

Peter Davies
Panel Chair, Smart Energy Code
Smart Energy Code Company Ltd
8 Fenchurch Place
London, EC3M 4AJ

Date: 18 September 2020

Dear Peter,

Authority decision to send back Smart Energy Code (SEC) Modification Proposal (MP) 0015 'GPF Timestamp for Reading Instantaneous Gas Values'

On 28 August 2020, we received an appeal against the SEC Panel decision to overturn the Change Board (CB) vote and implement SECMP0015.¹ British Gas submitted this appeal on the basis that both the CB and SEC Panel decisions were not fully informed as no cost benefit analysis has been carried out or included within the Final Modification Report. In their view, the estimated implementation costs appeared to be excessive. They considered that without a comprehensive analysis of the business case for the modification, it could not be fully or fairly assessed against the SEC Objectives.

We are unable to form an opinion on SECMP0015 based on the FMR as submitted to us and in accordance with SEC D9.3, we are therefore sending the modification back to the SEC Panel.

Background to the Appeal

SECMP0015 was raised on 31 May 2016 and following the consultation in 2017, it was decided that it should be progressed as a self-governance modification. The following timeline details the progression of this modification from the request of the final Impact Assessment (IA):

¹ <https://smartenergycodecompany.co.uk/modifications/gpf-timestamp-for-reading-instantaneous-gas-values/>

- Updated IA requested: 25 Apr 2019
- Updated IA returned: 30 Apr 2020
- Modification Report approved by Panel: 15 May 2020
- Modification Report Consultation: 19 May 2020 – 10 Jun 2020
- Change Board Vote: 24 June 2020
- CB Vote Appealed to the SEC Panel: 3 August 2020
- SEC Panel Decision to Overturn CB Vote: 14 August 2020
- SEC Panel Decision appealed to the Authority: 28 August 2020

The Preliminary Impact Assessment (PIA) carried out in June 2018 showed the total cost of the modification of approximately £0.6m; however, the final IA contains a total cost of approximately £4.6m - nearly £4m greater. We note that there was no further Working Group (WG) meeting to discuss this magnitude of the increase in costs, nor was it highlighted at the Panel meeting as a potential issue in respect to the progression of this modification. At the Panel meeting, it was agreed that the modification should be sent out for the Modification Report Consultation, where it was noted by some respondents that the cost difference was unexplained and that additional work was needed. No further WG meeting was arranged and the modification proceeded to the CB.

The CB felt that there was insufficient detail regarding the business case or explanation of the difference of costs between the PIA and the final IA; however, the CB proceeded to a formal vote on SECMP0015. The CB voted to reject SECMP0015 as it considered that the costs of implementing this modification outweighed the benefits of doing so. The CB decision was appealed by British Gas, as per SEC D9.4(a), to the SEC Panel for consideration.

The SEC Panel met on 14 August 2020 and discussed this appeal. The Panel voted by majority that the CB decision be overturned and that SECMP0015 should be implemented. The rationale provided was that the modification better facilitated the SEC Objectives identified within the FMR; however, the vote was predicated on the assumption that the Panel's decision would not take effect, and that it would subsequently be appealed to the Authority, as per SEC D9.4(b).

The Appeal

The Panel's decision to overturn the CB vote and approve the implementation of SECMP0015 was appealed by British Gas to the Authority. This was received on 28 August 2020 and it met the requirements set out in SEC D9.4(b).

Governance

We expect all modifications – Self-Governance or Authority Determined – to be fully developed and assessed under the SEC modification process. Modifications submitted to CB for a recommendation or decision should have been subjected to a high standard of scrutiny, so that CB members can thoroughly assess modifications against the SEC Objectives. Further, we expect CB members when assessing a modification against the SEC Objectives, to fully consider the business case for the change, including any associated implementation costs. We also note the CB has a broad range of powers it can employ, including whether a Modification Report should be returned for further clarification or analysis² by the Working Group. We expect CB to make good use of these powers to allow for transparent information sharing and an informed view when the modifications are ultimately voted upon.

In relation to SECMP0015, we note that a further breakdown of costs, between the DCC Service Providers, was requested in order to illustrate the differences to the SEC Panel. We are of the view that this sets a standard for relevant modifications going forward and expect the Panel and DCC to work together to ensure that disaggregated costs are available for scrutiny and analysis, without breaching confidentiality, so that votes are fully informed and business cases are credibly assessed.

We also note the time between the request and delivery of IAs for this modification. We expect the associated timescales within SEC D6.10B to be respected and urge the DCC and Panel to ensure that these timelines are reduced and are in line with these provisions.

Our Decision

We are unable to form an opinion on SECMP0015 based on the FMR as submitted to us and in accordance with SEC D9.3, we are therefore sending the modification back to the SEC Panel.

In particular, we consider that we have not been provided with a sufficient level of evidence regarding the costs and benefits of this modification. We therefore direct that additional steps are undertaken to address these concerns, and a revised FMR should include:

1. A clear, succinct and complete business case and assessment of the costs and benefits of SECMP0015. This analysis should also include an explanation of the variance in costs between the PIA and IA.

² SEC Section D8.14(a)

After addressing the issues discussed above, and revising the FMR accordingly³ it should be progressed via the usual SEC modification processes and resubmitted to us for decision as soon as practicable.

Yours sincerely,

Jacqui Russell

Head of Metering and Market Operations

Signed on behalf of the Authority and authorised for that purpose

³ Send-Back Process, SEC Section 9.3 (a) – (d)