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MP144

‘Charging of Random Sample Privacy Assessments’

Modification Report

Version 1.0

16 April 2021

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About this document

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

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This document also has two annexes:

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

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1. Summary

This proposal has been raised by Terry Jefferson on behalf of the SEC Panel.

The methodology for carrying out Random Sample Privacy Assessments (RSPAs) has evolved since originally being written into the SEC. The SEC currently states that all RSPA costs will be socialised. This means all Users are being charged for the cost of these assessments which are undertaken only by Other Users.

The Proposed Solution is to amend the entries in the SEC that set out RSPAs as “Recoverable Costs” and align it to the payment methods used for other privacy assessments.

The Modification Proposal affects all Supplier Parties, Network Parties and Other SEC Parties as it affects a cost that the industry as a whole is charged with. The change has no Data Communications Company (DCC) costs to implement and has no lead time. This modification, if approved under Self-Governance, is targeted for implementation in the June 2021 SEC Release.

2. Issue

What are the current arrangements?

An Other User is a User who does not operate as a Supplier or Network Party, such as a Device Manufacturer or a Meter Installer. An RSPA is an assessment carried out by an Independent Privacy Auditor (IPA) to identify the extent to which an Other User is compliant with each of its privacy obligations set out in SEC Section I ‘Data Privacy’.

All Other Users are required to undergo a RSPA as part of the three-year privacy assessment cycle. This begins once an Other User has passed a threshold of sending the prerequisite Service Requests, as predetermined by the SEC Panel (currently set at 1,000 in a two year period). The SEC Panel can also request that an Other User undergoes an RSPA at any time it feels is necessary. This would be an additional assessment to those taken as part of the three-year privacy assessment cycle.

Any costs which are incurred in the completion of RSPAs are then socialised across all Users. This is the only type of assessment that is charged through Recoverable Costs, as all other privacy and security assessments are charged directly to the Other User.

What is the issue?

The SEC currently states that all RSPAs will be socialised under SEC Section I2.41:

“Expenditure incurred in relation to Other Users in respect of the matters described in Section I2.40, and in respect of Random Sample Privacy Assessments, shall be treated as Recoverable Costs in accordance with Section C8 (Panel Costs and Budgets).”

Where it mentions Section I2.40 in Section I2.41, this is in relation to Other Users being obligated to pay explicit charges to the DCC for all privacy assessments, with the exception of RSPAs. This section is detailed below:

“Other Users: Obligation to Pay Explicit Charges

12.40 Each Other User shall pay to the DCC all applicable Charges in respect of:

- (a) all Privacy Assessments (other than Random Sample Privacy Assessments) carried out in relation to it by the Independent Privacy Auditor;”

Additionally, where it mentions Section C8 for Panel Costs and Budgets, C8.2 mentions:

*“The costs and expenses capable of recovery under this Section C8 (the **Recoverable Costs**) shall be all the reasonable costs and expenses incurred”.*

This means that any RSPA that is currently undertaken is confirmed as a Recoverable Cost. Because these costs for the RSPAs are treated as Recoverable Costs, it results in the industry as a whole paying for assessments which only Other Users undertake. RSPAs are now being triggered when the Other User exceeds a User Privacy Assessment threshold of Service Request activity. At this point the Assessment becomes standard through the annual assessment process, and will be repeated once in each three-year assessment cycle. As of September 2020, there has only been one completed RSPA and another one which is currently in progress. The projected total cost of the RSPAs in the financial years 2020/21 and 2021/22 will range between £25,000 and £53,000 each year.

What is the impact this is having?

The SEC Panel has now established when an Other User is required to undergo a RSPA. The first Other Users have begun to undergo RSPAs as a part of their regular three-year assessment cycle. In these instances, it would be more appropriate for the cost of a RSPA to be apportioned to the Other Users directly, as with the other types of User Privacy Assessment. The only exception to this could be if the assessment is conducted at the request of the SEC Panel, in which case it may be these costs should still be socialised.

Whilst this is having minimal impact currently, as rollout continues to gather pace Other Users will increase the number of Service Requests they use. As more Other Users have Assessments it will become increasingly important that the costs are allocated fairly.

Impact on consumers

There is no impact to consumers because of this issue.

3. Solution

Proposed Solution

The Proposed Solution is to amend the clauses in SEC Section I to remove any financial references to RSPAs being treated as “Recoverable Costs”. This will bring RSPAs in line with the other privacy assessment types so that they are all paid by the individual User, rather than as a socialised cost across industry.

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

All Supplier Parties, Network Operators and Other SEC Party types are affected by this Modification Proposal. Currently, all of these SEC Party categories pay for the undertaking of each RSPA as the cost of this assessment is a Recoverable Cost. Under the Proposed Solution, only the individual User will pay for the RSPA rather than all industry members.

DCC System

There is no impact to the DCC System as a result of this Modification Proposal.

SEC and subsidiary documents

The following parts of the SEC will be impacted:

- Section I 'Data Privacy'

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

Consumers

There are no impacts anticipated on consumers. There may be a minor cost saving where industry members who pay for a RSPA would not pass through any incurred costs to consumers, but this likely to be a very low amount.

Other industry Codes

There are no impacts to other industry codes caused by this Modification Proposal.

Greenhouse gas emissions

There is no impact to greenhouse gas emissions caused by this Modification Proposal.

5. Costs

DCC costs

There are no DCC costs to implement this Modification Proposal.

SECAS costs

The estimated Smart Energy Code Administrator and Secretariat (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 are no SEC Party costs associated with this Modification Proposal. One Other SEC Party responded in the Refinement Consultation that it would incur costs related to time to automate scripts to provide responses and then management time. All the other respondents in the Refinement Consultation stated that they would not incur any costs.

6. Implementation approach

Agreed implementation approach

The Panel has agreed an implementation date of:

- **24 June 2021** (June 2021 SEC Release) if a decision to approve is received on or before 10 June 2021; or
- **4 November 2021** (November 2021 SEC Release) if a decision to approve is received after 10 June 2021 but on or before 21 October 2021.

Due to this change having no DCC Systems impacts and therefore minimal lead time needed after approval, the Modification Proposal should be placed into the next available SEC Release. If the Modification Proposal is not approved in time for the June 2021 SEC Release, it could be incorporated as part of the November 2021 SEC Release.

7. Assessment of the proposal

Observations on the issue

CSC

The Change Sub Committee (CSC) initially believed that the issue should be taken for further input to see who supports the idea for changing the RSPA charging methodology. One member suggested that it would be worth checking the numbers of RSPAs that have taken place and the costs associated with them to provide an idea of what the impact of changing the costs would be to individual Users. SECAS subsequently confirmed that, as of November 2020, one RSPA has been completed, with one other ongoing. The projected cost of the RSPAs in the financial years 2020/21 and 2021/22 will range between £25,000 and £53,000.

The CSC subsequently agreed that the Draft Proposal was ready to be converted to a Modification Proposal and should proceed to the Refinement Process. During discussions one CSC member suggested that since there was a set point at which these Assessment become necessary the description of 'Random' probably wasn't accurate and perhaps that should be considered during the Refinement Process. SECAS investigated this during the Refinement period, and it was confirmed that the "Random Sample" part of the RSPA is due to the methodology used. In particular, it's where the User IPA performs the assessment using a random sampling of the Service Requests provided by the assessed User to ensure the data gained from those Service Requests has been processed using the User's privacy processes.

Panel Sub-Committees

The Panel Sub-Committees had the following input on the Draft Proposal:

- The Security Sub Committee (SSC) confirmed that it has an interest in the Draft Proposal, but only so that it remained updated on its progress, and acknowledged this does not materially impact security or SSC business. One member raised the point that there has only been a single completed RSPA so far, in part due to how recently the assessment type was introduced into the SEC.
- The Technical Architecture and Business Architecture Sub Committee (TABASC), the Smart Metering Key Infrastructure Policy Management Authority (SMKI PMA) and the Operations Group confirmed that they have no interest in the Draft Proposal.

Solution development

Discussions over whether RSPA costs should be socialised

The Proposer and the Working Group agreed that the existing model of all RSPA costs required changing, but this led to discussions about whether the Proposed Solution should socialise costs in certain instances. The scenario that came up was whether the RSPAs that were not triggered by Service Request thresholds being surpassed, and instead requested at the Panel's discretion, should be paid for by the individual User or socialised across industry. The point was considered that where a User was not intending to take an RSPA and would then be requested to pay for said assessment, this could be considered harsh for the randomly chosen User. The Proposer decided to explore an

alternative option to cover this variant of the solution, which could be presented to the industry in the Refinement Consultation to gauge which variation industry preferred (see below).

One Working Group member enquired into why the change was needed as RSPAs previously were carried out annually for an Other User at random, and the shared cost made this a fairer process than billing only the randomly selected User. SECAS explained that the move to having Service Requests activity triggering a RSPA means multiple Users will be tested in a year. Following this, Working Group members were happy for the Modification Proposal to be taken for a Refinement Consultation after agreeing with the issue, Proposed Solution and proposed legal text.

Potential Alternative Solution

An alternative option was considered by the Proposer to amend the clauses in SEC Section I so that RSPAs will only be treated as “Recoverable Costs” when required at Panel’s request. This will mean all RSPAs triggered through Service Request activity will be paid for by the individual User, but ones that Users take outside of an annual assessment cycle will continue to have their costs socialised across industry. This would bring the RSPAs undertaken through Service Request related activity in line with the other User Privacy Assessment which all require the individual Users to pay for these assessments.

This option was raised in the Refinement Consultation alongside the Proposed Solution. The full set of responses received can be found in Annex B. Respondents were asked which version of the solution should be implemented if approved. The three respondents who agreed with the change preferred the Proposed Solution. No responses returned favoured the alternative option. Noting these views, the Proposer confirmed that they would continue with the original Proposed Solution, and the alternative option was not taken any further.

Support for Change

Working Group

When the Modification Proposal was taken to the February 2021 Working Group, there was support for both the Proposed Solution and the draft legal text found in Annex A. No other comments were made at the meeting other than a query regarding why the charging methodology required changing. SECAS noted this was needed for consistency, which other Working Group members agreed with.

Refinement Consultation

The Refinement Consultation had four responses in total, three supporting the Modification Proposal and one opposing it.

Of the three SEC Parties in favour, there were two Network Operators and one Small Supplier, all of who believed the Proposed Solution would be best to fix the issue raised. They all raised no concerns with the implementation approach or costs incurred if the Modification Proposal were approved and believed there would be no impacts to their consumers.

The one respondent who opposed the Modification Proposal was an Other SEC Party, who believed neither solution would be beneficial if implemented. They cited that Other Users bring value to the industry as a whole, and that by removing the socialisation of costs on the RSPA, it would potentially provide additional expense on top of what is already an expensive role to maintain. Additionally, they

believed that this would disincentivise the uptake in becoming an Other User if the User would potentially have to front the entire cost of an RSPA which could decrease innovation.

Views against the General SEC Objectives

Proposer's views

The Proposer believes that General SEC objective (g)¹ is bettered by the Modification Proposal by aligning the RSPA to the other User Privacy Assessment types and making the assessment cost methodology more consistent with the others.

Industry views

The Working Group did not comment on the General SEC Objectives.

The Refinement Consultation respondents who agreed with the solution cited General SEC Objective (g) as being improved. These ranged on the grounds of making the administration and implementation of the SEC more transparent to ensuring consistency for the costing methodology among all of the User Privacy Assessments.

Panel views

The Panel approved the Modification Report with no further comments.

Views against the consumer areas

This Modification Proposal will have a neutral impact on consumers. This is due to the cost of the RSPA remaining identical, even though the methodology is being altered. This will likely not affect how much an average consumer would pay on their bills, their environmental impact such as a carbon footprint or their experience of the Smart Meter Implementation Programme (SMIP). The Modification Proposal is instead desirable due to improving the charging methodology by making the RSPA consistent with other User Privacy Assessment types, rather than a consumer benefit that could be derived from the proposal.

Improved safety and reliability

The Modification Proposal is neutral against this consumer benefit area. This is due to not affecting any element of safety or reliability within the SMIP.

Lower bills than would otherwise be the case

The Modification Proposal is neutral against this consumer benefit area. This is due to not affecting the cost of an RSPA, therefore not increasing or decreasing the amount passed through to consumers.

¹ Facilitate the efficient and transparent administration and implementation of the SEC.

Reduced environmental damage

The Modification Proposal is neutral against this consumer benefit area. This is due to having no material impact on greenhouse gases or improving/reducing energy efficiency.

Improved quality of service

The Modification Proposal is neutral against this consumer benefit area. This is due to the RSPA only being experienced by the User, not a consumer. Consequently, this leads to no difference in the quality of service provided to a consumer.

Benefits for society as a whole

The Modification Proposal is neutral against this consumer benefit area. There is no wider benefit to society, instead the benefit will be felt by Users who will only have to deal with one uniform method of costings involved with a User Privacy Assessment. It is worth noting that potential Other Users may be discouraged from joining the SEC if they see the RSPA cost that they solely would pay as a barrier to entry if they can't factor that finance in. This could possibly lead to a reduction in Other User Services available to the wider public, and could reduce innovation. Given the overall cost of operating measured against the cost of an RSPA, it will not be significant enough to deter these Other Users joining, but could nonetheless act as a disincentive.

Appendix 1: Progression timetable

The Modification Report was presented to Panel on 16 April 2021 for decision. It was approved and will be issued for Modification Report Consultation and be taken to the Change Board in May 2021 for vote under Self-Governance.

Timetable	
Event/Action	Date
Draft Proposal raised	28 Sep 2020
Presented to CSC for initial comment	29 Sep 2020
Sub Committee input sought	1 Oct 2020 – 13 Nov 2020
Presented to CSC for final comment and recommendations	24 Nov 2020
Panel converts Draft Proposal to Modification Proposal	11 Dec 2020
Modification presented to the SSC	13 Jan 2021
Modification discussed with Working Group	3 Feb 2021
Refinement Consultation	3 Mar 2021 – 23 Mar 2021
Modification Report approved by Panel	16 Apr 2021
Modification Report Consultation	19 Apr 2021 – 10 May 2021
Change Board vote	26 May 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
CSC	Change Sub Committee
DCC	Data Communications Company
EUA	Energy and Utilities Alliance
IPA	Independent Privacy Auditor
RSPA	Random Sample Privacy Assessment
SEC	Smart Energy Code
SECAS	Smart Energy Code Administrator and Secretariat
SMIP	Smart Metering Implementation Programme
SMKI PMA	Smart Metering Key Infrastructure Policy Management Authority
SSC	Security Sub Committee
TABASC	Technical Architecture and Business Architecture Sub Committee