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MP079

‘Provisions for withdrawing modifications’

Modification Report

Version 0.1

About this document

This document is the Modification Report for [MP079 'Provisions for withdrawing modifications'](#). 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 two annexes:

- **Annex A** contains the business requirements for the proposed solution.
- **Annex B** contains the redlined changes to the Smart Energy Code (SEC) required to deliver the proposed solution.

1. Summary

The provisions in SEC Section D 'Modifications Process' are built around the key principle that any SEC Party can raise a proposal to change the SEC, and that each proposal should undergo due process for a solution to be developed and for this to be determined upon. As such, the Smart Energy Code Administrator and Secretariat (SECAS) and the Panel must allow any proposal into the process and ensure it receives a fair assessment.

The SEC contains provisions for the Proposer to withdraw their proposal prior to final decision, if they no longer wish to progress it (for example if it is identified that the issue can be resolved without a change to the SEC, or if it is clear the business case for the proposal is insufficient). However, this power is limited to the Proposer.

If a Proposer wishes to progress their proposal, the Panel is required to ensure that a suitable and robust assessment is carried out to develop the proposal for decision. This may result in SECAS and industry time, effort and expense needing to be spent on a proposal unlikely to succeed incurring additional costs for Users for nugatory work. This time, effort and expense could otherwise be spent on other proposals that would provide benefit to Parties and the industry as a whole.

In order to prevent this, MP079 proposes that the powers to withdraw a proposal are extended to the Panel. Under the specified circumstances, the Panel will be able to action a withdrawal after giving due notice to the Proposer. The Proposer could also appeal this decision to the Authority.

MP079's implementation would not directly impact any SEC Parties, and implementation effort will be limited to SECAS time and effort in updating the SEC. If approved, this modification is targeted for the February 2020 SEC Release.

2. Background

Who is able to withdraw a modification?

The provisions in SEC Section D 'Modifications Process' are built around the key principle that any SEC Party can raise a proposal to change the SEC, that each proposal should undergo due process for a solution to be developed and for this to be determined upon. As such, SECAS and the Panel must allow any proposal into the process and ensure it receives a fair assessment.

The SEC does contain provisions for the Proposer to withdraw their proposal prior to final decision, if they no longer wish to progress it (for example it is identified that the issue can be resolved without a change to the SEC, or if it is clear the proposal is not likely to succeed). However, this power is limited to the Proposer; SECAS, the Panel nor their Sub-Committees cannot close a modification prior to decision.

During their recent feedback sessions, SECAS identified frustration among many Parties that the SEC does not provide any power for SECAS, the Panel or the Change Board to withdraw a modification. The primary concern raised is that a lot of time, resource and cost is being put into Modification Proposals that are not going to progress or are unlikely to be implemented. Equally, there are cases where Proposers are not engaged with the process and allow their proposals to effectively sit in stasis.

What is the issue?

A key frustration, raised by many Parties during the feedback sessions, is that the SEC does not provide any power to anyone outside of the Proposer to withdraw a modification. The primary concern raised is that a lot of time, resource and cost is being put into Modification Proposals that are not going to progress for valid reasons or are unlikely to be implemented. Equally, there are cases where Proposers are not engaged with the process and actively request their proposals to effectively sit in stasis.

The improvements SECAS has recently introduced to the framework attempt to nullify this risk. The new Development Stage helps to ensure proposals are fully thought through and supported before they progress. Equally, requiring Change Board approval prior to incurring the cost of a DCC Impact Assessment seeks to prevent nugatory costs and effort during the Refinement Process.

However, these are preventative measures and can only go so far, especially since these rely on the Proposer acting on the views of the Change Sub-Committee or the Change Board. A Proposer is within their right to ignore the views of the wider industry and continue to progress their proposal to decision, even if it is clear it is not required, feasible or supported.

The Panel does have the power to set the timetable for a proposal's progression and could theoretically choose to progress a Modification Proposal to decision early. However, any Modification Proposal whose solution is not fully developed and assessed would be viewed as incomplete, and so would likely be sent back by the Change Board or the Authority.

What is the impact this is having?

A lot of time and effort is required by SECAS, the Data Communications Company (DCC) and SEC Parties in assessing and developing solutions to Modification Proposals, including:

- Developing business requirements and solutions options
- Developing the business case for change
- Performing and reviewing DCC Assessments (with a cost associated with performing Impact Assessments that is incurred by Parties)
- Attending Working Group sessions
- Responding to consultations and
- Preparing and reviewing documentation such as Modification Reports, business requirements and legal text

As long as a Proposer wishes to proceed with their proposal, this work must be completed in order to present a fully developed solution and accompanying assessment to the Change Board and the Authority for decision. This must happen even for proposals that are unlikely to be implemented. Consequently, SECAS and industry time and effort continue to be spent, along with any costs associated with a DCC Impact Assessment, resulting in costs being incurred to Users.

There is currently insufficient check-and-balance in the process to ensure that industry time and effort is being spent wisely. If a Proposer wishes to progress their proposal, the Panel is required to ensure that a suitable and robust assessment is carried out to develop the proposal for decision. This may result in SECAS and industry time and effort needing to be spent on a proposal unlikely to succeed that could otherwise be spent on other proposals that would provide benefit to Parties, incurring additional costs for Users for nugatory work.

3. Solution

Proposed Solution

MP079 proposes to extend the powers to withdraw a proposal to the Panel. This will provide a suitable check and balance to mitigating industry cost and effort in having to assess and develop proposals that have been clearly shown to be unsupported by Parties, are unfeasible due to the cost and lack of impact or have stagnated due to a combination of the two previous scenarios.

The Panel will need to abide by the following principles in a case of a potential withdrawal:

- The Panel will first need to set out clear rationale for why it believes a proposal should be withdrawn and provide the Proposer and SEC Parties with an opportunity to respond.
- The Panel will then need to consider the views raised when making the decision.
- The Proposer will have the right to appeal the Panel's decision to withdraw a proposal to the Authority. Should an appeal be upheld, the decision to withdraw would be overturned.

In terms of the rationale the Panel must provide, the circumstances must be clearly stated as to the reasoning behind a potential withdrawal. The criteria must be met and clearly defined for a withdrawal to take place.

The Proposer believes these principles will ensure the Proposer has sufficient opportunity to respond to concerns over the continued progression of their proposal before action is taken.

The full business requirements can be found in Annex A.

Legal text

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

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

No SEC Parties will be directly impacted as a result of this modification's implementation.

Proposers of Modification Proposals may be affected should their proposals be felt by the Panel to meet the criteria for being withdrawn prior to decision.

DCC System

This modification will have no impact on DCC Systems.

SEC and subsidiary documents

The following parts of the SEC will be impacted:

- Section D 'Modifications Process'

Other industry Codes

This modification will have no impact on other industry Codes.

Greenhouse gas emissions

This modification will have no impact on greenhouse gas emissions.

5. Costs

DCC costs

There will be no DCC costs to implement 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

No SEC Party costs are expected in the implementation of this modification.

6. Implementation approach

Recommended implementation approach

SECAS is recommending an implementation date of:

- **27 February 2020** (February 2020 SEC Release) if a decision to approve is received on or before 13 February 2020; or
- **25 June 2020** (June 2020 SEC Release) if a decision to approve is received after **13 February** 2020 but on or before 11 June 2020.

The February 2020 SEC Release is currently the earliest SEC Release that this modification could be included in.

7. Discussions and development

Is this an issue?

During the Development Stage, it was agreed by the Change Sub-Committee that this issue warranted being progressed so that a solution could be developed and assessed. No comments against this were raised.

The Authority highlighted that this would represent a significant step-change around the provisions of Proposer ownership. It requested further information on the number of modifications that could be affected by this change, to help inform its decision. The Working Group agreed it would not be appropriate to discuss specific proposals but were supportive of SECAS passing such information to the Authority separately.

Can existing provisions be utilised?

During the Working Group discussions, one member asked why existing powers could not be used to prevent modifications from entering the process. It was confirmed that while the Change Sub-Committee and the Panel will assess whether the issue is clear, they cannot block a proposal from proceeding simply because they disagree with it, only advise the Proposer not to proceed.

It was also asked why the Code Administrator couldn't progress a modification where the Proposer had stopped showing an interest, as happens under other codes. The Working Group highlighted the high costs associated with implementing DCC System impacting changes. They also noted the cost associated with performing a DCC Impact Assessment, which can exceed £100k. And if the Impact Assessment was not carried out, in order to save these costs, the Working Group noted the Modification Report would subsequently be sent back by the Authority due to it being incomplete. Members agreed that it wasn't appropriate for SECAS to continue to force such changes forward when there was no industry sponsor for it, highlighting that the SEC is notably different to other Codes due to the much higher costs and the involvement of the DCC.

What rationale would the Panel need to give before withdrawing a proposal?

During the Development Stage, questions were raised regarding ensuring there was clarity in terms of the rationale the Panel must give when deciding to withdraw a proposal. It was felt that the reasons for a proposed withdrawal must be clearly defined. This would remove any ambiguity regarding the circumstances of the Panel's decision.

SECAS and the Proposer agreed that the Panel must give clear rationale for its view that a proposal should be withdrawn. SECAS cautioned against placing specific criteria within the SEC, as this could limit options later should an unforeseen scenario later arise. However, it agreed that safeguards are needed to ensure the power is not abused. The solution requires the Panel to specify its rationale for why a proposal should be withdrawn and give the Proposer time to respond. Only after that would the decision to withdraw be made. Furthermore, a route to appeal this decision to the Authority would be included, allowing the Authority to overturn the decision should it believe the proposal should progress further.

It was also suggested that a timeline be included as part of the Panel's setting of the Refinement Process timetable. Modifications could then potentially 'time out', and as a result be advised for

withdrawal by the Panel. This subsequent element could be done under the existing provisions within Section D.

How is this managed under other Codes?

Generally, all the other industry Codes allows for Proposers to withdraw modifications, but do not extend this power further. It is worth noting however, that for some of these Codes there is 20-plus years of experience with the change process resulting in a high understanding of the relevant systems and processes. Consequently, there are fewer modifications raised.

A significant difference compared to the SEC is that the cost of an Impact Assessment under other Codes is usually a maximum of £1,000, which results in modifications progressing to a final decision more smoothly. It can cost substantially more to progress a SEC modification to the same stage even if it is unlikely to be approved.

8. Conclusions

Benefits and drawbacks

The Proposer and the Working Group have identified the following benefits and drawbacks in implementing this modification:

Benefits

Taking an example Modification, SECAS has calculated an approximate figure for the industry cost of assessing a proposal. These figures assume an approximate cost of £1,200 per day for an Industry representative.

For a typical Working Group meeting, an industry representative would need around two days' effort in preparing and attending the meeting. Assuming 15 attendees, that totals £36,000 per meeting. The cost of SECAS organising, planning and hosting the meeting at a cost of £600 per day and four days of effort adds around a further £10,000.

Additional time and effort is incurred in the industry responding to consultations. Assuming 10 responses, requiring three days of effort for a Party to prepare their response, that comes to around a further £36,000 per consultation.

Furthermore, SECAS has calculated the average cost of DCC Impact Assessments of DCC Systems impacting modifications to be around £60,000. It is worth noting that we have had two Impact Assessments which have cost in excess of £150,000.

These figures do not include the time and effort incurred by SECAS in managing the progression of a modification, preparing documentation, attending Sub-Committee meetings and other activities.

This cost is incurred even if the modification is subsequently rejected. Allowing the Panel the power to withdraw modifications that have been shown to be unsupported or unfeasible would allow these industry costs to be saved.

Drawbacks

- No drawbacks have been identified by SECAS, the Sub-Committees or SEC Parties.

Proposer's rationale against the General SEC Objectives

Objective (g)¹

The Proposer believes that MP079 will better facilitate SEC Objective (g) as by allowing the Panel to be able to step in and close a clearly unsupported or unfeasible proposal early once it has had a fair hearing will improve efficiency in the Modifications Process. The industry time, cost and effort that would otherwise have been spent in progressing such a proposal to a final decision would be saved and could be invested in other proposals that have a greater chance of success. The Proposer notes that the other reforms introduced in the last year are designed to mitigate the chances of future

¹ Facilitate the efficient and transparent administration and implementation of this Code

proposals reaching a situation where the Panel would need to step in but believes that having this final backstop would be beneficial for the rare occasion it may be needed.

Working Group members' views

The Working Group was generally supportive of the modification and feels that it will provide the ideal solution to create a backstop against stagnated modifications as long as the correct rationale is provided and would allow for the opportunity of greater informed decision making.

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
DCC	Data Communications Company
SEC	Smart Energy Code
SECAS	Smart Energy Code Administrator and Secretariat



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