

This document is classified as **White** in accordance with the Panel Information Policy. Information can be shared with the public, and any members may publish the information, subject to copyright.

Paper Reference:	SECP_88_1501_10
Action:	For Decision

Consultations on Switching Programme and Retail Code Consolidation

1. Purpose

This paper sets out the latest consultations regarding Ofgem's Faster Switching programme and a recommended response for each. The Panel is requested to note the two Ofgem consultations, agree a response to the consultation on Smart Meter licence amendments and agree a draft response to the consequential SEC changes consultation to be presented to the Panel in February.

2. Background

To deliver the Faster Switching programme, Ofgem is running a two-phase implementation approach. The first phase focusses on Retail Code Consolidation (RCC). This will rationalise where obligations relating to retail requirements are contained across Industry Codes, with the majority being consolidated into the Retail Energy Code (REC).

The second phase is the go-live of the new switching systems and arrangements. Again, the majority of changes will be under the REC, but there will be some consequential changes to other industry Codes, including the SEC.

Consultations on drafting of required licence amendments and consequential Code Modifications were issued in June and November 2019 respectively. The latest set of consultations seeks views on amendments to that drafting which has developed since that time.

Following the latest consultations, a further consultation will be issued in April 2021 on the final Licence and Code amendments for RCC with a view to implement on 1 September 2021. In early 2022 another consultation on the switching arrangements will be issued for a go-live in summer 2022.

3. Impact on Smart Metering licence

On 12 November 2020, Ofgem issued a consultation on the latest version of the proposed licence amendments for RCC and switching arrangements. The consultation can be found [here](#), it closes on 15 January 2021.

The main change to the draft Smart Metering Licence amendments issued in June 2019 has been to amend how the licence reflects the design of the central switching service. The DCC is no longer required to procure and manage a Switching Network. Instead, the REC will set out standards for how messages are sent and received from the Central Switching Service; with the DCC's obligation relating to ensuring robust arrangements exist for exchanging information with the Central Switching Service (CSS) in line with those agreed standards.

There is also an obligation that if the DCC cannot meet the minimum standards set out in the REC, it is required to develop improvements or alternative arrangements. Ofgem is questioning whether it would be appropriate to specify in the Smart Meter Licence the components of the CSS that are in the scope of this requirement, or just refer to the REC where the detail is set out.

Whilst it is most appropriate for individual REC Parties to respond to this question, we would observe that, as a principle, such detail should be placed within the REC. There are other obligations within the licence that reference lower-level documentation where the detail is maintained, and we would suggest the same is applied to this obligation. This removes any potential duplication and ensures any future changes are easier to amend via the REC's change process rather than licence changes.

3.1 Next steps

As noted, the changes to the Smart Meter Licence are minimal from the version the Panel responded to in June 2019. We therefore recommend a response is issued to Ofgem that:

- notes the new amendments;
- reiterates the Panel view that the additional DCC role must not detract from compliance with the DCC's obligation to meet its SEC obligations; and
- that the detail of the communication standards should sit within the REC.

4. Impact on the SEC

On 15 December 2020 Ofgem issued a further consultation on the consequential changes required to the Industry Codes to support RCC and REC v2.0. This consultation can be found [here](#) and closes on 23 February 2021.

The changes to the SEC have always been minor for this phase of the programme and have been limited to some updated cross references and new definitions. However, two significant changes have recently been introduced which have been set out below.

4.1 Determination of CCSG Modifications

The new drafting introduces the concept of the Cross Code Steering Group (CCSG). The CCSG is to be made up of representatives, appointed by the Code Panels, who will meet regularly and review how best to progress cross code issues.

The new Code drafting recognises that where there is a need to progress cross code Modifications, the CCSG will establish a "lead code". The lead code will be responsible for progressing the Modification to their own Industry Code as well as acting as the Proposer for the consequential changes required to the other Industry Codes. As such, a provision is being introduced to allow Code Administrators to raise Modifications to each and any Industry Code for changes that originate from the CCSG. This seems a sensible approach to ensure there is a single entity responsible for the coordination and delivery of any required changes.

However, the current drafting does cause concern with how such Modifications are progressed through the change process. The issue is that for Modifications raised as a result of the CCSG, the Code Panels for the secondary Code (i.e. not the lead code) will **not** have the ability to make a decision on the consequential Modification. Nor will they have the ability to refer the Modification to Ofgem for a determination. Instead, the determination for a Modification originating from the CCSG would depend solely on the approval or rejection of the lead code's primary Modification.

For example, CCSG may discuss a BSC modification and realise there are consequential impacts on the SEC. As a result, the CCSG would make BSCCo the lead code. In turn, they would raise a BSC Modification and a SEC Modification to make the required consequential changes. The SEC Modification would progress through the SEC change process as normal, with the BSC as the Proposer. However, once the assessment phase is complete, the Change Board would not have the chance to vote on approval or rejection of the Modification. Instead, it would have to wait and see if the BSC Modification is approved or rejected by the BSC Panel. Should the BSC Modification be approved, the SEC Modification would be automatically approved.

For the SEC in particular, this is a critical issue. The real-life example of BSC Modification P379 could have significant impacts on the SMIP if the suggested "consequential" changes progress as originally intended. Equally, there is the potential for security provisions of national infrastructure under the SEC to be impacted by changes to the Central Switching Service in the REC.

The intent of the current drafting is to avoid a situation where a lead modification is approved but delayed due to the rejection of a consequential change under another part of Industry Code governance. However, removing the ability for Code Panels to make decisions on Modifications that impact their governance remit seems a rather extreme solution. It would be more appropriate to mirror the process of Significant Code Reviews (originally designed for cross code changes) whereby Panels may make a recommendation/decision, without fettering their discretion, and the ultimate determination comes from Ofgem.

As a minimum, the drafting needs to include a robust appeals process. Currently, there is acknowledgment that an appeal could be raised "subject to any appeal mechanism under the lead-code". However, in the example used above, neither the SEC Panel nor SECAS would have the ability to appeal a BSC modification since there are no provisions for such entities to raise an appeal in the BSC. Nor would they necessarily be appealing the decision of P379, they may only be appealing the decision of the consequential SEC Modification. It does not seem appropriate for the SEC Panel to rely on a SEC Party to raise an appeal on a BSC Modification in order to appeal the implementation of a consequential change to the SEC. Placing an appeals process with Ofgem for any Modifications coming from the CCSG should resolve any issues that may arise, although, the option of all CCSG Modifications going to Ofgem for approval would be the most pragmatic governance arrangement.

Annex A of this paper sets out the proposed amendments to SEC Section D.

4.2 Meta Data Owner

The latest version of RCC drafting has introduced the term Energy Market Data Specification. This is the repository under the REC for information relating to data items and market messages. It also creates the function of "Meta Data Owner" which relates to the Industry Code responsible for the management of the data items or market messages they are assigned to. The SEC has been made Meta Data Owner for two Energy Market Data Items:

Data Item	Description
DI51130	DCC Service Flag - A DCC provided flag to indicate the status of the services being provided by the DCC to a Metering Point.
DI51131	Effective from Date {DCCF} - The first inclusive calendar date for which the status of the DCC Service flag applies.

SECAS will work with the REC Code Manager to ensure that any changes to these two Data Items are progressed in line with the REC Change Management Process and that the Panel are kept up to date with any amendments.

4.3 Next Steps

SECAS has contacted Ofgem regarding the concerns over the Code drafting and are awaiting a chance to meet to discuss the matter. Subject to these conversations, and any further discussion at the Panel meeting, SECAS will draft a response to the Ofgem consultation for review at the February Panel meeting.

5. Recommendations

The Panel is requested to:

- **NOTE** the two Ofgem consultations;
- **AGREE** a response to the consultation on Smart Meter licence amendments;
- **AGREE** a draft response to the consequential SEC changes is presented to the Panel in February.

Adam Lattimore

SECAS Team

8 January 2021

Annex A – Proposed amendment to Section D

D MODIFICATION PROCESS

D1. RAISING DRAFT PROPOSALS

Modifications

D1.1 This Code may only be varied in accordance with the provisions of this Section D.

D1.2 Each variation of this Code must commence with a proposal made in accordance with the provisions of this Section D1 (a **Draft Proposal**) or a direction under Section D9A (Authority-Led Variations).

Persons Entitled to Submit Draft Proposals

D1.3 A Draft Proposal may be submitted by any of the following persons (the **Proposer**):

- (a) a Party;
- (b) Citizens Advice or Citizens Advice Scotland;
- (c) any person or body that may from time to time be designated in writing by the Authority for the purpose of this Section D1.3;
- (d) the Authority or the DCC acting at the direction of the Authority, but in each case only in respect of variations to this Code which are in respect of a Significant Code Review; and
- (e) the Panel (where all Panel Members at the relevant meeting vote unanimously in favour of doing so), but only in respect of variations to this Code which are intended to give effect to:
 - (i) recommendations contained in a report published by the Panel pursuant to Section C2.3(i) (Panel Duties);
 - (ii) recommendations contained in a report published by the Code Administrator pursuant to Section C7.2(c) (Code Administrator);
 - (iii) Fast-Track Modifications (as described in Section D2.8 (Fast-Track Modifications)); and/or
 - (iv) consequential changes to this Code required as a result of changes proposed or already made to one or more other Energy Codes.
- (f) the REC Code Manager and/or other Energy Code administrators where a consequential change to this Code has been identified by the Cross Code Steering Group.

D2. MODIFICATION PATHS

D2B Cross Code Steering Group

D2B.1 The Panel shall ensure that one or more representatives are included in the Cross Code Steering Group, with appropriate skills, knowledge and experience to participate in accordance with the Cross Code Steering Group Terms of Reference.

D2B.2 The Panel may discharge the requirements of Section D2B.1 by ensuring the Code Administrator provides appropriate representatives.

D2B.3 Where the Cross Code Steering Group determines that this Code is to be used as the lead-code for a Modification Proposal, then the Code Administrator shall progress that Modification Proposal in accordance with this Code, and shall coordinate with the code administrators of the other affected Energy Codes so that they can manage the processes under their Energy Codes in parallel with the process under this Code.

D2B.4 Where the Cross Code Steering Group determines that another Energy Code is to be used as the lead-code for a Modification Proposal, then the Code Administrator shall progress that Modification Proposal in accordance with this Code, but subject to the following:

(a) the Code Administrator shall progress the Modification in parallel with the change under the lead-code, and subject to the timetable determined under the lead-code;

(b) the decision in relation to the Modification under this Code shall not be a decision as to whether or not to approve the Modification or as to whether or not to recommend approval to the Authority, and shall instead be treated as a recommendation under the lead-code; and

(c) the Modification shall be approved if the change under the lead-code is approved, and rejected if the change under the lead code is rejected (subject to any appeal mechanism under the lead-code).

D2B.5 Where a Modification is progressed in relation to an Energy Market Message and/or an Energy Market Data Item defined within the Energy Market Data Specification, the relevant Energy Market Meta Data Owner shall be defined as the lead code.

D2B.6 The Code Administrator shall ensure that the meta data for all relevant Energy Market Messages and Energy Market Data Items utilised under this Code are defined within the Energy Market Data Specification administered in accordance with the REC Change Management Schedule.