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# DP151

## ‘Amending Payment Terms for User CIO Invoices’

### Modification Report

Version 0.1

29 January 2021

Corporate member of  
Plain English Campaign  
Committed to clearer  
communication

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## About this document

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This document is a draft Modification Report. It currently sets out the background, issue, and progression timetable for this modification, along with any relevant discussions, views and conclusions. This document will be updated as this modification progresses.

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## 1. Summary

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This proposal has been raised by Jane Wilson on behalf of Hildebrand.

To use the Data Communications Company (DCC) systems, all SEC Parties must undertake a User Security Assessment conducted by the User Competent Independent Organisation (CIO). Upon completion of a User Security Assessment, the DCC issue invoices to the respective Smart Energy Code (SEC) Parties allowing them five Working Days to pay, following receipt of such invoice. The invoice cost can range from between £5,000 to £45,000. This is a significant amount for smaller SEC Parties.

SEC Parties, especially Small Suppliers have raised concerns surrounding the cost incurred from the User CIO Assessments which are too high to pay at such short notice.

## 2. Issue

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### What are the current arrangements?

To use the DCC systems, all SEC Parties must undertake a User Security Assessment conducted by the User CIO. Security Assessments take place in three-year cycles. Before becoming a DCC User, and on the first year of each cycle, SEC Parties must have an initial Full User Security Assessment (FUSA). After this, an annual Security Assessment is undertaken. The type of subsequent assessment will depend on the SEC Party type and interactions with the number of Smart Metering Systems.

User Security Assessments assure the Security Sub-Committee (SSC) and the SEC Panel that:

- Users have secure end-to-end Smart Metering Systems;
- any security risks are mitigated and resolved quickly; and
- there is not any one point of compromise to the Smart Metering ecosystem.

Deloitte LLP is currently appointed as the User CIO and performs the User Security Assessments on behalf of the SEC Panel. The User CIO assess whether SEC Parties and DCC Users comply with the obligations in SEC Sections G3 to G6.

Once a SEC Party's assessment has been fully approved by the SSC, Parties are able to complete the User Entry Process and use DCC Live systems. The User CIO will only charge the SEC Party or DCC User for the actual number of days used to undertake the User Security Assessment and produce the User Security Assessment Report. The final cost of the User Security Assessment will appear within SEC Party's DCC monthly charges after this work has been invoiced by the User CIO.

SEC Section J 'Charges' sets out the DCC Payment of Charges obligations which all SEC Party's undergoing Security Assessments must comply by when such invoices are issued.

The requirement, as set out in SEC Section J1.5 states the following:

J1.5 Each Party shall pay the amount set out in an Invoice issued to it by the DCC by the "Due Date" for payment; being the later of:

- (a) 5 Working Days following receipt of such invoice; and
  - (b) 8 Working Days following the end of the month to which such invoice relates.
- J1.6 Without prejudice to a Party's right to dispute the Charges in accordance with Section J2 (Payment Default and Disputes), each Party shall pay the amount set out in each Invoice addressed to it by the Due Date for such payment regardless of any such dispute. Nevertheless, where the DCC agrees that an Invoice contains a manifest error, the DCC shall cancel that Invoice (which will not therefore be payable) and promptly issue a replacement Invoice.
- J1.7 Payments shall be made in pounds sterling by transfer of funds to the credit of the account specified in the Invoice, and shall not be deemed to be made until the amount is available as cleared funds. Each payment shall identify within its reference the Invoice number to which that payment relates. The paying Party shall be responsible for all banking fees associated with the transfer of funds. The DCC may at its discretion specify a different account for amounts payable by way of the Communications Hub Finance Charges relating to each Approved Finance Party (separately from amounts payable in relation to each other Approved Finance Party and/or all other Charges). The accounts specified by the DCC for the purposes of amounts payable by way of the Communications Hub Finance Charges may be accounts held in the name of the relevant Approved Finance Party.

### What is the issue?

The issue is based on the current DCC Payment of Charges term. Some Parties, especially Small Suppliers, have highlighted the costs incurred for the User CIO Assessments are too high to pay at such a short notice. SEC Parties have raised concerns on the following:

- The limited time to pay the full amount from when the invoice is issued to when it is due (within five Working Days following receipt of such invoice).
- SEC Parties are not notified when the invoice will be issued once the audit has been completed by the User CIO.
- There is not enough time to challenge the cost on the invoice.
- There is no visibility of a breakdown of cost allocation on the invoice.
- SEC Parties are unable to budget for the cost ahead of time as there is no estimation how much the invoice will be.
- The content of the invoice email resembles that of a 'Spam' or 'Phishing' email due to the content presentation and lack of information displayed.

With issues arising from COVID-19 Parties are needing to plan and financially budget ahead to meet various payment obligations. SEC Parties have been issued invoices up to £45,000 to pay in five Working Days.

This issue was discussed at the SEC Panel in December 2020 where SECAS informed the Panel about two Parties that had entered an Event of Default in November because of not being able to pay the invoice on time. There was an action point taken from the Panel meeting for the DCC and SECAS to investigate whether the DCC have the authority to decide if CIO Assessment costs for Parties can be spread over a longer period or if this needs to be a modification to the SEC.

### What is the impact this is having?

The limitation around the number of days a SEC Party is given, following receipt of such invoice, to pay in full is causing industries difficulty to meet the payment term and financial strain. SEC Parties are unable to budget for the cost as no estimation of the amount is provided. In some cases, this has led to potentially avoidable Events of Default.

### Impact on consumers

There is impact on consumers. An Event of Default triggered by this issue could lead to their Suppliers failing. Consumers would need another Supplier and depending on the situation could potentially end up with one that is out of their choice and as a result, would be a default Supplier.

## Appendix 1: Progression timetable

This Draft Proposal was raised on 7 January 2021, the Proposal will be taken to the Change Sub-Committee (CSC) for initial comment on 23 February 2021. From there, if the CSC agrees that it is an issue, it will be then taken to Panel on 12 March 2021 for conversion to a Modification Proposal.

Timetable	
Event/Action	Date
Draft Proposal raised	29 Jan 2021
Presented to CSC for initial comment	23 Feb 2021
Presented to Panel for conversion to a Modification Proposal	12 Mar 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
CIO	Competent Independent Organisation
DCC	Data Communications Company

Glossary	
Acronym	Full term
FUSA	Full User Security Assessment
SEC	Smart Energy Code
SSC	Security Sub-Committee
SECAS	Smart Energy Code Administrator and Secretariat