SEC

Smart Energy Code

This document is classified as **White** in accordance with the Panel Information Policy. Information can be shared with the public, and any members may publish the information,

Smart Energy Code

End of Budgetary Year Report 2018-2019

Version 1.0

SECCo End of Budgetary Year Report
2018 - 2019

Administered by

Gemserv

Page 1 of 9

This document has a Classification of White

Contents

SECCo End of Budgetary Year Report
2018 - 2019

Administered by

Gemserv

Page 2 of 9

This document has a Classification
of White

1. Background

The SEC Panel budget sets out the Panel's good faith estimate of the Recoverable Costs that it believes, at the time of development, will be incurred during the next three Regulatory Years.

The budget setting process for 2018-2021 started in September 2017 with input from the Panel's Finance and Contract Sub-Group (PFCG). It was reviewed by Panel Members, and a SEC Party consultation was issued in January 2018 in accordance with SEC Section C8.13.

This End of Budgetary Year Report provides the out-turn of the Panel budget covering the period between 1 April 2018 – 31 March 2019. The report also outlines the steps that will be taken in relation to the over-recovery. It has been provided for transparency purposes for Parties to view information that is normally available to SECCo Board Members on a monthly basis.

2. Executive Summary

The Panel set a budget of £6,767,775 for 2018/19, for the Panel, its Sub-Committees and SECAS to complete the activities outlined within the SEC, alongside additional specified projects: - Smarter Markets, Annual Security Obligations and Technical Effectiveness Review.

Against this budget, £6,211,549 was utilised. However, this is subject to a discount of £500,664 for SECAS services, which the SECCO Board negotiated into the SECAS contract in April 2015.

The final budget out-turn, after discount, will therefore be £5,710,885. Over-recovery of £1,056,890 will therefore be credited back to the DCC in early 2019/20.

An overview of budgeted versus actual costs is provided in Figure 1 below, with further detail on the out-turn for each budget category provided in subsequent sections:
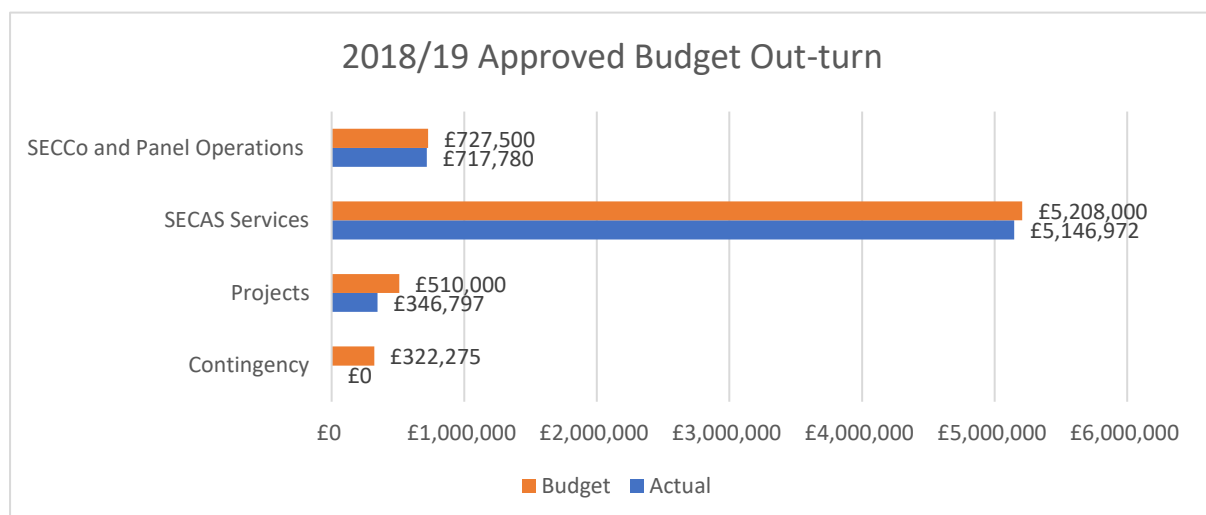

2018/19 Approved Budget Out-turn

Category	Budget	Actual
SECCo and Panel Operations	£727,500	£717,780
SECAS Services	£5,208,000	£5,146,972
Projects	£510,000	£346,797
Contingency	£322,275	£0

Figure 1: 2018/2019 Out-turn against Approved Budget

SECCo End of Budgetary Year Report
2018 - 2019

Administered by

Gemserv

Page 3 of 9

This document has a Classification of White

3.   SECCo and Panel Operations

This budget category covers all the activities of the SECCo Board including insurance, legal advisors, website maintenance and SEC Panel operations including remuneration of Independent Chairs, Panel and Sub-Committee expenses and specialist advisors.
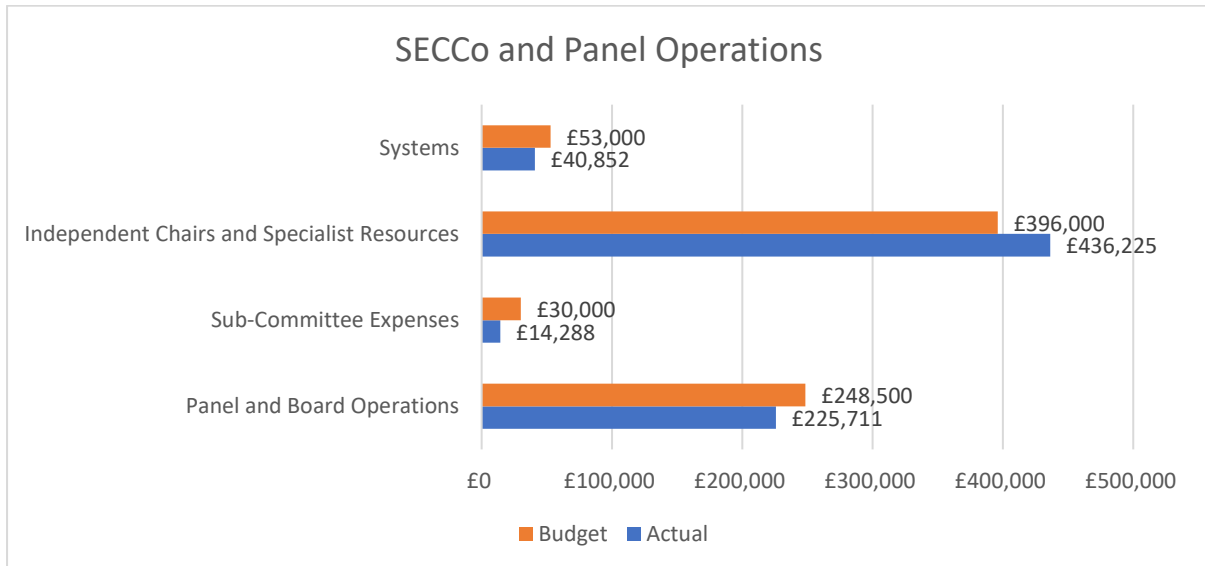

Figure 2: Panel and Board Operations budget category costs against Approved Budget

3.1   Panel and Board Operations

The Panel and Board Operations sub-category includes Panel Member expenses, SECCo expenditure, legal advisors, and costs for the annual SEC Party Engagement Day and Customer Satisfaction Survey.

An underspend of around £22,800 is reported, primarily related to legal provision. Legal spend to date has been in relation to supporting the drafting of Modification Proposals and reviewing contracts, however this has been at a lower level than anticipated when setting the budget for 2018/19.

3.2   Sub-Committee Expenses

The Sub-Committee sub-category is for expenses related to the activities of all the SEC established Sub-Committees, including the Smart Metering Key Infrastructure Policy Management Authority (SMKI PMA), Security Sub Committee (SSC), Technical Architecture and Business Architecture Sub Committee (TABASC), Operations Group (OPSG) and Change Board.

An underspend of around £15,700 is reported due to Sub-Committee Members claiming fewer expenses than anticipated. The budget assumes an average amount per meeting based on the number of attendees. It is then at the discretion of Sub-Committee Members to claim expenses.

3.3   Specialist Resource

The Specialist Resource sub-category contains provisions for external resources that support the Sub-Committees, including the Chairs for the SSC, SMKI PMA, TABASC and OPSG, the

SECCo End of Budgetary Year Report
2018 - 2019

Administered by

Gemserv

Page 4 of 9

This document has a Classification of White

SMKI Specialist which is defined in the SEC, and an Independent Expert to support the OPSG. An overspend of £40,000 is reported in this area due to an increased level of activity in each Chair's respective Sub-Committees; this budget line has been increased for 2019/20.

3.4 Systems

The Systems sub-category contains provisions for the systems that are maintained on behalf of the Panel and SECCo, including website maintenance, business process mapping software, and Egress.

A £12,000 underspend is reported in this area, primarily relating to the business process mapping software, where there has been only one release of the Business Architecture Model for Release 2.0. An overspend of £5,800 is reported against the Website Maintenance budget line. The budget provided for standard website maintenance only; however, in order to address feedback raised in the 2018 Cross Code Survey regarding the SEC website, a website refresh is underway.

Budget Category	Budget Line	Budget	Actual	Variance
SECCo and Panel Operations	Panel Members	£155,000	£154,276	-£724
	SECCo	£25,000	£24,599	-£401
	Legal	£50,000	£30,629	-£19,371
	SEC Party Engagement Day	£7,500	£6,850	-£650
	Customer Satisfaction Survey	£11,000	£9,357	-£1,643
Sub-Committee Expenses	All Sub-Committees	£30,000	£14,288	-£15,712
Specialist Resource	SMKI Specialist	£396,000	£436,225	£40,225
	SSC Independent Chair			
	SMKI PMA Independent Chair			
	TABASC Independent Chair			
	Operations Group Independent Chair			
Systems	Website Maintenance	£15,000	£20,852	£5,852
	Business Process Mapping Software	£30,000	£12,000	-£18,000
	File Sharing Solution	£8,000	£8,000	£0

Table 1: Budget Line Variances for SECCo and Panel Operations

4. SECAS Services

SECAS Services are split into four categories: SECAS Core Delivery Team, Community of Expert (CoE) Resource, Support Costs and Accommodation Costs. The out-turn against each of the budget lines is provided in Table 2 below:

	Budget	Actual	Variance
Core Delivery Team	£3,490,000	£3,503,190	£13,190

SECCo End of Budgetary Year Report
2018 - 2019

Administered by

Gemserv

Page 5 of 9

This document has a Classification of White

CoE Resource	£1,232,000	£1,239,289	£7,289
Support Costs	£288,000	£199,246	-£88,754
Accommodation Costs	£198,000	£206,394	£8,394
Total	£5,208,000	£5,148,119	-£59,881

Table 2: SECAS Services Actual Out-turn against Budget

4.1 Core Delivery Team

The SECAS Services 'Core Delivery Team' budget line relates to the core resource deployed to the contract to provide the Code Administration and Secretariat Services for the SEC and is charged in accordance with the SECCo agreed rate card appended to the SECAS contract.

The activities undertaken by the SECAS Core Team are reported to the SEC Panel on a monthly basis via the Operations Report. There is an accompanying monthly paper for the SECCo Board which details the costs for approval. Figure 3 provides a breakdown of the annual costs against the agreed categories.
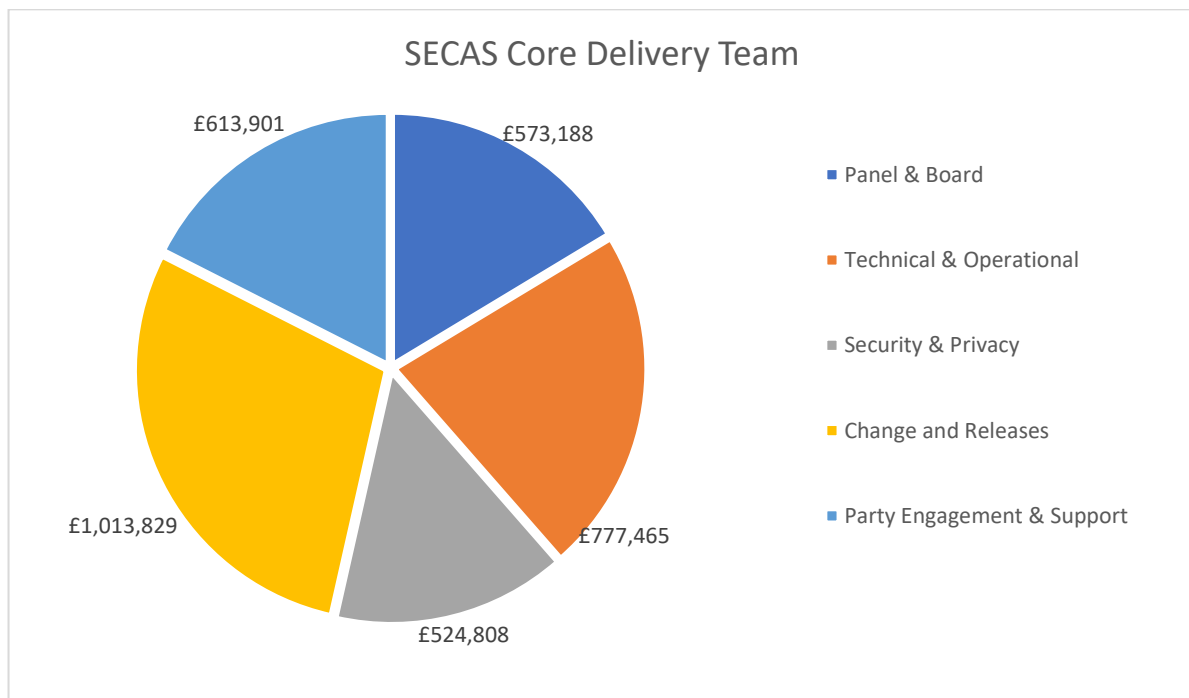
Overall, costs came in just £13,000 above budget.

Figure 3: SECAS Core Resource Costs against agreed categories

4.2 Community of Expert (CoE) Resource

The SECAS Services 'CoE Resource' budget line relates to specific individuals with in-depth technical and security expertise, who support the Core Delivery Team.

SECCo End of Budgetary Year Report
2018 - 2019

Administered by

Gemserv

Page 6 of 9

This document has a Classification of White

CoE activities are reported to the SEC Panel on a monthly basis via the Operations Report. There is an accompanying monthly paper for the SECCo Board which details the costs for approval. Figure 4 provides a breakdown of the annual costs against the agreed categories.
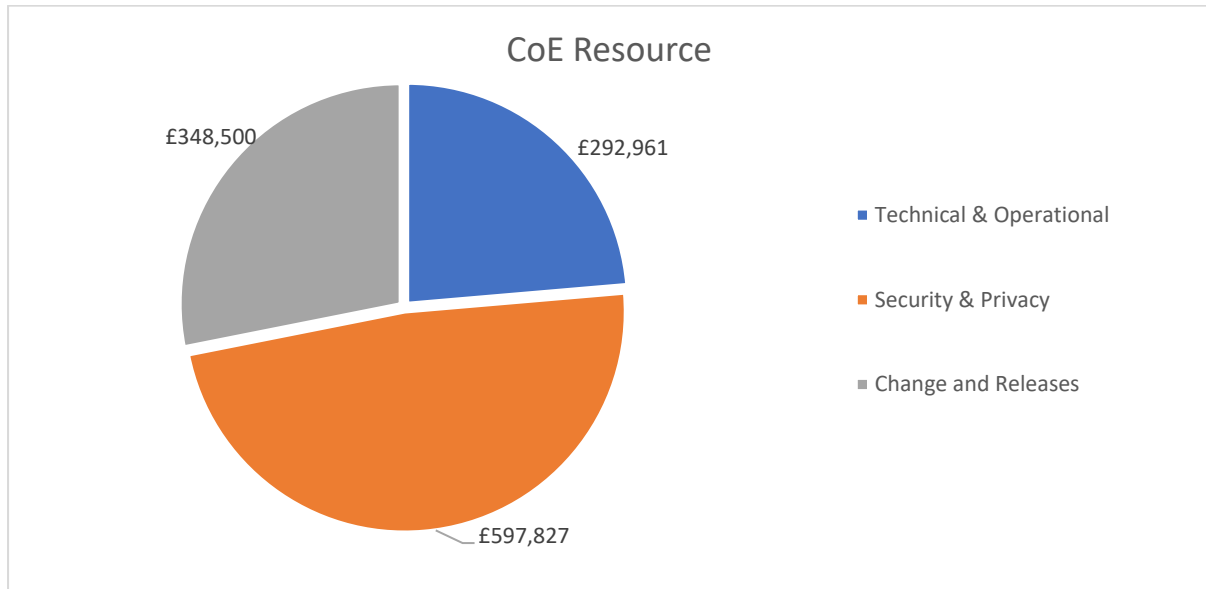
Overall costs came in just £7,000 above budget.

CoE Resource

- Technical & Operational: £292,961
- Security & Privacy: £597,827
- Change and Releases: £348,500

Figure 4: SECAS CoE Resource Costs against agreed categories

4.3   Support Costs

The Support Costs include Service Provider Costs (primarily the User CIO), and expenses such as memberships and licences. Underspend of over £88,000 is reported here, following careful management of third party spend.

The actual costs against the budgeted amounts are shown below in Table 3.

	Budget	Actual	Variance
Technical and Operational Activities	£1,000	£1,329	£329
Security & Privacy	£253,000	£193,917	-£59,083
Party Engagement and Support	£34,000	£4,000	-£30,000
Total	£288,000	£199,246	-£88,754

Table 3: Breakdown of Support Costs

4.4   Accommodation Costs

The Accommodation Costs relate to costs incurred for the Panel Chair office, meetings held at the registered office, and space rental whereby a SECCo contractor, e.g. Independent Chair, utilises a desk within the registered office.

SECCo End of Budgetary Year Report
2018 - 2019

Administered by

Gemserv

Page 7 of 9

This document has a Classification of White

A slight overspend is reported here due to a higher number of supported meetings than budgeted. The actual costs against the budgeted amounts are shown below in Table 4.

	Budget	Actual	Variance
Meeting Room Hire	£138,000	£153,894	£15,894
Panel Chair Office	£24,000	£24,000	£0
Contractor Space Rental	£36,000	£28,500	-£7,500
Total	£198,000	£206,394	£8,394

Table 4: Breakdown of Accommodation Costs

5. Projects

The projects category is used for emerging requirements. These projects are under the control of the SEC Panel who authorise when expenditure may be incurred. The funds for the projects are requested in advance on a quarterly basis from the SECCo Board, with input from the relevant Sub-Committees. An out-turn against each project is also reported on a quarterly basis.

Total project cost for 2018/19 totalled £346,797 against a budget provision of £510,000. Further detail on each of the project categories is available below.

5.1 Centralisation Projects/Smarter Markets

The Panel has been supporting Ofgem's Smarter Markets project since 2015, by providing SECAS resources in the form of business process modellers and design leads. Progress is reported to the Panel every month via the Smarter Markets Update paper. The work came in under budget by £20,000.

Budget Line	Budget	Actual	Variance
Centralisation Projects/Smarter Markets	£150,000	£129,757	-£20,243

Table 5: Budget line variance for Centralisation Projects / Smarter Markets

5.2 Effectiveness of the End-to-End Technical Architecture

The Approved Budget included a provision for the TABASC, on behalf of the Panel, to undertake a review of the effectiveness of the End-to-End Technical Architecture. The project came in significantly under budget as the survey carried out received limited actionable feedback, given the early stage of the roll-out.

Budget Line	Budget	Actual	Variance
Technical Effectiveness Review	£100,000	£6,881	-£93,119

Table 6: Budget line variance for Effectiveness of the End-to-End Technical Architecture

5.3 Annual Security Obligations

A provision was included in the Approved Budget to undertake the annual Security Risk Assessment in accordance with SEC Section G7.16. The cost came in almost £115,000 under budget.

SECCo End of Budgetary Year Report
2018 - 2019

Administered by

Page 8 of 9

This document has a Classification of White

Gemserv

Budget Line	Budget	Actual	Variance
Annual Security Risk Assessment	£260,000	£145,221	-£114,779

Table 7: Budget line variance for Annual Security Risk Assessment

5.4 Data Quality Issues Resolution

This project, led by the OPSG, is seeking to resolve data quality issues within the smart metering programme. The project was not included in the 2018-19 Approved Budget but is included in the 2019-20 Approved Budget. Due to project underspend in 2018-19, the SECCo Board agreed to release funds for the initial work to be undertaken before the end of the financial year.

Budget Line	Budget	Actual	Variance
Data Quality Issues Resolution	£0	£22,394	£22,394

Table 8: Budget line variance for Data Quality Issues

5.5 BAD and TAD updates for SMETS1

This project, overseen by TABASC, is to update the Technical and Business Architecture to cater for SMETS1 enrolment. This project was not included in the 2018-19 Approved Budget but is included in the 2019-20 Approved Budget. Due to project underspend in 2018-19, the SECCo Board agreed to release funds for the initial work to be undertaken before the end of the financial year.

Budget Line	Budget	Actual	Variance
BAD and TAD updates for SMETS1	£0	£38,688	£38,688

Table 9: Budget line variance for Bad and TAD updates for SMETS1

5.6 Consultancy support to the SSC – mitigation of security risks

The 2018 Security Risk Assessment identified a risk to the End-to-End Smart Metering System that arises from internet-connected devices. This project is being undertaken to identify security controls to mitigate these risks. This project was not included in the 2018-19 Approved Budget but is included in the 2019-20 Approved Budget. Due to project underspend in 2018-19, the SECCo Board agreed to release funds for the initial work to be undertaken before the end of the financial year.

Budget Line	Budget	Actual	Variance
Security Threats	£0	£3,857	£3,857

Table 10: Budget line variance for consultancy support to SSC – mitigation of security risks

6. Contingency

The Panel included a 5% contingency within the Approved Budget, in line with previous years. There was no draw-down against this budget category.

Budget Line	Budget	Actual	Variance
Contingency	£322,275	£0	-£322,275

Table 11: Budget line variance for Contingency

SECCo End of Budgetary Year Report
2018 - 2019

Administered by

Gemserv

Page 9 of 9

This document has a Classification of White