End of Budgetary Year Report 2020-2021

Version 0.1

SECCo End of Budgetary Year Report
– 2020-2021

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1. Background

The SEC Panel budget sets out the Panel's good faith estimate of the Recoverable Costs that it believes will be incurred during the next three Regulatory Years.

The budget setting process for 2020-2023 started in October 2019 with input from the Panel's Finance and Contract Sub-Group (PFCG). It was reviewed by Panel Members, and a SEC Party consultation was issued in January 2020 in accordance with SEC Section C8.13.

This End of Budgetary Year Report provides the out-turn of the Panel budget covering the period 1 April 2020 – 31 March 2021. The report also outlines the steps that will be taken in relation to the over-recovery. It has been provided for transparency purposes for SEC Parties to view information that is normally available to SECCo Board Members, on a monthly basis.

2. Executive Summary

The Panel set a budget of £8,140,378 for 2020-21, for the Panel, its Sub-Committees and SECAS to complete the activities outlined within the SEC, alongside additional specified projects.

Against this budget, £7,785,605 was utilised. However, this is subject to a discount of £640,133 for SECAS services, which the SECCo Board negotiated into the SECAS contract. The final budget out-turn, after discount, will therefore be £7,145,472. Over-recovery will be credited back to the DCC in April 2021.

An overview of budgeted versus actual costs is provided in Figure 1 below, with further detail on the out-turn for each budget category provided in subsequent sections:
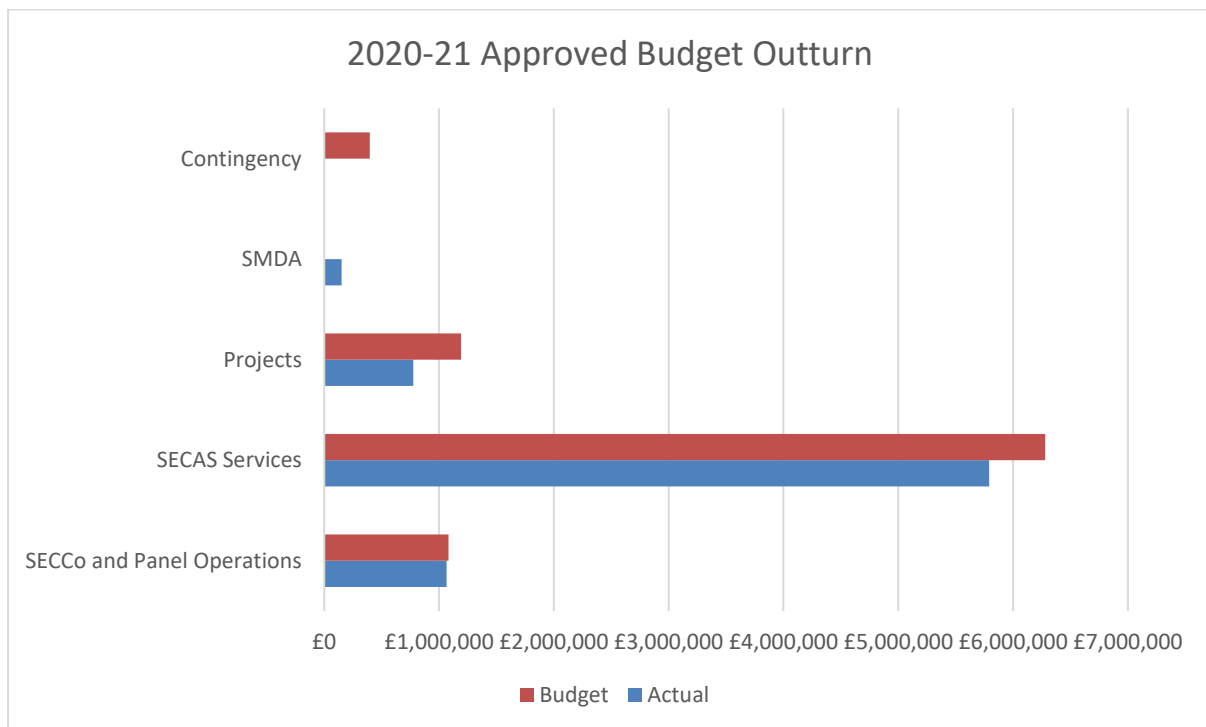

Figure 1: 2020-2021 Out-turn against Approved Budget

3. SECCo and Panel Operations

This budget category covers all the activities of the SECCo Board including insurance, legal advisors, licences, User Competent Independent Organisation (CIO)/ Independent Privacy Auditor (IPA)charges, website maintenance, and SEC Panel operations including remuneration of Independent Chairs, Panel and Sub-Committee expenses and specialist advisors.
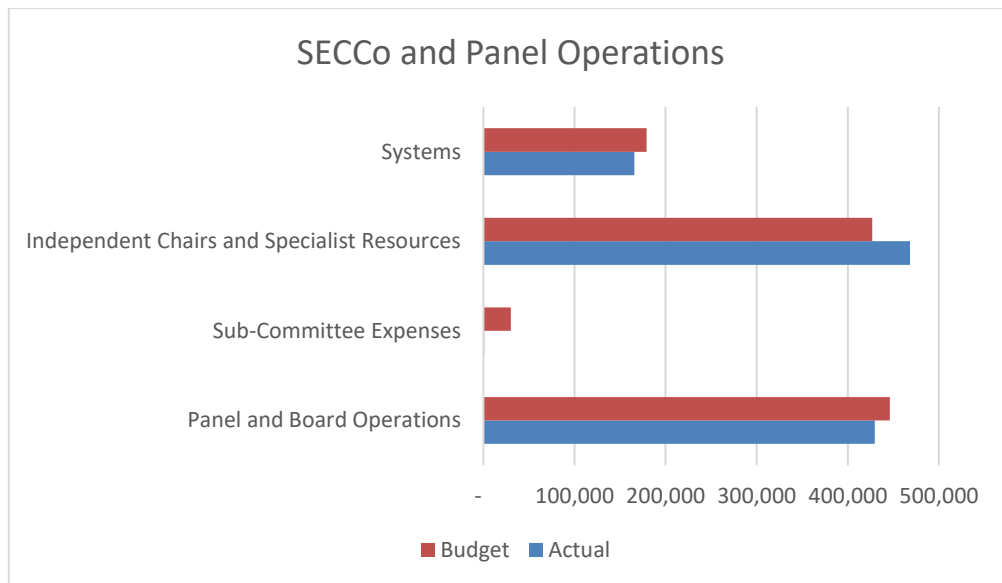

Figure 2: Panel and SECCo Board Operations Out-turn against Budget

3.1 Panel and Board Operations

The Panel and Board Operations sub-category includes costs of the User CIO, legal advisors, Panel Member expenses, SECCo expenditure, licences, the annual SEC Party Engagement Day and Customer Satisfaction Survey. An underspend of around £16,000 is reported, driven by the decision not to conduct the annual Customer Satisfaction Survey this year, holding the SEC Party Engagement Day remotely rather than at a venue, and lower Panel Member expenses, due to meetings being held remotely.

3.2 Sub-Committee Expenses

The Sub-Committee Expenses sub-category is for expenses related to the activities of the SEC Sub-Committees, including the Smart Metering Key Infrastructure Policy Management Authority (SMKI PMA), Security Sub Committee (SSC), Technical Architecture and Business Architecture Sub Committee (TABASC), Testing Advisory Group (TAG) Operations Group (OPSG), Change Board and Change Sub-Committee (CSC). Underspend of £29,000 is reported as all Sub-Committee meetings were held remotely, due to COVID-19.

3.3 Independent Chairs and Specialist Resource

The Independent Chairs and Specialist Resource sub-category contains provisions for external resources that support the Sub-Committees, including the Chairs for the SSC, SMKI PMA, TABASC and OPSG, and the SMKI Specialist as defined in the SEC. An overspend of £41,000 is reported, primarily due to increased levels of activity in the Security and OPSG areas.

3.4 Systems

The Systems sub-category contains provisions for the systems that are maintained on behalf of the Panel and SECCo, including the website, business process mapping software, Egress and CodeWorks. A £13,000 underspend is recorded in this area, driven by lower than anticipated website maintenance costs.

Budget Category	Budget Line	Budget	Actual	Variance	
SECCo and Panel Operations	Panel Members	£167,452	£153,526	-	£13,926
	SECCo	£25,000	£24,423	-	£577
	Legal	£30,000	£26,562	-	£3,439
	SEC Party Engagement Day	£10,000	£1,067	-	£8,933
	Customer Satisfaction Survey	£10,350	-	-	£10,350
	User CIO	£200,000	£219,977		£19,977
	Licences	£3,300	£3,678		£378
	Bank Charges	£0	£549		£549
Sub-Committee Expenses	All Sub-Committees	£30,000	£915	-	£29,086
Specialist Resource	SMKI Specialist	£35,000	£28,358	-	£6,643
	SSC & SMKI Independent Chair	£200,000	£216,600		£16,600
	TABASC Independent Chair	£72,000	£75,600		£3,600
	OPSG Independent Chair	£120,000	£147,600		£27,600
Systems	Website Maintenance	£20,000	£9,295	-	£10,705
	Business Process Mapping Software	£30,000	£27,358	-	£ 2,642
	File Sharing Solution	£4,000	£4,000	-	£0
	CodeWorks	£125,000	£125,001		£1

Table 1: Budget Line Variances for SECCo and Panel Operations

4. SECAS Services

SECAS Services is split into three categories: SECAS Core Team, Subject Matter Experts, and Accommodation Costs. The out-turn against each of the budget lines is provided in Table 2 below:

	Budget	Actual	Variance	
Core Team	£4,701,883	£4,549,771	-	£152,112
Subject Matter Experts	£1,325,495	£1,241,416	-	£84,079
Accommodation Costs	£253,400	£1,300	-	£252,100
Total	**£6,280,778**	**£5,792,487**	**-**	**£488,291**

Table 2: SECAS Services Out-turn against Budget

4.1   Core Team

The SECAS Services 'Core Team' budget line relates to the core resource deployed to provide the Smart Energy Code Administrator and Secretariat (SECAS) Services for the SEC. It is charged in accordance with the SECCo agreed rate card appended to the SECAS contract.

The activities to be undertaken by the SECAS Core Team and associated costs are presented in a quarterly Work Package, approved by the SECCo Board. Thereafter on a monthly basis, a paper is presented for the SECCo Board which details the actual costs for approval. Figure 3 provides a breakdown of the annual costs against the agreed categories.

Overall, costs came in at £152,112 below budget, driven primarily by the team operating below budgeted headcount.
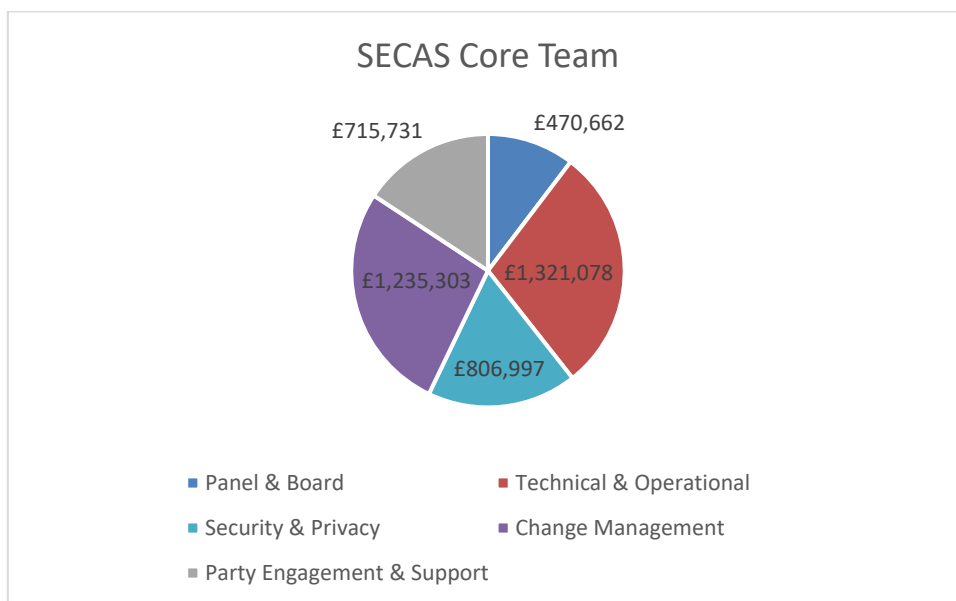

Figure 3: SECAS Core Resource Costs by Service Area

4.2   Subject Matter Expert Resource

The SECAS Services 'Subject Matter Expert' budget line relates primarily to specific individuals with in-depth technical and security expertise, who support the Core Team. It also includes financial accountants and IT specialists.

Subject Matter Expert activities are reported to the SEC Panel Chair on a monthly basis, and a monthly paper is presented to the SECCo Board which details the costs for approval. Figure 4 provides a breakdown of the annual costs against the agreed categories.
Overall costs came in at £84,079 below budget, driven primarily by upskilling within the Core Team to reduce reliance on Subject Matter Experts.
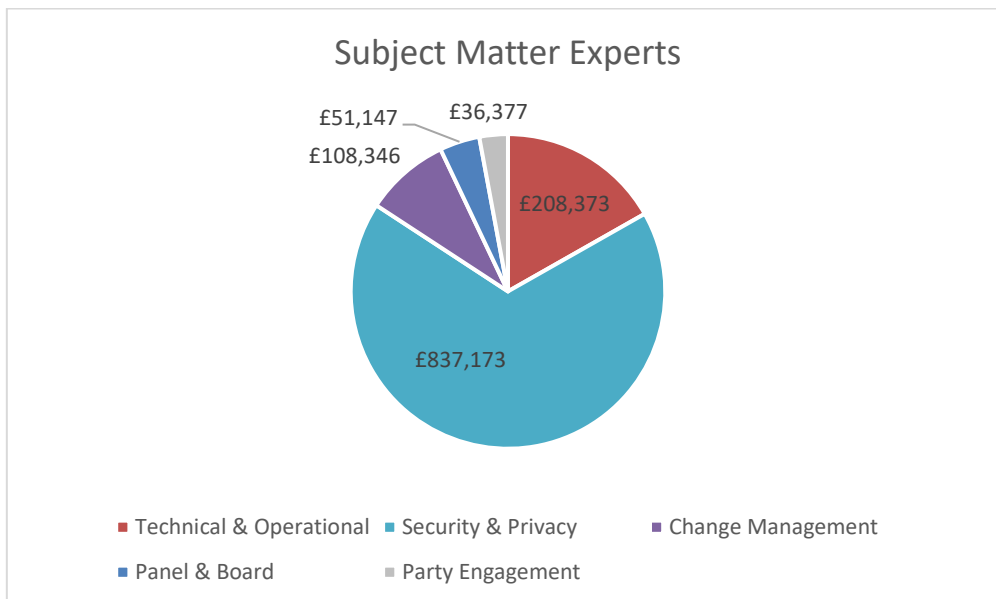
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Figure 4: SECAS Subject Matter Expert Costs by Service Area

4.3 Accommodation Costs

The Accommodation Costs relate to costs incurred for the Panel Chair's office, meetings held at the registered office, and space rental whereby a SECCo contractor, e.g., Independent Chair, utilises a desk within the registered office.

Underspend of £252,000 is reported here due to the impact of COVID-19, which resulted in meetings being held remotely, and all personnel working from home. Costs for the Panel Chair office, where unutilised, were waived by Gemserv. Actual costs against the budgeted amounts are shown below in Table 4.

	Budget	Actual	Variance
Meeting Room Hire	£169,000	£1,000	-£168,000
Panel Chair Office	£24,000	£300	-£23,700
Contractor Space Rental	£50,400		-£50,400
Expenses	£10,000		-£10,000
Total	£253,400	£1,300	-£252,100

Table 4: Breakdown of Accommodation Costs

5. Projects

The projects category is used for emerging requirements. These projects are under the control of the SEC Panel who authorise the scope and commencement of project work and subsequent requests to release funds for the projects from the SECCo Board, with input from the relevant Sub-Committees. An out-turn against each project is also reported on a monthly basis.

Further to more detailed scoping, the list of projects and final approved budgets are not always the same as those estimated in the SEC Panel Approved Budget, agreed at the start of the year. Total

project spend for 2020-21 was £776,801 against a budget provision of £1,191,750. Further detail on each of the project categories is available below, along with an explanation of any significant variances to Budget.

Project	Budget	Actual	Variance
Faster and More Reliable Switching	£50,000	£37,660	-£12,340
Market-Wide Half Hourly Settlement	£40000	£42,161	£2,161
Smart Metering Strategic Technical Design	£75,000	£97,316	£22,316
Market Structure Impacts (Meter Splitting)	£41,250	£12,222	-£29,028
Supplier of Last Resort	£65,000	£14,136	-£50,864
Annual Security Obligations - Risk Assessment	£150,000	£90,350	-£59,650
Security Threat Mapping	£125,000	£66,861	-£58,139
CPA SC & Use Case Workshops	£48,000	£40,934	-£7,066
SMKI Document Set Review	£60,000	£30,000	-£30,000
User CIO Procurement	£25,000	£21,446	-£3,554
Digitalisation	£75,000	£105,736	£30,736
CACoP	£17,500	£17,471	-£29
Smart Homes & Connected Devices	£25,000	£2,905	-£22,095
Electric Vehicles & Proportional Load Control	£26,250	£243	-£26,007
Enduring Change of Supplier	£35,000	£0	-£35,000
Issues Management Process/TSIRS transfer from BEIS	£75,000	£4,516	-£70,484
SMETS1 Integration	£25,000	£0	-£25,000
Elective Services	£25,000	£0	-£25,000
Performance Assurance	£52,500	£0	-£52,500
Quality Assurance (of Services)	£30,000	£0	-£30,000
DCC Cost Governance	£56,250	£0	-£56,250
Annual Security Obligations - Security Architecture	£70,000	£0	-£70,000
Operational Metrics Review	£0	£6,681	£6,681
Review of Terms of Reference	£0	£20,801	£20,801
SMETS2 Interoperability Review	£0	£17,702	£17,702
Export Requirements	£0	£10,769	£10,769
Network Evolution	£0	£50,996	£50,996
SEC Section D Review	£0	£54,317	£54,317
OPR Procurement	£0	£31,580	£31,580
Total	**£1,191,750**	**£776,801**	**-£414,949**

Table 5: Breakdown of Project Costs

5.1   Faster and More Reliable Switching

The Panel has been supporting Ofgem's Faster and More Reliable Switching project, which has systems and change implications for the DCC, and impacts on the SEC. Within this role, SECAS has continued to support Ofgem in the design of the Central Switching Service (CSS) and the development of the Retail Energy Code (REC), identifying any consequential impacts to the SEC, drafting changes, and preparing responses to market consultations. Underspend of £12,000 is reported against this project as it has not required the level of resource originally anticipated.

5.2   Market-Wide Half Hourly Settlement

This Ofgem led project (with Elexon in lead role), is planning to leverage the capabilities for smart metering data, which will have potential impacts on DCC system capacity and the SEC. TABASC has been leading on the identification of impacts to the smart technical and business architectures and responding to consultations. Expenditure on this area was marginally above budget.

5.3   Smart Metering Strategic Technical Design

The increasing prevalence of 1) Electric Vehicles (EVs), 2) Distributed Energy Resources (DERs), and 3) Smart Homes and connected Devices, brings challenges and opportunities for the energy system and smart metering that need to be understood and planned for. In this context, this project provided an opportunity to investigate whether and how the smart metering infrastructure could support the services associated with EVs, DERs, and Smart Homes. The outturn is £22,000 ahead of the original budget, due to the increased scope of the project, which was pre-approved by SEC Panel and SECCo Board.

5.4   Market Structure Impacts (Meter Splitting)

This project was a continuation of work in the previous year to identify the impacts on smart metering technical infrastructure, of BSC Modifications P375 (Metering behind the Boundary Point) and P379 (Multiple Suppliers through Meter-Splitting). Underspend of £28,000 is recorded against budget, after the P379 modification was withdrawn.

5.5   Supplier of Last Resort

Following cross-industry workshops with Ofgem, Suppliers, the DCC and PSPs, SECAS led work to investigate market-wide solutions to address a risk to continuity of supply where a Supplier of Last Resort (SoLR) event affects consumers with smart meters in prepayment mode. Project underspend of £51,000 is reported, as the work to implement the solution moved to the Modifications budget line.

5.6   Annual Security Obligations – Risk Assessment

SEC Section G7.19(b) specifies that the SSC must carry out reviews of the Security Risk Assessment at least once each year, in order to identify any new or changed security risks to the End-to-End Smart Metering System. The SSC procured the services of a specialist security organisation to complete the 8th iteration risk assessment whilst providing appropriate governance support.

Underspend of £59,650 is reported, due to an effective procurement activity to secure best value.

5.7   CPA Security Characteristic Threat Mapping Review

An exercise was carried out to refresh the original security threat mapping which created the CPA Security Characteristics in 2013 and update the CPA Security Characteristics. A test lab was procured to undertake the exercise and the review was completed in August 2020. Underspend of

£23,000 is reported, as there is ongoing work required to support SSC to resolve NCSC queries and enable publication of the updated documentation, this is due to complete in Q1 2021.

5.8   CPA Security Characteristics & Use Case Workshops

SEC Section G7.19(f) requires the SSC to maintain the CPA Security Characteristics. Within the year 8 iterative workshops were held with SSC, BEIS and NCSC, several including wider industry to discuss proposals either for changes to the CPA Security Characteristics or to investigate Use Cases for Device Refurbishment. SSC and BEIS continue to hold workshops and discussions with NCSC to resolve the outstanding issues and achieve NCSC approval for the publication of updated CPA SCs.

The SSC also has a responsibility to provide support to the DCC and Users relating to security incidents and the management of vulnerabilities (SEC Section G7.21 (a)). To meet this obligation, the SSC reviewed its Joint Industry Cyber Security Incident Management Plan (JICSIMP) and Smart Metering Incident Response Team (SMIRT) responsibilities and supported the BEIS funded security incident management exercise in March which included responding to a series of hypothetical security incidents and convening the SMIRT.

Underspend of £7,000 is reported for this budget line.

5.9   SMKI Document Set Review

SEC Section L1.17(c) requires the SMKI PMA to review the effectiveness of the SMKI Document Set. The project provisioned for the annual review of the SMKI Document Set (includes Section L, and 17 Appendices) to ensure they are up to date. The project is due to conclude in April and therefore a £30,000 underspend is being reported for this financial year.

5.10   User CIO Procurement

The contract for the Independent User CIO expired in July 2020, prior to which a tendering exercise was carried out to ensure best value for money was achieved for SEC Parties. The incumbent was reappointed for the next 3 years. Spend was £4,000 below budget.

5.11   Digitalisation

In support of Ofgem's desire for industry codes to be digitalised, several initiatives have been rolled out. Webinars have been introduced to replace in-person events, Microsoft Teams is being used as a platform for Sub-Committee document share and collaboration, and self-service tools have been added to the SECAS website. We are also part way through development of an online Security Booking Assessment tool, which will be a one-stop shop for SEC Parties. Spend is within the budget approved by the Board, which is £31,000 higher than the original budget given the increased scope of this area.

5.12   CACoP

A separate project budget was proposed to undertake cross-Code activities, and for SECAS to demonstrate leadership in this area to ensure that the impacts of all Code initiatives are assessed across Codes. We have continued to attend the monthly CACoP Forum meeting, using this to raise and discuss matters with the other Code Administrators. We have led discussions on enhancing cross-Code working through the Forum, agreeing a focused agenda slot to highlight new cross-Code impacting modifications and having named contacts at each Code to raise cross-Code matters with. We have also reached out to Elexon to agree better lines of communication on BSC changes that may affect the SEC. Finally, we have continued to produce the CACoP newsletter each quarter on behalf of the Forum. This work was delivered on budget.

The following projects were originally allocated budget in the SEC Panel Approved Budget 2020-21 but were either deferred or subsumed into other activities:

5.13   Smart Homes & Connected Devices

Budget was provisioned to consider the smart metering threats and opportunities which could arise from the BEIS initiative to encourage smarter homes, using a range of internet connected devices. This was looked at under the Smart Metering Strategic Technical Design project.

5.14   Electric Vehicles & Proportional Load Control

Budget was provisioned to consider the impact on the SEC of BEIS proposal to enhance existing load control functionality for uses such as Electric Vehicle smart charging, batteries and heat pumps. This was looked at under the Smart Metering Strategic Technical Design project.

5.15   Enduring Change of Supplier

Budget was provisioned to assess the implications of this BEIS led project. Work has been deferred until 2021-22.

5.16   Issues Management Process/ TSIRS transfer from BEIS

BEIS intend to transfer the operation and management of the Technical Specification Issues Resolution Sub-group to SECAS, however, this has been deferred by a year. £5,000 of the budget was used to add details of the TSIRS issues to the Technical Specifications within CodeWorks.

5.17   SMETS1 Integration

A separate budget was provisioned to consider the impacts of Parties looking to introduce new functionality into the SEC for SMETS1 Devices, based upon SMETS2 functional and non-functional requirements. This work has been subsumed into the business-as-usual SEC Modification process.

5.18   Elective Services

This project budget was to allow for consideration and preparation for the DCC's use of Elective Services, but instead this is being addressed through the Core TABASC budget line.

5.19   Performance Assurance

As identified by the BEIS SMETS2 Interoperability Review, a performance assurance framework may be required to ensure that Parties are complying with their obligations. This project has been deferred until 2021-22.

5.20   Quality Assurance (of Services)

This budget was to consider whether further DCC service quality assurance measures were required and to implement the chosen strategy. This project has been deferred until 2021-22.

5.21   DCC Cost Governance

Budget was provisioned to ensure continual focus and challenge on DCC costs to ensure best value for SEC Parties. This work was subsumed into the SEC Modification process.

5.22   Annual Security Obligations – Security Architecture

SEC Section G7.19(d) requires the SSC to review and maintain the End-to-End Security Architecture and Security Obligations and Assurance Arrangements to ensure it is up to date. The Security Architecture did not require updating this financial year.

The following projects either weren't identified, or had no budget assigned in the SEC Panel Approved Budget 2020-21, hence variances are reported:

5.23 Operational Metrics Review

£7,000 spend is recorded against this 2019-20 project, which was to identify improvements in the metrics used to measure the DCC service. This was to conclude the final report.

5.24 Review of Terms of Reference

This project reviewed the scope and duties of the SEC Sub-Committees resulting in updates to the Terms of Reference documents. The project was delivered within the budget agreed by SECCo Board.

5.25 SMETS2 Interoperability Review

This project has been looking at the recommendations which came out of the National Audit Office Review of Smart Metering Assurance for Device Interoperability on Change report. The report set out ten recommendations relating to test assurance and firmware management of SMETS2 Devices, six of which the Panel agreed to investigate at the request of BEIS. This project is showing underspend of £16,000 against the SECCo Board agreed budget but will continue into 2021-22.

5.26 Export Requirements

This project was undertaken to articulate Export Supplier business processes as they exist today via the creation of a guidance document. Workshops were also held with key Export stakeholders to test these processes, the outputs of which has highlighted areas for future consideration in regard to support for Export via the DCC and wider industry. £11,000 spend is recorded against this project.

5.27 Network Evolution

To assist the Panel in reaching a view on the DCC's Network Evolution programme's proposals, SECAS were requested to provide support to the DCC to help coordinate the approach for wider engagement and ensure the required project documentation is delivered. This work has so far been delivered at £8,000 under the SECCo Board approved budget and will continue into 2021-22.

5.28 SEC Section D Review

This project undertook an end-to-end review of the SEC modification framework in SEC Section D 'Modifications Process'. SECAS has implemented enhancements to the framework arising from this review, with changes to the SEC to be progressed in 2021-22. This project was delivered within the budget agreed by the SECCo Board.

5.29 OPR Procurement

As part of the update to the Operational Performance Regime (OPR) Ofgem are undertaking an independent audit of DCC's contract management. SECAS were requested to undertake the procurement of the independent auditor for the upcoming OPR audit. This project has been delivered within the SECCo Board agreed budget for this financial year and will be completed in Q2 2021.

6. SMDA

Following approval of SEC Modification MP111 in January 2021, the SMDA Scheme now falls under the governance of the SEC, with the fixed costs of the SMDA Scheme Operator and Test House being borne by the SEC Panel Budget.

Three months' worth of fixed costs were therefore charged to the SEC, along with costs to manage transition activities relating to the transfer of assets, processes and contracts from SMDA Co to SECCo. This activity was unbudgeted at the start of the year and shows a cost of £152,000.

7.   Contingency

The Panel included a 5% contingency within the Approved Budget, in line with previous years. There was no draw-down against this budget category.

Budget Line	Budget	Actual	Variance
Contingency	£397,595	£0	-£397,595

Table 6: Budget line variance for Contingency