Terms of Reference for the Change Board relating to Modifications; and
- **CONSIDERED** and **AGREED** the Terms of Reference for Panel support, as delegated by the Panel from time to time

ACTION 03/05: SECAS to issue nominated Change Board Members with the updated declaration and to inform them of the date of the first meeting

12. 3 Year Business Plan 2014-2017 – First Draft

SECAS introduced the paper, noting that this draft of the budget for the next three regulatory years had been developed following the discussions held at SECP_02. SECAS highlighted that the draft had been based on the best information that was available at the time and aimed to provide a planning view of the evolving landscape of arrangements. Information was gathered through discussions with DECC around the forthcoming activities for new Sub-Committees and content of the SEC that was used to provide a good faith estimate of the costs that are anticipated to be incurred.

SECAS provided an overview of the approach that had been taken, highlighting that the budget had been split into two sections; broadly categorised as 'discretionary' and 'non-discretionary', allowing the Panel to put in place limits for anticipated activities against which any spend is released at the control of the Panel. SECAS also highlighted that this Business Plan will be monitored and reported on as matters progress. The Panel considered that the budget items seemed reasonable and some further clarifications were discussed in relation to proposed amounts for names budget items.

The provision for the production of the Annual Report that had been estimated at £6,000 and the Panel discussed whether this would be sufficient. SECAS advised that this estimate had been based on the cost of producing an Annual Report for another Industry Code. It was highlighted that this

report would provide for a statement from the Company Secretary and the Chairman and a copy of the statutory accounts. If the preference was for an Annual Report that could be used for marketing purposes then this may cost more. The Panel agreed to keep the provision as it had been estimated in the draft and use the general budget contingency if the cost was higher.

SECAS provided the Panel with some background on the £500,000 estimated for the Technical Sub-Committee (TSC). The sum had been taken from the SEC 2 consultation and SECAS had contacted DECC to gain insight on the basis of that sum. Discussions with DECC indicated that the estimate included effort required for the TSC supporting Modifications and the production of the SEC Annual Report. The £500,000 had been estimated as the total impact although it was envisaged that costs of members would be borne by their organisations. However, as a Sub Committee, it was noted that Members were entitled to the expenses permitted by the SEC. The Panel agreed to lower the overall project-based provision to £1,200,000, as it is unlikely in the first year that full Modifications support would be required and all of the Sub-Committees were unlikely to be established at the start of the Regulatory Year.

The Panel discussed whether a 10% contingency was sufficient due to the uncertainties around the timing and scale of activities in the Programme, and perhaps 15% contingency would be more prudent. The Panel agreed that 10% is the norm and this was the preference as it mitigated the risk of over recovery through adopting a 15% contingency.

The timeline for the production of the budget was discussed and it was noted that to achieve the SEC deadline for publishing the Approved Budget, the Draft Budget would need to be approved by the January Panel meeting before being issued to all Parties for consultation as laid out in the SEC.

The Panel discussed the potential for revising the budget in-year and it was noted that the SEC permits this. However the budget provision for SEC costs would be used in the DCC Charging Statement and invoices and therefore any in-year adjustments could have consequences for the DCC having to undertake a within-year adjustment. A Panel Member noted that the DCC could re-issue forecasts for the following two Regulatory Years however, for the next Regulatory Year, would have to use the sum agreed by the Panel, even though the budget was subject to consultation, for the DCC Charging Statement to be released on 8th January. SECAS noted that this may occur in subsequent years as the SEC requirement is for the Panel to consult on its budget in January, whereas the DCC has to publish its Statement within 5 Working Days of the start of January.

Taking the revisions into account, the Panel unanimously agreed a total budget of £4,850,000 for 2014/2015 and that the budgets for the following two regulatory years would increase with CPI.

The Panel:

- **AGREED** the approach to setting out the budget as defined in the paper;
- **AGREED** to revise the draft budget to £4,850,000 for the first year, with an uplift for CPI in the following two years; and
- **CONFIRMED** that whether a budget for each Sub-Committee should be managed as part of the Chair's duties would be decided at the time of establishing Terms of Reference for each Sub-Committee.

ACTION 03/06: SECAS to revise the 3 Year Business Plan based on the decisions at SECP_03.

13. DCC Update

The DCC presented an update of the activities undertaken since the last Panel meeting and an update on the plan and the charging roadmap. The Panel were updated on the DCC invoicing and noted that payments had been received from all Parties following invoicing on 4th December 2013.

The Panel were updated on the DCC's design forums and confirmed that it is looking to engage further with small suppliers to discuss the outputs from the design forums. The DCC will be attending the Small Supplier Forum in January and the SEC Panel agreed that SECAS should also offer to attend the meeting to further explain the accession process and answer any queries. A Panel Member representing Small Suppliers took an action to inform the Small Supplier Forum of this. The DCC confirmed that it is looking at a variety of media to increase communications channels for all users including webex, newsletters and website enhancements.

ACTION 03/07: SECAS to offer to attend a meeting of the Small Supplier Forum to attend a meeting to outline the SEC accession process.

The DCC implementation plan was outlined and the requirements to consult with industry before submission to the Secretary of State as described in licence condition 13. Due to the scale of the plan with multiple milestones and line items, it was not possible to undertake a line by line walkthrough but the DCC offered to meet with Panel Members separately from the Panel meeting to explain the plan. The DCC agreed to send out the latest consolidated update report which is presented to the Implementation Managers Forum to explain the milestones and timescales.

ACTION 03/08: DCC to circulate the IMF Progress Update to Panel Members.

Finally the Panel noted the DCC is planning to send out the revised Charging Statement for the next Regulatory Year by the end of December 2013. Ofgem will then agree the form of the Charging Statement between January and March 2014 before it is published on the DCC website on 31st March 2014.

14. Next Meeting Dates

The Panel reviewed the proposed dates for the Panel meetings from April to December 2014. The dates proposed followed the same frequency and day of the week as the meetings previously agreed at the first Panel meeting. A number of Panel Members considered that Friday was not ideal for the enduring calendar of Panel meetings, for example for those attendees who need to travel some distance. The Panel agreed to accept the dates as provisional to ensure that meeting dates were in the diary and SECAS agreed to prepare some alternate dates for review by the Panel whilst being mindful of clashes with other industry groups and meeting dates.

ACTION 03/09: SECAS to prepare alternative dates for SEC Panel meetings.

15. AOB

SECAS raised the matter of the appointment of an Exit Manager by SECCo. The SECAS contract includes a requirement for the agreement of an Exit Plan within six months of contract commencement which will be instigated in the event of the contract being terminated. Additionally, there is a requirement for named Exit Managers from a SECCo and SECAS perspective.

The Panel unanimously agreed that the Independent Panel Chair would be nominated as the Exit Manager. Until such time as the Chair is in office, it was agreed that Eric Graham would act as the Exit Manager for any queries and correspondence with SECAS.

The subject of Sub-Committees was raised by a Panel Member in relation to the appropriate time to establish each of the Sub-Committees outlined within the SEC. SECAS agreed to prepare a paper for the February Panel meeting to draw together the outline information in the SEC consultations and signposted through the Transitional Workgroups. This can then be monitored and revised in line with developments within the Programme.

ACTION 03/10: SECAS to prepare paper on the timetable for establishment of Sub-Committees for the February Panel meeting.

Signed: _____ **Date:** 10/01/14