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Paper Reference:	SECP_74_1511_16
Action:	For Decision

DP88 Problem Statement

1. Purpose

Draft Proposal [DP88 'Power to raise modifications'](#) was raised by British Gas and has undergone the Development Stage. The Change Sub-Committee believes 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 to the Refinement Process, and that the Panel agrees the first package of work to be undertaken.

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.

2. Summary of the issue

There are very limited circumstances where the SEC Panel can raise a modification, and no provisions for SECAS to do so. These constraints act as a blocker to the efficient progression of changes. The Panel has proposed several proposals in the past. However, it was not able to raise these proposals itself. Instead, SECAS sought a SEC Party to do so on the Panel's behalf. Additionally, SECAS has also put forward several Draft Proposals to the Panel for endorsement, but then needed to ask for volunteer Proposers.

Needing to find a sponsor adds additional time and effort into the process. The sponsor must also agree to devote the time and effort that being a Proposer requires, where they are not the originator and may only be acting on behalf of others. Furthermore, SECAS or the Panel will need the sponsor's agreement for the solution subsequently developed, adding in further steps.

3. Proposed progression

The Change Sub-Committee has agreed that this Draft Proposal is ready to be converted to a Modification Proposal. We believe that this modification should be progressed to the Refinement Process to allow for the development and assessment of a solution to the agreed issue. Input from SEC Sub-Committees and SEC Parties will be sought to determine the extent to which these provisions will be given.

Work package and timetable

We propose the following package of work to be undertaken during the Refinement Process:

Activity	Date
Prepare business requirements with the Proposer	w/c 18 Nov 19
Publish business requirements on the SEC Website, open these for industry comment, and engage with Ofgem	27 Nov 19
Discuss at the December 2019 Working Group meeting	4 Dec 19
Refinement Consultation	9 Dec 19 - 3 Jan 20
Modification Report presented to Panel	17 Jan 20

We will develop a solution with the Proposer before discussing with the industry via open comments and the Working Group. Discussion with Ofgem will also take place to understand how this could align with the migration to Code Manager.

Areas of assessment

As part of the assessment of this modification's solution, we believe the following question needs to be answered in addition to the standard assessment areas.

Should the scope of this proposal be extended to SEC Sub-Committees and the Alt HAN Forum?

CSC Members queried if the proposed changes should be extended to other Panel Sub-committees and the Alt HAN Forum. They commented that there must be a clear definition of who these would be extended to, and define how they may use this ability, should it be granted. This is to be explored and set out during the Refinement Process.

4. Recommendations

The Panel is requested to:

- **AGREE** that DP088 is ready to be converted to a Modification Proposal;
- **AGREE** that MP088 should be progressed to the Refinement Process; and
- **AGREE** the package of work and the timetable for MP088.

Jordan Crase

SECAS Team

8 November 2019

Attachments:

- **Appendix A:** DP088 problem statement

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DP088 ‘Power to raise modifications’

Problem statement – version 1.0

About this document

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

This Draft Proposal has been raised by Simon Trivella from British Gas.

What is the issue or problem identified?

Who is currently able to raise Draft Proposals?

SEC Section D1.3 allows the following to raise Draft Proposals (which initiate the SEC Modifications Process):

- Parties (including the Data Communications Company (DCC));
- Citizens Advice and Citizens Advice Scotland;
- Anyone specifically designated by the Authority;
- The Authority, but only to ensure compliance with European regulations or following a Significant Code Review (SCR); and
- The Panel in specific circumstances (see below).

The SEC also allows the Security Sub-Committee (SSC) (Section G7.20) and the Smart Metering Key Infrastructure (SMKI) Policy Management Authority (PMA) (Section L1.19) to raise Draft Proposals where they relate to their remits or documents.

The specific circumstances under which the Panel can raise a Draft Proposal are:

- following a review carried out by the Panel at the request of the Authority (Section C2.3(i)), to progress any consequential changes required;
- following a recommendation from the Smart Energy Code Administrator and Secretariat (SECAS) that the SEC is inconsistent with the Code Administration Code of Practice (CACoP) (Section C7.2(c)), to resolve this inconsistency;
- to progress a Fast-Track Modification to resolve any non-material typographical errors or other minor factual inaccuracies or inconsistencies within the SEC; and
- to progress any consequential changes required to the SEC as a result of changes under other Codes.

There are no provisions for SECAS to raise a Draft Proposal. This is consistent with several other Codes and is based on Code Administrators not being able to raise changes to the provisions that govern their functions. However, there is precedence for Code Administrator to be able to raise changes, for example National Grid can raise Connection and Use of System Code (CUSC) modifications as the licensee of the Transmission Licence, even though it is also the Code Administrator. In addition, the DCC, whose functions are also subject to SEC governance, is able to raise Draft Proposals.

Allowing one or both bodies wider powers to submit Draft Proposals would allow beneficial changes identified by the Panel or by SECAS to be raised and progressed quicker. This would improve efficiency by allowing these changes to be developed and decided upon sooner.

How does this issue relate to the SEC?

The list of who can raise Draft Proposals is documented within the SEC (primarily Section D). Any changes to this list will require a Modification Proposal.

What is the impact this is having?

Impacts on efficiency

The constraints placed on the Panel act as a blocker to the efficient progression of changes. The Panel has proposed several proposals in the past, which recently included [DP076 'Pursuing Non-Payment in Events of Default'](#). However, due to the constraints in Section D1.3(e), the Panel was not able to raise these proposals itself. Instead, SECAS had to seek a SEC Party to do so on the Panel's behalf.

SECAS has also put forward several Draft Proposals to the Panel for endorsement. Recent examples include this proposal, the outcomes of the Section D Review, and [DP079 'Provisions for withdrawing modifications'](#). With no power to raise proposals itself, SECAS also needs to then find a sponsor for any changes it wishes to put forward for consideration.

This activity adds additional time and effort into the process in finding a suitable sponsor and updating them on the proposal in order for them to agree to sponsor it. The sponsor must also agree to devote the time and effort that being a Proposer requires to a proposal where they are not the originator and may only be acting on behalf of others.

This also means SECAS or the Panel will need the sponsor's agreement for the solution subsequently developed, further adding in steps to get this agreement. It would be more effective to allow the originators of a proposal to be able to own their change, in line with the principle of Proposer ownership.

Reform of the Energy Codes

The [joint BEIS/Ofgem consultation on Reforming the Energy Industry Codes](#) proposes that Code Managers should have greater responsibility for "identifying, proposing and developing changes". The ability for Code Managers to have these powers would make it more efficient to implement changes required to deliver strategic goals. Given this direction of travel, the Proposer believes this is a further reason for reviewing the powers that SECAS has for raising modifications.

What are the views of the industry?

Views of SECAS

SECAS originally raised this proposal with the Panel and believes that this issue merits further discussion with the industry. It agrees with the rationale that extending the power to raise Draft Proposals will improve efficiency with raising proposals.

Views of the DCC

The DCC has recommended some avenues that should be investigated as part of the progression of this modification. This includes consulting with the Authority to take consideration of the planned reform of the energy Codes and noting the SEC Panel or SECAS not having any licence conditions and the implications this may have.

Views of SEC Parties

One Large Supplier (the Proposer's organisation) has commented in support of this Proposal. They believe that this is the right approach in the migration toward Code Manager and would add simplicity and efficiency to SEC Panel/SECAS initiated modifications. However, these comments have been with the caveat that any SECAS initiated proposal must be agreed by the SEC Panel. Full details on these comments can be found here, on the DP088 webpage.

Views of Panel Sub-Committees

The Draft Proposal has been presented to the TABASC and the SMKI PMA so far, and they are happy for this issue that has been identified to be investigated further.

Views of the Change Sub-Committee

The Change Sub-Committee agree that this is a clearly defined issue. They believed that the potential for extending the provisions for raising a proposal to other Panel Sub-Committees and the Alt HAN Forum should be explored during the Refinement Process.

Views of the Panel

Members did see a potential issue with the Panel raising and then presiding over a proposal. They felt that if a proposal would have merit then SECAS should be able to find a sponsor for it. However, members did see benefits in being able to raise efficiency changes directly and felt it inappropriate to rely on one or two individuals to have to constantly sponsor proposals on the Panel's behalf.

The Panel noted a possible issue with allowing the Code Administrator to be able to raise changes; once that power is given it may be hard to then stop it. However, members saw merit in allowing SECAS to be able to raise proposals with the Panel's agreement, which would also allow SECAS to progress Panel-raised changes on the Panel's behalf.