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DP114 'Alt HAN P2P Charging Data'

Modification Report Version 0.1

About this document

This document is a draft Modification Report. It currently sets out the background, issue, and progression timetable for this modification, along with any relevant discussions, views and conclusions. This document will be updated as this modification progresses.

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1. Summary

This proposal was raised by David Lyons of E.ON Energy on 4 February 2020.

The Smart Energy Code (SEC) details how the Alternative Home Area Network Company (Alt HAN Co) sets out its charging methodology and how they recover its costs in SEC Section Z 'Alt HAN Arrangements'. Currently there are nine data items that Alt HAN Co are obligated to submit to the Data Communications Company (DCC) each year to help determine the value of these charges.

Some of these data items aren't wholly obtainable and therefore the DCC can't accurately complete the calculation used to determine one of the main charges – the 'average monthly incremental cost'. This results in DCC recovering charges from Supplier Parties that don't match to the costs they incur. With the current text in SEC Section Z, the DCC will continue to inaccurately charge Supplier Parties.

2. Issue

What are the current arrangements?

The SEC sets out how Alt HAN Co recovers its costs, via both Fixed and Explicit Charges. Fixed charges cover all Alt HAN Activities e.g. establishment and maintenance of a database and inventory log. Explicit charges cover all Alt HAN Services such as the manufacture and installation of Alt HAN equipment etc. The process for determining charges is set out in SEC Section Z.

SEC Section Z sets out the nine data items that Alt HAN Co are required to submit to the DCC each year, as part of the Approved Charging Data. These are sets of data points for Shared Installations, Point to Point (P2P) Installations and P2P stock. Each set has a 'total incremental cost' (a), 'average number of solutions' (b) and 'average monthly incremental cost' (c) component.

Alt HAN Co's understanding of the policy intent are that:

- The Charging Data items are defined prescriptively, with limited room for interpretation;
- The 'average monthly incremental cost' (c) should be used by the DCC to determine the monthly Explicit Charges; and
- The 'average monthly incremental cost' (c) should be calculated with transparent arithmetic, through using the prior 2 data points (i.e. $(a) / (b) / 12 = (c)$).

What is the issue?

In practice, the P2P data points are partially unobtainable and do not facilitate the intended calculation approach of the 'average monthly incremental cost'. Delivering the Charging Data as it is prescribed in SEC, whilst also preserving the intended arithmetic, would result in DCC recovering charges from Supplier parties that bear no relation to the actual costs incurred by Alt HAN Co. Some of the main issues are outlined below and are all a result of the current text used with SEC Section Z 4.21 onwards under the heading "Provision of Information to the DCC" are:

- Alt HAN Co will incur costs for P2P devices upon delivery, and this cost cannot simply be broken down into a pre-install and post-install component.
- Alt HAN Co will incur costs for P2P devices that have been provided prior to that Regulatory Year.
- P2P equipment will not be issued in 'Sets'
- There is no clear rationale for using 'total' rather than 'average'.
- Alt HAN Co may not have enough confidence in the installation forecast data, should it be requested from suppliers to calculate the average monthly cost.
- Due to limitations of data items, it is not possible to calculate an appropriate average monthly incremental cost using the intended calculation approach.

What is the impact this is having?

If the modification proposal is not approved Alt HAN Co will be unable to obtain the appropriate data points in order to facilitate the intended calculation approach of the 'average monthly incremental cost'.

This modification is an enabling change, which would allow Alt HAN Co to fulfil the requirements of the SEC by delivering the Charging Data as prescribed, whilst also preventing the DCC from recovering inaccurate charges from Suppliers parties that bear no relation to the actual costs incurred by Alt HAN Co.

It would also allow the Forum to meet objective b(i), outlined in SEC Section Z1.3, 'to facilitate the economic and efficient carrying out of the Alt HAN Activities and provision of the Alt HAN Services'.

Appendix 1: Progression timetable

After the Draft Proposal is raised, SECAS will take the Modification Report to the earliest Change Sub-Committee (CSC) meeting. If the issue is developed enough by then, it will proceed to decision to be presented to the Panel the next month. If the Proposer feels this issue is well defined, efforts will be made to draft legal text to be approved by the Panel with the Modification Report.

If presented to Panel to go directly to Report, a Modification Report Consultation will be issued shortly afterwards with the intention of being taken to the next available Change Board meeting.

Table title	
Action	Date
Change Sub-Committee meeting	25 February 2020
Modification Report to Panel meeting	13 March 2020
Modification Report Consultation	16 March 2020 – 3 April 2020
Change Board meeting	22 April 2020

Appendix 2: Glossary

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

Glossary	
Acronym	Full term
Alt HAN Co	Alternative Home Area Network Company
CSC	Change Sub-Committee
DCC	Data Communications Company
P2P	Point to Point
SEC	Smart Energy Code