

Michael Walls
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Canary Wharf
London, E14 4PU

15 May 2020

Dear Michael,

SEC Panel request to grant Urgency for Modification Proposal MP130

The SEC Panel is requesting that the Authority directs Modification Proposal [MP130 'CH order and delivery changes due to COVID-19'](#) be treated as an Urgent Proposal.

Each month, Parties are required to forecast their Communications Hub orders covering the 24-month period commencing on the sixth month after the month in which the forecast is submitted. Parties are then required to confirm their orders five months prior to delivery within tolerances based on their forecasts ten months and seven months prior to delivery. Parties can cancel their order, but this would incur financial penalties.

The current UK Government social distancing guidance issued to help reduce the spread of the coronavirus (COVID-19) means only essential Communications Hub installations are taking place. There is currently no definitive end date to this guidance.

Energy Suppliers and their agents have significantly reduced smart meter installations in the light of the UK lockdown and requirements to protect both their customers and employees. As such, many Suppliers are only completing emergency work and their requirement for Communications Hubs has dramatically decreased. This has resulted in large numbers of Communications Hubs being held by Suppliers. Scheduled deliveries that the SEC requires continue as scheduled mean Suppliers now face the challenge of reduced warehouse capacity and the need to minimise the unnecessary movement of Communications Hub stock. Suppliers have subsequently asked the DCC to consider actions to reduce this burden.

Significant lead time in Communications Hub manufacture and transport makes it difficult to reduce delivery and production volume immediately. Furthermore, the manufacturers of Communications Hubs are not UK-based and therefore are not subject to the same social distancing guidance. They are continuing to manufacture Communications Hubs and the DCC's Service Providers are contractually obliged to receive them. Under the SEC, Parties are obliged to receive the deliveries they ordered.

The DCC's proposed solution will introduce new obligations for both the DCC and Parties. It particularly notes a proposed order commitment period for Parties and the DCC's requirement to hold stock or defer deliveries on behalf of Parties. In this scenario, simply highlighting certain obligations in the SEC that the DCC or Parties cannot meet because of the circumstances is insufficient, as legal certainty is needed for the revised arrangements. Therefore, neither a derogation nor Force Majeure

will provide the legal certainty sought that Parties will take the minimum order quantities once deliveries can recommence. A Modification Proposal is the only viable way to resolving this issue.

The DCC raised DP130 on 14 May 2020, requesting it be progressed as an Urgent Proposal. The Proposer believes this issue, if not resolved before the May 2020 delivery of Communications Hubs is made, will have a significant commercial impact on Parties and other stakeholders. The DCC highlights the current delivery date of 18 May can only be extended by a few days at most. If the issue is not resolved by then, the DCC will have to continue Communications Hub ordering and deliveries as per business-as-usual in order to meet its SEC obligations, which in turn will create a significant impact on Parties. This would meet criterion (a)¹ in Ofgem's guidance on the [criteria it will use to assess any request for Urgency](#).

The Panel considered the proposal and the request for Urgency on 15 May 2020. It agreed with the Proposer's rationale for why this modification should be progressed as an Urgent Proposal and agreed to request the Authority grants Urgent status. The Panel also recommended the Authority sets the following timetable for MP130:

Activity	Date
SECAS and DCC develop solution and legal text	18 May 2020
Refinement Consultation	19 May – 21 May 2020
SEC Panel approves Modification Report	22 May 2020
Change Board vote	22 May 2020
Modification Report submitted for Authority determination	22 May 2020
Implementation	One Working Day following approval

In accordance with SEC Section D4.5, the Panel is requesting the Authority directs that MP130 be treated as an Urgent Proposal.

If you would like to discuss this further, please do not hesitate to contact myself or the SECAS team on 020 7090 7755 or sec.change@gemserv.com.

Yours sincerely,



Peter Davies
SEC Panel Chair

Copied to: SEC Panel Members and SEC Parties

¹ Be linked to an imminent issue or a current issue that if not urgently addressed may cause a significant commercial impact on parties, consumers or other stakeholder(s)