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<b>Paper Reference:</b>	<b>SECP_69_1406_08</b>
<b>Action:</b>	<b>For Decision</b>

## DP071 Problem Statement

### 1. Purpose

Draft Proposal [DP071 'Second-Comer Charging'](#) was raised by the DCC and has progressed through the Development Stage. The Change Sub-Committee believe this Draft Proposal is ready to be converted to a Modification Proposal. This paper sets out our proposed approach for progressing this modification for the Panel's approval. We are recommending that this modification be progressed directly to the Report Phase and that the Panel approve the Modification Report, the implementation approach, and that MP071 is a Self-Governance Modification.

This paper provides a high-level summary of the key points. A copy of the problem statement submitted by the Proposer can be found in Appendix A, and the draft Modification Report can be found in Appendix B.

### 2. Summary of the proposal

#### What is the issue?

The DCC is required to assess 'Second Comer Charging' for specific shared services including High Volume (HV) and Low Volume (LV) Gateway Connection Services. The nature of the solution for providing both an LV Gateway Connection or an HV Gateway Connection is such that there are no common costs and therefore no scope for cost sharing. Thus, the current onboarding process for a DCC User has inefficient and unnecessary complexity associated with a check related to shared costs for either an LV Gateway Connection or an HV Gateway Connection.

#### What is the proposed solution?

The DCC have stated that this part of the SEC (SEC Sections K7.8-K7.11) was drafted before the process was put in place and the full logistics understood. The solution proposes to change SEC Section K to reflect this.

### 3. Proposed progression

The Change Sub-Committee have agreed that this Draft Proposal is ready to be converted to a Modification Proposal. We believe that this modification should be progressed directly to the Report Phase. No significant issues were identified during the Development Stage, and the solution requires a minor text change. The Change Sub-Committee reviewed the draft legal text and had no comments.

### **Determination approach**

We recommend that the Modification Proposal be progressed as a Self-Governance Modification as there are no material impacts on SEC Parties or Energy Consumers.

### **Implementation approach**

We recommend an implementation date of:

- 7 November 2019 (November 2019 SEC Release) if a decision to approve is received by 24 October 2019.

## **4. Recommendations**

The Panel are requested to:

- **AGREE** that DP071 is ready to be converted to a Modification Proposal;
- **AGREE** that MP071 should be progressed to the Report Phase;
- **APPROVE** the Modification Report;
- **APPROVE** the implementation approach; and
- **AGREE** that MP071 should be progressed as a Self-Governance Modification.

**Bradley Baker**

**SECAS Team**

**7 June 2019**

### **Attachments:**

- **Appendix A:** DP071 problem statement
- **Appendix B:** MP071 Modification Report
  - **Annex A:** MP071 Legal Text

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# DP071 ‘Second-Comer Charging’

## Problem statement – version 0.2

### About this document

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This document provides a summary of this Draft Proposal, including the issue or problem identified, the impacts this is having, and the context of this issue within the Smart Energy Code (SEC).

### Proposer

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This Draft Proposal has been raised by Sasha Townsend from the Data Communications Company (DCC).

## What is the issue or problem identified?

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### Second-Comer Contributions

The Explicit Charges Second-Comer Contributions requirement (SEC Sections K7.8-K7.11) enables a cost allocation mechanism for shared costs with respect to four specific Explicit Charge metrics: 'Low Volume (LV) Gateway Connection'; 'High Volume (HV) Gateway Connection'; 'Elective Service Evaluation'; and 'Parse & Correlate (P&C) support'. The requirement is prescribed using cost and temporal thresholds, to determine the contribution due by a second (or more) DCC User to an earlier DCC User that was offered one of these services, to rebate an element of the shared cost.

The DCC are required to assess Second-Comer Contributions and the rebate of 'relevant costs' to an initial contributor, when a subsequent person uses the same services and is made an offer to recover shared costs. The quotes to the Users shall be with the condition of all parties accepting a shared metric.

### How does this issue relate to the SEC?

The DCC have stated that this part of the SEC (SEC Sections K7.8-K7.11) was drafted before the process was put in place and the full logistics understood. In practice, the practicalities of providing an HV or LV Gateway Connection are such that there are no common costs and therefore the requirement in the SEC for the DCC to provide quotes for 'Second-Comer Charging' are causing delays and inefficiencies in the DCC onboarding service.

## What is the impact this is having?

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### Inefficiencies and delays in the onboarding process

The DCC believes this requirement is still relevant and feasible with respect to the Elective Service Evaluation and P&C support metrics; as there are certainly opportunities to align investigative work during an Elective Service Evaluation or have a shared classroom scenario for P&C support/consultancy. However, the nature of the solution for providing both an LV Gateway Connection or an HV Gateway Connection is such, that there are no common costs and thus no scope for cost sharing. Thus, the current onboarding process for a DCC User has inefficient and unnecessary complexity associated with a check related to shared costs for either an LV Gateway Connection or an HV Gateway Connection.

The magnitude of this impact appears to be minimal, as the DCC have never used this method of charging, as the sharing of HV and LV Gateway Connections is unfeasible.

## What are the views of the industry?

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### Views of the DCC

The DCC are keen to improve the efficiency of their processes, and as the Proposer, are in full support of finding a solution to the issue.

### Views of SEC Parties

SEC Parties were generally in agreement, and no issues were raised.

### Views of Panel Sub-Committees

The Sub-Committees were generally neutral to this proposal. The Technical Architecture and Business Architecture Sub-Committee (TABASC) asked for some clarifications. The TABASC commented that some companies offer a shared service for SEC Parties, so a connection can be shared. This was duly investigated by SECAS, who found that the TABASC were correct. However, in these examples there is only one connection and the company offering the services manages the use of the connection so that no information can be seen by a Party it is not intended for.

### Views of the Change Sub-Committee

There were a few questions from the Change Sub-Committee as part of their initial consideration at their meeting on 8 April 2019. They believed the benefits of making any changes needed to be clearer, as they were unsure how big an impact these inefficiencies were having. However, the DCC have never provided a shared connection due to the security implications, and so were unable to provide any data on the cost savings.

They also queried if there were further similar inefficiencies that could also be resolved under this Draft Proposal, to avoid making changes in a piecemeal fashion. The DCC said there were no other changes planned for Section K.

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# MP071 'Second-Comer Charging'

## Modification Report Version 0.1

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## About this document

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This document is the Modification Report for [MP071 'Second-Comer Charging'](#). It provides detailed information on the background, issue, solution, costs, impacts and implementation approach. It also summarises the discussions that have been held and the conclusions reached with respect to this Modification Proposal.

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This document also has one annex:

- **Annex A** contains the redlined changes to the SEC required to deliver the proposed solution.



## 1. Summary

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The DCC have highlighted an issue in SEC Section K, regarding the 'Second-Comer Contributions' charging methodology for High Volume (HV) and Low Volume (LV) Gateway Connections.

The DCC have stated that this part of the SEC was drafted before the process was put in place and the full logistics of Gateway Connections understood. In practice the practicalities of providing a HV or LV Gateway Connection are such that there are no common costs and therefore the requirement in the SEC for the DCC to provide quotes for 'Second-Comer Charging' are causing delays and inefficiencies in the DCC onboarding service.

MP071 proposes that the references to HV and LV Gateway Connections are removed from SEC Section K, leaving the charges for Parse and Correlate, and Elective Service Evaluation. This will have no impact on SEC Parties and make the DCC on-boarding service more efficient.

The central implementation costs will be limited to Smart Energy Code Administrator and Secretariat (SECAS) time and effort in implementing the changes to the SEC. If approved, this change is targeted for the November 2019 SEC Release.

## 2. Background

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### What are 'Second-Comer Contributions'?

The Explicit Charges Second-Comer Contributions requirement (SEC Sections K7.8-K7.11) enables a cost allocation mechanism for shared costs with respect to four specific Explicit Charge metrics:

- Low Volume (LV) Gateway Connection;
- High Volume (HV) Gateway Connection;
- Elective Service Evaluation; and
- Parse & Correlate (P&C) support.

The requirement is prescribed using cost and temporal thresholds, to determine the contribution due by a second (or more) DCC User to an earlier DCC User that was offered one of these services, to rebate an element of the shared cost.

The DCC are required to assess Second-Comer Contributions and the rebate of 'relevant costs' to an initial contributor, when a subsequent person uses the same services and is made an offer to recover shared costs.

### What is the issue?

The DCC believe this requirement is still relevant and feasible with respect to the Elective Service Evaluation and P&C support metrics; as there are certainly opportunities to align investigative work during an Elective Service Evaluation or have a shared classroom scenario for P&C support/consultancy. However, the nature of the solution for providing both a LV Gateway Connection or a HV Gateway Connection is such that there are no common costs and thus no scope for cost sharing. Thus, the current onboarding process for a DCC User has inefficient and unnecessary complexity associated with a check related to shared costs for either a LV Gateway Connection or a HV Gateway Connection.

### 3. Solution

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#### Proposed Solution

After consideration of industry comments and discussions with the DCC, the Proposer believes that the most effective solution is to remove the specific requirements in SEC Section K which relate to assessing the second-comer charges for HV and LV Gateway Connections.

The result of this modification will be an accurate reflection of the 'Second-Comer' charging system.

#### Legal text

The changes to the SEC required to deliver the proposed solution can be found in Annex A.

## 4. Impacts

This section summarises the impacts that would arise from the implementation of this modification.

### SEC Parties

SEC Party Categories impacted			
	Large Suppliers		Small Suppliers
	Electricity Network Operators		Gas Network Operators
	Other SEC Parties	✓	DCC

### DCC System

No changes to DCC systems are required.

### SEC and subsidiary documents

The following parts of the SEC will be impacted:

- Section K 'Charging Methodology'

### Other industry Codes

There are no impacts identified on other industry codes.

### Greenhouse gas emissions

There are no impacts on greenhouse gas emissions.

## 5. Costs

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### DCC costs

There are no DCC costs associated with implementing this modification.

### SECAS costs

The estimated SECAS implementation costs to implement this modification is two days of effort, amounting to approximately £1,200. The activities needed to be undertaken for this are:

- Updating the SEC and releasing the new version to the industry.

### SEC Party costs

There are no costs to SEC Parties to implement this modification.

## 6. Implementation approach

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### Recommended implementation approach

We are recommending an implementation date of:

- **7 November 2019** (November 2019 SEC Release) if a decision to approve is received on or before 24 October 2019.

## 7. Discussions and development

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### Discussions of the Sub-Committees

As the Proposer, the DCC are keen to improve the efficiency of their processes and fully support finding a solution to the issue. SEC Parties and the Sub-Committees were generally neutral, and the Technical Architecture and Business Architecture Sub-Committee (TABASC) asked for some further clarifications.

The TABASC commented that some companies offer a shared service for SEC Parties so a connection can be shared. This was duly investigated by SECAS, who found that the TABASC were correct. However, in these examples there is only one connection and the company offering the services manages the use of the connection so that no information can be seen by a Party it is not intended for.

The Change Sub-Committee (CSC) wanted further definition on the benefits of the relevant changes. However, the DCC have never provided a shared connection and so were unable to provide any data on the cost savings. The CSC also asked whether there were any wider changes to charging that needed addressing. The DCC noted that this is the sole change that they want to make in Section K.

## 8. Conclusions

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### Benefits and drawbacks

The Proposer has identified the following benefits and drawbacks in implementing this modification:

#### Benefits

- The SEC will accurately reflect the practical arrangements in place.

#### Drawbacks

- No drawbacks have been identified.

### Proposer's rationale against the General SEC Objectives

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

The Proposer believes that MP071 will better facilitate SEC Objective (a) by ensuring the SEC reflects accurately the practical arrangements with regard to Second-Comer Charging.

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

The Proposer believes that MP071 will better facilitate SEC Objective (g) for the same reasons as state above.

### Sub-Committee views

The Sub-Committees were generally neutral to this proposal.

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<sup>1</sup> a) Facilitate the efficient provision, installation, operation and interoperability of smart metering systems at energy consumers' premises within Great Britain

<sup>2</sup> Facilitate the efficient and transparent administration and implementation of the SEC  
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## Appendix 1: Glossary

This table lists all the acronyms used in this document and the full term they are an abbreviation for.

Glossary	
Acronym	Full term
CSC	Change Sub-Committee
DCC	Data Communications Company
HV	High Volume
LV	Low Volume
SEC	Smart Energy Code
SECAS	Smart Energy Code Administrator and Secretariat
TABASC	Technical Architecture and Business Architecture Sub-Committee



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# MP071 ‘Second-Comer Charging’

## Annex A

### Legal text – version 0.1

#### About this document

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This document contains the redlined changes to the SEC that would be required to deliver this Modification Proposal.

These changes have been drafted against SEC Version 6.12.

## Section K ‘Charging Methodology’

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### Amend Section K7.8 as follows:

#### Second-Comer Contributions

K7.8 This Section K7.8 applies only in respect of the Explicit Charging Metrics referred to in Sections K7.5~~(e), (d)~~; (f) and (g) (~~‘LV gateway connection’, ‘HV gateway connection’~~; ‘elective service evaluation’ and ‘P&C support’). Subject to Section K7.10, where:

- (a) the DCC makes an offer in respect of any proposed Explicit Charging Metric to a person (the “**subsequent person**”); and
- (b) prior to such offer being made to the subsequent person, another person (the “**initial contributor**”) was obliged to pay Explicit Charges designed to recover any costs (the “**relevant costs**”) that would otherwise (in accordance with this Charging Methodology) have been recoverable from the subsequent person,

then the DCC shall make an offer to the subsequent person that requires that subsequent person to pay by way of Explicit Charges such a contribution to the relevant costs as may be reasonable in all the circumstances.

K7.9 Subject to Section K7.10, where an offer made by the DCC that includes an element of relevant costs is accepted by the subsequent person, the DCC shall (following payment by the subsequent person) offer such rebate to the initial contributor as may be reasonable in all the circumstances.

K7.10 Sections K7.8 and K7.9 shall not apply:

- (a) where the relevant costs are less than £20,000;
- (b) where the relevant costs are between £20,000 and £500,000 (inclusive), and the initial contributor’s offer for the Explicit Charging Metric was accepted more than 5 years before the offer to the subsequent contributor is made;
- (c) where the relevant costs are more than £500,000, and the initial contributor’s offer for the Explicit Charging Metric was accepted more than 10 years before

the offer to the subsequent contributor is made; and/or

- (d) where the initial contributor no longer exists or cannot be contacted by the DCC following reasonable enquiry.

K7.11 All references to an initial contributor in this Section K7 shall, in respect of any subsequent person, be interpreted so as to include any person that was previously a subsequent person in respect of the relevant costs in question and that paid Explicit Charges designed to recover an element of those relevant costs.