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MP153
**‘Follow up changes for
Communications Hub Finance
Charges’**

Modification Report

Version 1.0

16 April 2021



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 one annex:

- **Annex A** contains the redlined changes to the Smart Energy Code (SEC) required to deliver the Proposed Solution.

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1. Summary

This proposal has been raised by Nick Kelly from the Data Communications Company (DCC)

[MP118 'Communications Hub Finance Charges'](#) was implemented as part of the November 2020 SEC Release. MP118 aimed to change the arrangement which required the DCC to issue four invoices a month for Communications Hub Finance Charges (two invoices for each Communication Services Provider (CSP), North and Central & South), each of which would be payable to a different Party.

Changes to SEC Section J1.2(b) were initially drafted as part of the MP118 legal text. However, these changes were subsequently omitted due to human error. The Proposer believes that MP118 will not achieve its full efficiency without the omitted legal drafting being implemented.

The Proposed Solution is to amend Section J1.2(b) so that the DCC only has to provide a separate invoice for Communications Hub Finance Charges if that is what has been agreed with the Approved Finance Party.

All SEC Parties will be affected by the change in how invoices are issued, although this will make the invoicing process more efficient. The costs of this proposal are limited to Smart Energy Code Administrator and Secretariat (SECAS) time and effort to update the SEC. This modification is targeted for the June 2021 SEC Release.

2. Issue

What are the current arrangements?

[MP118 'Communications Hub Finance Charges'](#) was implemented as part of the November 2020 SEC Release. This modification aimed to amend the invoicing arrangements as the DCC commenced the next phase of Communications Hub financing. At this stage, the number of financing payments will increase, and the previous dual-invoicing arrangement would become untenable due to the time taken to produce invoices. The DCC considered the existing process would not have been cost effective for itself, Suppliers or other SEC Parties.

What is the issue?

The initial scope of MP118 proposed to change SEC Sections J1.2(a), J1.2(b) and J1.7 so that the DCC is no longer obliged to bill Communications Hub Finance Charges under separate invoices. The solution proposed that all invoiced items will be included on one invoice and paid to one bank account. This will be more efficient for the Approved Finance Party (AFP) and the DCC to invoice and easier for SEC Parties to pay.

The changes required to Section J1.2(b) to facilitate the Proposed Solution was erroneously omitted from the legal drafting of MP118 during the Refinement Process due to human error.

What is the impact this is having?

The Proposer believes the impact of not making this change is that the full efficiency of MP118 will not be realised.

Section J1.2(b) details SEC Parties’ terms of agreement with an Approved Finance Party, which is specifically what sets out the specific invoicing arrangements that the DCC requires. The omitted changes to Section J1.2(b) would specifically seek to remove the arrangement of separate invoicing for separate charges, which addresses the original issue in MP118. This is aimed at making the invoicing process less cumbersome for the DCC and more efficient for the DCC and SEC Parties. As part of MP118, Section J1.2(a) only refers to the arrangements around Section J1.2(b), which means MP118’s approved legal text will not deliver the full solution intended by the Proposer.

Impact on consumers

This issue has no impact on consumers.

3. Solution

Proposed Solution

The Proposed Solution is to amend Section J1.2(b) so that the DCC only has to provide a separate invoice for Communications Hub Finance Charges if that is what is required under the direct agreement with the Approved Finance Party.

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

All SEC Parties will be affected by the change in how invoices are issued, although this will make the invoicing process more efficient.

DCC System

This modification will not impact the DCC Systems.

SEC and subsidiary documents

The following parts of the SEC will be impacted:

- SEC Section J 'Charges'

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

Consumers

This modification will not impact consumers.

Other industry Codes

This modification will not impact any other industry Codes.

Greenhouse gas emissions

This modification will not impact greenhouse gas emissions.

5. Costs

DCC costs

This modification will not incur any DCC costs.

SECAS costs

The estimated SECAS implementation costs to implement this modification is half a day of effort, amounting to approximately £300. The activities needed to be undertaken for this are:

- Updating the SEC and releasing the new version to the industry.

SEC Party costs

This modification will not incur any SEC Party costs.

6. Implementation approach

Approved 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
- **Ten Working Days after decision** (ad-hoc SEC Release) if a decision is received after 10 June 2021.

This modification needs to be implemented as soon as reasonably practicable to realise the benefits of MP118. The June 2021 SEC Release is the next scheduled release this modification could be targeted for.

7. Assessment of the proposal

Observations on the issue

Change Sub-Committee views

The Change Sub-Committee (CSC) agreed the issue was clear and should be progressed as quickly as possible. It believed this modification should be progressed as a Fast-Track Modification (see SEC Section D2.8 'Fast-Track Modifications') as it is seeking to correct an inconsistency in the Code, namely, to reflect the intended Proposed Solution of a previously approved Modification Proposal (MP118). SECAS agreed it would recommend to the Panel that this be progressed as a Fast-Track Modification, or if the Panel disagreed, then to progress it directly to the Report Phase. Either option would provide enough time to meet the targeted implementation date of the June 2021 SEC Release.

Panel views

The Panel agreed with the CSC's recommendation that this modification should be progressed as a Fast-Track Modification.

Solution development

Section J1.2(b) amendments

The draft legal text for Section J1.2(b) was previously seen by the Working Group during the refinement of MP118, who raised no comments at the time. This modification seeks to implement those changes as part of the legal text was erroneously excluded from MP118 due to human error.

Views against the General SEC Objectives

Proposer’s views

Objective (g)¹

The Proposer believes this modification will better facilitate SEC Objective (g) as it will reduce the amount of time spent producing invoices as well as reconciling incorrect payments.

Views against the consumer areas

Improved safety and reliability

If implemented, this modification will have a neutral impact against this consumer area.

Lower bills than would otherwise be the case

If implemented, this modification will have a neutral impact against this consumer area.

Reduced environmental damage

If implemented, this modification will have a neutral impact against this consumer area.

Improved quality of service

If implemented, this modification will have a neutral impact against this consumer area.

Benefits for society as a whole

If implemented, this modification will have a neutral impact against this consumer area.

Appendix 1: Progression timetable

Since this Draft Proposal only covers consequential changes designed to ensure the delivery of earlier approved Modification Proposals, SECAS believe these are grounds for this proposal to be progressed as a Fast-Track Modification.

This Draft Proposal was presented to the CSC on 30 March 2021 where it was agreed to recommend to the Panel to progress this as a Fast-Track Modification. On 16 April 2021, the Panel approved this modification to progress as a Fast-Track Modification.

Timetable	
Event/Action	Date
Draft Proposal raised	16 Feb 2021

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

Timetable	
Event/Action	Date
Presented to CSC for initial comment	23 Feb 2021
Presented to CSC for final comment and recommendations	30 Mar 2021
Panel converts Draft Proposal to Modification Proposal	16 Apr 2021
Panel approve under Fast-Track Modification	16 Apr 2021
Fast-Track decision objection period	16 Apr – 10 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
AFP	Approved Finance Party
CSC	Change Sub-Committee
CSP	Communication Services Provider
DCC	Data Communications Company
SEC	Smart Energy Code
SECAS	Smart Energy Code Administrator and Secretariat

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MP153 ‘Communications Hub Finance Charges’

Annex A

Legal text – version 1.0

About this document

This document contains the redlined changes to the SEC that would be required to deliver this Modification Proposal.

Section J 'Charges'

These changes have been redlined against Section J version 8.0.

Amend Section J as follows:

J1. PAYMENT OF CHARGES

Charges

J1.1 Each Party shall pay the Charges to the DCC, which Charges shall be determined in accordance with the Charging Statement applicable from time to time.

Invoicing of Charges

J1.2 Following the end of each month in which one or more Parties incurs Charges in accordance with the Charging Statement, the DCC shall prepare and submit to each such Party one or more invoices or one or more invoices with a separate accompanying statement (in either case, an "Invoice") showing:

- (a) in respect of all Charges other than those referred to in Section J1.2(b):
 - (i) the date by which payment is due pursuant to Section J1.5;
 - (ii) a breakdown (in reasonable detail) of the Charges incurred by that Party in that month;
 - (iii) subject to Section J1.4, the amount of VAT payable on the above amounts;
 - (iv) any adjustment required pursuant to Section J1.9; and
 - (v) the total amount payable by that Party in respect of the above; and
- (b) in respect of any Communications Hub Finance Charges ~~(such that there is a separate Invoice for the charges relating to each Approved Finance Party) which are required to be invoiced separately under the terms of a Direct Agreement with an Approved Finance Party:~~
 - (i) the date by which payment is due pursuant to Section J1.5;
 - (ii) a breakdown (in reasonable detail) of the Charges incurred by that Party in that month;
 - (iii) subject to Section J1.4, the amount of VAT payable on the above amounts;
 - (iv) any adjustment required pursuant to Section J1.9; and;
 - (v) the total amount payable by that Party in respect of the above.

J1.3 The DCC is not obliged to issue an Invoice to a Party in respect of a month under Section J1.2 where the aggregate Charges incurred by that Party in respect of that month are less than the Minimum Monthly Charge (inclusive of VAT). Where the DCC opts not to issue an Invoice to Party in respect of a month in reliance on this Section J1.3, the DCC shall carry forward the Charges incurred in respect of that month and aggregate them with the Charges incurred by that

Party in respect of the following month for the purposes of Section J1.2. Notwithstanding the other provisions of this Section J1.3, the DCC must, in respect of each Party that has incurred Charges in respect of a Regulatory Year, issue at least one Invoice to that Party in respect of that Regulatory Year.

- J1.4 The Charges stated in each Invoice shall be stated exclusive of VAT, which shall be added if appropriate at the rate prevailing at the relevant tax point. A Party shall only be required to pay VAT where the DCC provides an appropriate VAT invoice.

Payment of Charges

- 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.