SEC
Smart Energy Code

Smart Energy Code

MP134A

'Use of SMKI Certificates relating to a SoLR event'

Modification Report

Version 1.0

30 June 2021

About this document

This document is a Modification Report. It sets out the background, issue, solution, impacts, costs, implementation approach and progression timetable for this modification, along with any relevant discussions, views and conclusions.

Contents

This document also has two annexes:

- **Annex A** contains the redlined changes to the SEC required to deliver the Proposed Solution.
- **Annex B** contains the full responses received to the Refinement Consultation**.**

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SEC
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1. Summary

This proposal has been raised by Easton Brown from the Data Communications Company (DCC).

The Supplier of Last Resort (SoLR) process was developed by Ofgem to manage the exit of failed Suppliers from the market where no trade sale or commercial agreement is possible. Once Ofgem revokes the supply Licence of a failing Supplier, the DCC are required to revoke the Smart Metering Key Infrastructure (SMKI) Certificates. Whilst SoLRs to date have involved Suppliers exiting the market in an 'orderly' way, there is a concern that a Supplier falling out of the market in a 'disorderly manner' could expose their prepayment consumers to the risk of supply continuity.

The SEC Panel requested that the Smart Energy Code Administrator and Secretariat (SECAS) set up a project to examine the risks to consumers from a possible disorderly exit from the market and to propose the solution options available. The project brief was agreed by the Panel in February 2020[1]. This project concluded in June 2020 when the final update was presented to Panel[2] and the Proposed Solution was taken forward by this modification.

The Proposed Solution is to allow the SMKI Policy Management Authority (PMA) to delay the revocation of the SMKI Certificates. This would allow a Shared Resource provider (SRP) to put prepayment customers into a 'safe mode' where they will not lose supply if they run out of credit.

This modification will not require any DCC System changes and will only impact Parties if they are subsequently appointed as a SoLR. Costs are limited to the time and effort required to update the SEC documents. This is an Authority Determined Modification and will be implemented one Working Day following the Authority's decision.

This modification, MP134A, is an interim solution to ensure the safety of consumers until MP134B 'Use of SMKI Certificates relating to a SoLR event - Part 2' can provide a more secure solution that would require more substantial changes to SRP systems and the DCC System.

2. Issue

What are the current arrangements?

The SoLR process was developed by Ofgem to manage the exit of failed Suppliers from the market where no trade sale or commercial agreement is possible. This situation most likely applies to Small Suppliers. In this situation Ofgem can use its SoLR powers to revoke the failing Supplier's Licence and appoint a new Supplier (the SoLR) for the impacted customers.

Following an increase in the number of Supplier failures leading up to February 2020 which revealed weaknesses in the current Supplier of Last Resort (SoLR) processes, the SEC Panel tasked SECAS with co-ordinating a piece of work to ensure that all SoLR scenarios are documented, processes improved, and the interactions between different Parties clarified.

[1] SECP_77_1402_06 (**AMBER**)
[2] SECP_81_1906_09 (**GREEN**)

Whilst SoLR events to date have involved Suppliers exiting the market in an 'orderly' way, there is a concern that a Supplier falling out of the market in a 'disorderly manner' could expose its consumers to the risk of supply continuity. Smart meters rely on a Supplier having valid Certificates to interact with meter functions, switching modes between credit and pre-payment and managing credit balances. These SMKI Certificates require a Private Key which is only held by the Supplier (or in the case of some smaller Suppliers their agent known as a SRP). Once Ofgem revokes the supply Licence, the DCC is required by SEC Section L 'Smart Metering Key Infrastructure and DCC Key Infrastructure' to revoke the SMKI Certificates. In addition, if a Supplier fails and experiences a 'disorderly exit' from the market there may not be any staff to manage consumer queries and problems. Once the SoLR is appointed the transfer of consumers can take between two and four weeks while the new Supplier performs a Change of Supplier (CoS) process on each and every consumer.

In March 2021 Ofgem implemented changes to the Supply Licence Conditions requiring Suppliers to develop and submit a Customer Supply Continuity Plan (CSCP) to set out what will be in place to safeguard the continuity of supply for its customers in the event of its exit from the market.

What is the issue?

During the Ofgem process to revoke the Supply Licence of a failing Supplier and the appointment of SoLR, consumers will continue to use energy. Consumers on credit meters will most likely not experience any supply problems but consumers using prepayment meter modes could run out of credit and lose supply. In this situation they would usually call their Supplier to ask for Emergency Credit or purchase a 'top-up'. However, if the Supplier is undergoing a 'disorderly exit' there will not be any answer to their phone calls, and they may have no means to regain their supply until the new Supplier has performed the CoS process.

What is the impact this is having?

The current process whereby Ofgem revoke the Supply Licence of a failing Supplier and the DCC then revoke the SMKI Certificates means that prepayment consumers could lose supply and have no means to regain it until the SoLR has been appointed and the new Supplier has performed the CoS process.

Impact on consumers

Consumers with meters in pre-payment mode are of particular concern, as they could potentially lose their supply should their credit run out and their Supplier be unable or unwilling to support continued top-ups. Vulnerable consumers may lose supply, and this would be of particular concern over the winter period.

3. Solution

Proposed Solution

The Proposed Solution is that, following Ofgem revoking the Supply Licence, the SMKI PMA should be given the power to determine if revocation of SMKI certificates should be delayed. This would allow Service Requests to continue to be sent to make consumers safe.

In its decision the SMKI PMA must, where information is available to it, consider:

- if the Supplier will cease to be eligible for SMKI Certificates;
- the contents of the Customer Supply Continuity Plan;
- if there is an SRP that has access to the failed Supplier's SMKI Certificates and can send Service Requests;
- if the failed Supplier is likely to undergo a disorderly exit;
- if the failed Supplier had any prepayment consumers; and
- what effect the revocation of SMKI certificates (if directed by the SMKI PMA) might have on the affected consumers.

Once the SMKI PMA has determined whether to delay the revocation of the SMKI Certificates it must inform the Authority.

The Authority can then direct an SRP to take action to maintain the continuity of the failed Supplier's prepayment consumers, using the failed Supplier's SMKI certificates where necessary.

Once directed, the SRP must take the actions available to it to maintain the energy supply for the consumers.

Once the SoLR is appointed it will inform the SMKI PMA if it wishes the SRP to cease to use the failed Supplier's SMKI Certificates or continue to use the failed Supplier's SMKI Certificates. It will need to explain why it considers this is necessary and its plans to transfer the consumers via the CoS process. The SoLR must update the SMKI PMA on a minimum weekly basis.

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

Breakdown of Other SEC Party types impacted			
✓	Shared Resource Providers		Meter Installers
	Device Manufacturers		Flexibility Providers

Suppliers will be impacted if they are appointed as a SoLR as they will have the responsibility for the consumers and ensuring they are kept on supply. The DCC will take instructions from the SMKI PMA representative. SRPs will be required to send specified Service Requests to consumers of the failed Supplier.

DCC System

There are no DCC Systems changes required for this modification.

SEC and subsidiary documents

The following parts of the SEC will be impacted:

- Section A 'Definitions and Interpretation'
- Section L 'Smart Metering Key Infrastructure and DCC Key Infrastructure'
- Section M 'General'
- Appendix B 'Organisation Certificate Policy'
- Appendix Q 'IKI Certificate Policy'
- Appendix S 'DCCKI Certificate Policy'

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

Technical specification versions

There will be no changes to the technical specifications as a result of this modification.

Consumers

Consumers, specifically prepayment consumers, will be prevented from losing supply if their Supplier fails and undergoes a disorderly exit from the market.

Other industry Codes

There will be no changes to other industry Codes as a result of this modification.

Greenhouse gas emissions

There will be no impact on greenhouse gas emissions as a result of this modification.

5. Costs

DCC costs

There are no DCC System costs resulting from 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 was one response to the Refinement Consultation. The respondent (a Large Supplier) highlighted that this process would further complicate the debt management process as consumers may have built up additional debt during the time between the solution being enacted and the SoLR becoming the Responsible Supplier. The response to the Refinement Consultation can be found in Annex B.

6. Implementation approach

Agreed implementation approach

The Change Sub-Committee agreed an implementation date of **one Working Day after decision**.

This modification should be implemented as soon as possible after the decision is made to protect consumers who may be caught up in a SoLR event.

7. Assessment of the proposal

Observations on the issue

This issue was originally discussed at the SEC Panel meeting in February 2020. The Change Sub-Committee (CSC) and other Sub-Committees agreed that a solution should be investigated.

Solution development

The results of the SECAS project can be summarised by highlighting that in the majority of cases a failing Supplier will work with Ofgem and industry to agree a commercial sale. In this situation the consumers will continue to receive services until a new Supplier becomes the Responsible Supplier for those consumers. Where this is not possible a failed Supplier that makes a disorderly exit from the market may be able to leave consumers with a DCC enrolled meter in a ‘safe’ state before their demise, however there is a risk that they may not.

This modification is to enable the SMKI PMA to authorise the DCC to delay the revocation of the failed Supplier’s SMKI Certificates. This is to allow the SRP, on instruction from the Authority, to send limited communications to the failed Supplier’s Devices to ensure prepayment consumers are not as risk of losing supply.

This modification (MP134A) is to implement the interim solution to ensure consumers are protected especially over winter months.

A Working Group member asked what the incentive for SRPs was to take on this role, particularly since they are not set up to service end consumers. SECAS highlighted that offering this service would be part of the requirement a Supplier would be looking for to fulfil its CSCP duties. Contact with end consumers would not be required by the SRPs since they would simply be sending a Service Request to ensure continuity of supply.

Another question raised was around consumers who have self-disconnected. However, any Service Request sent would re-arm the supply but not activate it unless the consumer added a sufficient amount of credit to start the supply again.

Additional discussions took place with the SEC Lawyer around the liability of SMKI PMA members making any decision either to revoke or to delay revocation. The SEC Lawyer considered they would be protected under SEC Section C ‘Governance’ (3.12).

Support for Change

The Working Group was supportive of the solution and the legal text.

There was one response to the Refinement Consultation. The respondent was not supportive of the modification as they believed the solution had been rushed and that consumers would be less protected due to the lack of obligations on SRPs. SECAS and the Proposer highlighted that this modification was the result of a six-month project requested by Panel with input from the SSC, the SMKI PMA, Ofgem and the Department for Business, Energy and Industrial Strategy (BEIS). However, SECAS did agree to update the Modification Report with more of the project details for transparency. SECAS and the Proposer also highlighted that SRPs would only be acting on instruction from the Authority to send an appropriate Service Request to make consumers safe from loss of supply and would not be required to provide any other customer service functions. The Refinement Consultation responses can be found in Annex B.

The SMKI PMA was supportive of allowing the DCC to delay revocation of SMKI Certificates to ensure prepayment consumers are safe.

The Security Sub-Committee (SSC) was generally supportive of the Proposed Solution, but some members were concerned that the solution did not fit with the security trust model. An enduring solution requiring DCC System (and SRP system) changes was proposed but it was anticipated that this would take a significant amount of time to implement. Therefore, the modification was split into MP134A (the interim solution) and MP134B (the enduring solution).

Views against the General SEC Objectives

Proposer's views

SEC Objective (a)[3]

The Proposer believes this modification will better facilitate SEC Objective (a) by ensuring that consumers, particularly prepayment consumers, do not lose supply in the event of a disorderly exit of a Supplier from the market and the necessary appointment of a SoLR.

SEC Objective (b)[4]

The Proposer believes this modification will better facilitate SEC Objective (b) by ensuring the obligations on the DCC are in line with the Proposed Solution.

Industry views

The respondent to the Refinement Consultation did not believe that the change would better facilitate either of the SEC Objectives referenced by the Proposer.

Views against the consumer areas

Improved safety and reliability

Consumers with meters in pre-payment mode are of particular concern, as supply could potentially lose their supply should their credit run out and their Supplier be unable or unwilling to support continued top-ups. Vulnerable consumers may lose supply, this would be of particular concern over the winter period.

Lower bills than would otherwise be the case

The Modification Proposal is neutral against this consumer benefit area.

Reduced environmental damage

The Modification Proposal is neutral against this consumer benefit area.

Improved quality of service

The Modification Proposal is neutral against this consumer benefit area.

Benefits for society as a whole

The Modification Proposal is neutral against this consumer benefit area.

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[3] Facilitate the efficient provision, installation, operation and interoperability of smart metering systems at energy consumers' premises within Great Britain.

[4] Enable the DCC to comply at all times with the objectives of the DCC licence and to discharge the other obligations imposed upon it by the DCC licence.

Business case

The change proposed in this modification is the result of a SEC Panel project to look into the options available when a small Supplier fails, no trade sale is possible, and a disorderly exit follows. It highlighted that in this situation Prepayment Consumers may be at risk of losing supply until a SoLR is appointment and that SoLR can implement the appropriate business processes to take responsibility for those consumers and be able to communicate with those consumers' Devices.

This proposed change has no costs to the DCC. Nor does it have any costs to SEC Parties other than the SoLR Note that a Supplier must volunteer to be a SoLR. They volunteer to take on the consumers which (it is understood by all those that volunteer) will incur the costs of outstanding consumer debt.

Prepayment consumers have been identified by Ofgem as often being vulnerable. This change will, under the instruction of the Authority, require SRPs to send limited communications to Devices to protect vulnerable prepayment consumers from losing supply during the transition of a SoLR event.

Appendix 1: Progression timetable

This modification will now be issued for Modification Report Consultation. It will then be presented to Change Board for vote on 28 July 2021 where the Change Board will make a recommendation to the Authority to approve or reject.

Timetable	
Event/Action	**Date**
Issue discussed at Panel	14 Feb 2020
Draft Proposal raised	29 May 2020
Presented to CSC for final comment and recommendations	29 May 2020
Panel converts Draft Proposal to Modification Proposal	19 Jun 2020
Modification discussed with Working Group	1 Jul 2020
Modification discussed with SMKI PMA	21 Jul 2020
Modification discussed with SSC	28 Oct 2020
Solution and legal text development	Nov- Feb 2021
Modification discussed with Panel	12 Mar 2021
Refinement Consultation	17 May – 7 Jun 2021
Modification Report approved by CSC	29 Jun 2021
Modification Report Consultation	30 Jun – 19 Jul 2021
Change Board Vote	28 Jul 2021
Authority decision (anticipated date)	2 Sep 2021

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**
CoS	Change of Supplier
CoT	Change of Tenancy
CSC	Change Sub-Committee
CSCP	Customer Supply Continuity Plan
DCC	Data Communications Company
DCCKI	DCC Key Infrastructure
IKI	Infrastructure Key Infrastructure
SEC	Smart Energy Code
SECAS	Smart Energy Code Administrator and Secretariat
SMKI	Smart Metering Key Infrastructure
SMKI PMA	SMKI Policy Management Authority
SSC	Security Sub-Committee
SoLR	Supplier of Last Resort
SRP	Shared Resource Provider