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SEC Change Board Meeting 09, 21st December 2016

10:00 – 10:45 Gemserv, 8 Fenchurch Place, London, EC3M 4AJ

Final Minutes

Attendees:

Category	Change Board Members
Change Board Chair	Adam Lattimore
Large Suppliers	Simon Trivella (alternate) (teleconference)
	Oorlagh Chapman (observer) (teleconference)
	Paul Saker (alternate) (teleconference)
	Tim Newton (teleconference)
	Carl Whitehouse (alternate) (teleconference)
	David Smith (teleconference)
	Suzanne Farag (teleconference)
	Iain Matthews
	Samantha Cannons (teleconference)
	Ashton Berkhauer (teleconference)
Small Suppliers	Duncan Carter (teleconference)
	Steven Bradford (teleconference)
	Carolyn Burns (teleconference)
Networks	Leigh Page
	Martin White (teleconference)
	Paul Fitzgerald (teleconference)
Other SEC Parties	Dave Gregson (teleconference)
	Mike Woodhall (teleconference)
	Gerdjan Busker
Consumer Member	Morgan Wild (teleconference)

Representing	Other Participants
DCC	Ben McCauley
SECAS Modification Support	David Barber
SECAS Modification Support/Meeting Secretary	Sasha Townsend

Apologies:

Category	Change Board Members
BEIS	James Goldsack

1. Actions Outstanding

SECAS updated the Change Board on the Actions Outstanding from the previous meeting. It was noted that the only outstanding action (**SECCB08/01)** had been closed following the Change Board's feedback (from the November 2016 Change Board meeting) being provided to the SEC Panel. It was highlighted that going forward, SECAS will ensure that any solutions that are discussed but ultimately not progressed as part of a Modification Proposal, are included in the Final Modification Reports. Particularly for modifications that proceed straight to Modification Report Consultation or are raised by Panel Sub-Committees.

2. SECMP0016: Consideration of "Maximum Credit" value in credit cover calculation

The Change Board Members were provided with the Final Modification Report (FMR) and Modification Report Consultation Responses for SECMP0016 'Consideration of "Maximum Credit" value in credit cover calculation'.

SECAS outlined the background of the modification, its solution and the views received by the Working Group and SEC Parties through consultations.

A Large Supplier Member noted that SECMP0016 was raised with consideration of it benefitting new and less established market entrants. However, only one Small Supplier responded to the Modification Report Consultation on whether it should be approved or not. Whilst acknowledging the lack of responses from Small Suppliers to the Modification Report Consultation, a Small Supplier Member highlighted that Parties in this category may not have the resources readily available in order to respond to consultations.

Change Board Vote on SECMP0016

The Change Board agreed that the FMR should not be returned to the SEC Panel with any recommendations for further clarification or analysis. The Large Supplier category voted by a majority to approve the Modification Proposals. All remaining Party Categories unanimously voted to approve the Modification Proposal and therefore the overall Change Board vote was to approve SECMP0016. Change Board Members believed that the modification better facilitates General SEC Objective (d)[1] and stated the following rationale for voting to approve:

- the modification reduces the amount of working capital Parties have to lodge as Credit Support, which could reduce financial pressure and increase the ability for Parties to invest in their business;
- it reduces barriers to market entry;
- it aligns the SEC with Ofgem's *best practice guidelines for gas and electricity network operator credit cover* and with other Industry Codes; and
- SECMP0016 does not increase the level of residual risk overall and is not disproportionately allocated. The relative level of risk for each Party remains roughly in the same proportion as the current credit arrangements.

A Network Party Member also believed that SECMP0016 better facilitates the seventh General SEC Objective (g)[2]. This is because the modification would align the SEC with other Industry Codes in relation to Credit cover provisions therefore aiding the efficient and transparent administration of the SEC.

One Large Supplier Member also noted that, in addition to Objective (d), they believed that SECMP0016 better facilitates the first General SEC Objective (a)[3]. This is because they felt the modification would increase efficiencies of the provision and operation of Smart Metering Systems in Great Britain.

The minority vote within the Large Supplier Party Category chose to reject the modification as they felt it is detrimental to Objective (a). This is because:

- SECMP0016 increases the risk of a defaulting Party not having adequate Credit Support in place to cover their outstanding costs;
- it increases the Socialised Bad Debt Payments across Compliant Parties if an Event of Default was to occur; and
- Events of Default are still a current risk, noting recent events within industry.

SECAS informed the Change Board that the SEC Modification Register and the FMR will be updated to include Change Board Members' votes, reasoning, and the overall Change Board vote outcome. SECAS will communicate the Change Board vote outcome to the SEC Panel and SEC Parties.

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[1] SEC Section C1.1 - the fourth General SEC Objective is to facilitate effective competition between persons engaged in, or in Commercial Activities connected with, the Supply of Energy.
[2] the seventh General SEC Objective is to facilitate the efficient and transparent administration and implementation of this Code.
[3] the first General SEC Objective is to facilitate the efficient provision, installation, and operation, as well as interoperability, of Smart Metering Systems at Energy Consumers' premises within Great Britain.

As SECMP0016 has been progressed as a Path 2 – Authority Determination modification, the FMR will be sent to the Authority (the Department for Business, Energy and Industrial Strategy (BEIS)) in order for them to make a final determination on whether to approve or reject it. If approved, the modification will be implemented on the 1st April 2017.

The Change Board:

- **CONSIDERED** the FMR (including the Modification Report Consultation Response and legal text) for SECMP0016;
- **AGREED** that the FMR for SECMP0016 should not be returned to the SEC Panel with any recommendations for further analysis or clarifications; and
- **VOTED** to recommend that the Authority approves SECMP0016.

3. Proposed 2017 Meeting Schedule

SECAS provided the Change Board with a paper including the proposed 2017 meeting schedule. The schedule is based on the SEC Modification Process, specifically the Panel's review of the Draft Modification Reports (DMR). It was calculated that once the Panel approves a DMR, it would be a maximum of 28 working days until the Final Modification Report is provided to the Change Board for a vote. The Change Board are proposed to meet on the Wednesdays 28 working days following Panel meetings.

Due the current Change Board Member's term coming to an end in January 2017, SECAS advised that a session will be offered to new or existing Change Board Members in February 2017 to discuss the roles and responsibilities of the Change Board. Noting that this session is irrespective of any Modification Proposals requiring a Change Board vote in February.

The Change Board:

- **NOTED** the contents of the paper; and
- **AGREED** the proposed Change Board meeting schedule for 2017.

4. Modification Status Report – December 2016

SECAS presented the Change Board Members with the December 2016 Modification Status Report, providing a high level update of the status of SEC Modification Proposals. In December 2016, 2 modifications were implemented, 17 modifications were undergoing the Refinement Process, and 1 modification was brought to the Panel as an Initial Modification Report (IMR).

The Change Board **NOTED** the contents of this paper.

5. Any Other Business

The Change Board were informed that the meeting provisionally re-scheduled to 11th January 2017 will no longer be held, due to the three draft Modification Reports that would have prompted the January meeting being sent back to the Refinement Process at the December 2016 SEC Panel meeting. This was in light of Panel discussions in relation to the lack of cost granularity provided in the DCC Impact Assessments and other areas that required further consideration, for each Modification Proposal.