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# MP149

## ‘Effecting Changes to the Smart Energy Code efficiently’

### Modification Report

Version 0.4

9 June 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, solution, costs, impacts, implementation approach 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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This document also has one annex:

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

## Contact

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## 1. Summary

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This proposal has been raised by Sarah-Jane Russell from Centrica.

The Department for Business, Energy and Industrial Strategy (BEIS) has historically managed Issue Resolution Proposals (IRPs) through BEIS led designations. BEIS has since transferred responsibility for delivering IRPs to the Smart Energy Code Administrator and Secretariat (SECAS) to implement through the Smart Energy Code (SEC) Modification Process.

However, the parties that can raise a Draft Proposal to instigate changes to the SEC are limited and SECAS does not have the power to raise its own modifications. SECAS currently relies on volunteers to raise the Proposal on its behalf. This is inefficient, and also is not appropriate for an individual (or a SEC Party) to be asked to put their name to a modification of which they may have no interest.

During the development of this solution, it has also become apparent that the power to raise Proposals should be expanded to include the remaining Sub-Committees and the Alt Han Forum who currently do not have the power to raise modifications relating to their remits.

The proposed solution will enable the SEC Panel and SECAS raise proposals as well as the Technical Architecture and Business Architecture Sub-Committee (TABASC), Operations Group and the Alt Han Forum so long as any proposal relates to their remits. The costs for implementation are SEC Release costs only and it will not directly impact on SEC Parties, although there will be an indirect impact as Parties could be affected by proposals that are raised in the future by these groups. There is a lead time of 10 working days to prepare the relevant changes within the SEC Release, therefore the November 2021 SEC Release is the next SEC Release that this change can be targeted for.

## 2. Issue

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### What are the current arrangements?

#### What are Issue Resolution Proposals?

Issue Resolution Proposals (IRPs) identify issues within the Smart Energy Code (SEC) Technical Specification documents and put forward a solution to the identified problem. They can affect the Great Britain Companion Specification (GBCS), the Smart Metering Equipment Technical Specifications (SMETS) or the Communications Hub Technical Specifications (CHTS). Once these issues have been identified and a solution has been agreed at the BEIS-led Technical Specification Issue Resolution Sub-Group (TSIRS), these IRPs are passed to SECAS to incorporate into the SEC. IRPs will still (for the time being) be discussed at the TSIRS, until this moves from being governed by BEIS to being overseen by TABASC.

#### Who can raise SEC Modifications?

SEC Section D 'Modification Process' sets out the journey of a SEC Modification from raising a Draft Proposal through to implementation.

SEC Section D1.3 states which Parties can raise Draft Proposals, and these are:

- SEC Parties (including the Data Communications Company (DCC));

- Citizens Advice and Citizens Advice Scotland;
- Anyone specifically designated by the Authority;
- The Authority, but only following a Significant Code Review (SCR); and
- The Panel in specific circumstances (see below).

Two SEC Sub-Committees can also raise Draft Proposals:

- the Security Sub-Committee (SSC) under SEC Section G 'Security' Section G7.20 where a Draft Proposal relates to its remit or documents; and
- the Smart Metering Key Infrastructure (SMKI) Policy Management Authority (PMA) under SEC Section L 'Smart Metering Key Infrastructure and DCC Key Infrastructure' Section L1.19.

### SEC Panel raising SEC Modifications

The specific circumstances under which the Panel can raise a Draft Proposal are (this can be found under SEC Section D 'Modification Process' D1.3(e)):

- following a review carried out by the Panel at the request of the Authority (Section C2.3(i)), to progress any consequential changes required;
- following a recommendation from SECAS that the SEC is inconsistent with the Code Administration Code of Practice (CACoP) (Section C7.2(c)), to resolve this inconsistency;
- to progress a Fast-Track Modification to resolve any non-material typographical errors or other minor factual inaccuracies or inconsistencies within the SEC; and
- to progress any consequential changes required to the SEC as a result of changes under other Codes.

### Code governance

Code governance is currently undergoing review across the industry, and this includes reviewing the approach to change. This can be found in the latest emerging industry Code, the Retail Energy Code (REC). The REC, whilst still in draft form, allows for 'any interested person' to submit a Change Proposal, regardless of whether or not they are a Party to the REC (this can be found under REC Section 7 'Submitting Change Proposals').

One of the reasons this approach was taken forward is that the REC is a Code focusing on Consumer outcomes and promoting innovation. It was felt that it wouldn't be appropriate to allow a scenario where REC Parties (or even the Code Manager) can stifle innovation if another organisation (or individual) has a good idea that should be explored. The REC Code Manager has also been appointed with the authority to prevent this process being abused, and can reject any Change Proposals that may be vexatious and have no real chance of success.

The REC also procured the Code Manager with the specific intention of having a more empowered, independent Code Manager that takes on much of the responsibilities currently managed by Panels and Executive Committees. Therefore, the commercial framework has greater accountability for the Code Manager through contractual Key Performance Indicators (KPIs), service penalties, contract management and a robust performance assurance framework that ensures the Code Manager is held to account in its operation of the Change Process.

There is precedence for Code Administrators to be able to raise changes, for example National Grid can raise Connection and Use of System Code (CUSC) modifications as the System Operator, even though it is also the Code Administrator. In addition, the DCC, whose functions are also subject to SEC governance, can also raise SEC Draft Proposals.

## What is the issue?

### SEC Party resources

Under the current arrangements SECAS is forced to rely on the goodwill and resource of SEC Parties in order to carry out the responsibilities transferred upon it by BEIS to process IRPs. Resource of SEC Parties has always been a consideration for potential volunteer Proposers, and this has been exacerbated by the pandemic. Many businesses have been forced to reduce the size of their regulatory departments to make savings and place a higher focus on their employees concentrating their time to work on the issues directly affecting their organisation. Relying on goodwill to carry out necessary modifications is seen as an increasing risk, as individuals and SEC Parties are becoming less willing to carry this burden. In addition, with BEIS stepping back from the SEC it is expected more responsibility for change will be handed over to SECAS to enact through the modification process.

### Misallocation of responsibility

When a volunteer Proposer agrees to take on the burden of being part of the change process they are often not engaged with the process and only volunteered out of goodwill. It is not appropriate for an individual to be asked to sign their name on behalf of a SEC Party that has not been involved, nor potentially had any interest or understanding, with a modification that they have been asked to sponsor.

Furthermore, the lack of active engagement with the modification creates inefficiencies as the Lead Analyst is required to gain approval from the volunteer upon various stages to progress the modification. The Code Administrator can, and does, carry out work and development on modification for Proposers and provides them with recommended options and ways forward. However, the Proposer has the final say on any Proposed Solution<sup>1</sup>. They therefore need to consider the Code Administrator's recommendations and provide their decision before SECAS can take the change further.

### SECAS and Sub-Committees

SECAS and the Sub-Committees are often better placed to identify and consider potential changes that would be of benefit for the Consumer and the industry. The SMKI PMA and the SSC already have the ability to raise changes when within the remit of that Sub-Committee, whereas the remaining Sub-Committees and the Alt Han Forum do not and must rely on SEC Parties goodwill and resource in order to enact positive change.

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<sup>1</sup> CACoP Principle 6 'A proposer of a Modification will retain ownership of the detail of their solution' – please see the [CACoP](#) for more information.

### **How many modifications has this issue affected?**

The current restrictions have led to more than 20 SEC Panel, Operations Group (OPSG) or SECAS-initiated modifications being raised by volunteer Proposers. Since 2018 these proposals account for around 17% of all SEC modifications raised.

### **What is the impact this is having?**

#### **Increased risk of changes not being raised**

SECAS and the Sub-Committees are well placed to identify and consider potential changes that would be of benefit for the Consumer and the industry. It is an increasing risk that SEC Parties will not be able to devote resource to act as a Proposer on modifications that do not directly affect their organisation. If a volunteer cannot be found due to resource or if the proposal does not provide that SEC Party with a benefit, then a change that could have a consumer benefit may not be raised, to the detriment of the consumer, unless Citizens Advice are able to provide a resource to raise the proposal.

#### **Creating inefficiencies in the Modification process**

Where a volunteer Proposer is needed, SECAS must devote time and effort to finding a volunteer and then consulting with them at various stages of the Modification Process. As progressing modifications are not the volunteer's main job, these consultations often cause delays as they need to fit in with the Proposer's other responsibilities that take priority. This can be exacerbated when a volunteer Proposer needs more time to understand and consult internally as they're not engaged with the modification, or when their organisation is not engaged with the change and they require internal approval in order to progress the modification.

#### **Large SEC Party bias**

The change process is often accused of being monopolised by the larger Parties, and there are some suggestions that Large Suppliers drive industry change for their own benefit. However, this is more likely because Large Suppliers are the only companies that have the resources to take responsibility for changes; this perception is then magnified by them acting as volunteer Proposers in these instances.

There is an element of bias that naturally occurs when considering the impacts from a specific organisation's point of view. This could prevent that change from being raised if that change is of no benefit to that Party. It could also lead to the development of that modification with an increased risk of bias being driven by a Party's agenda that would otherwise not have been there.

#### **Impact on consumers**

SEC modifications need to be shown to better facilitate the SEC Objectives to ultimately provide a better service to consumers. It is therefore vital that the consumer is at the forefront when discussing the impact of change.

However, a SEC modification that benefits consumers may also result in SEC Parties incurring costs. This could potentially deter Parties from putting themselves forward as Proposers and result in the

Consumer Representative, Citizens Advice, volunteering, who may not have adequate resource to actively engage.

Due to the previously stated inefficiencies, these delays automatically cause an increase in costs. If the duration of a modification was shorter, it would likely to lead to cost savings for SEC Parties and therefore consumers.

### 3. Solution

#### Proposed Solution

MP149 proposes to extend the provisions to raise Draft Proposals to SECAS, the TABASC, and the Alt HAN Forum. It will also remove the existing limitations to the SEC Panel. Additionally, MP149 will also extend this ability to certain other SEC Sub-Committees subject to the SEC Panel delegating them that responsibility within their terms of reference.

#### Legal text

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

### 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

SEC Parties are not directly impacted by this modification. However, they are likely to be indirectly impacted by modifications that are raised under the extension of these provisions.

#### DCC System

There is no impact identified on the DCC systems.

## SEC and subsidiary documents

The following parts of the SEC will be impacted:

- Section D 'Modifications'

The changes to the SEC required to deliver the Proposed Solution can be found in Annex A.

## Technical specification versions

There are no identified impacts on technical specifications.

## Consumers

There are no identified impacts on consumers.

## Other industry Codes

There are no identified impacts on other industry Codes.

## Greenhouse gas emissions

There are no identified impacts on greenhouse gas emissions.

# 5. Costs

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## DCC costs

There are no DCC costs to implement this modification.

## SECAS costs

The estimated SECAS implementation costs to implement this modification is one day of effort, amounting to approximately £600. The activities needed to be undertaken for this are:

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

## SEC Party costs

SEC Parties will be consulted on this as part of the Refinement Consultation.



## 6. Implementation approach

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### Recommended implementation approach

SECAS is recommending an implementation date of:

- **4 November 2021** (November 2021 SEC Release) if a decision to approve is received on or before 21 October 2021; or
- **24 February 2021** (February 2021 SEC Release) if a decision to approve is received after 21 October 2021 but on or before 10 February 2022.

As this is a document only change, and there are no impacts to other SEC Parties there is a lead time of 10 working days to prepare the relevant changes within the SEC Release. The November 2021 SEC Release is the next SEC Release that this change can be targeted for.

## 7. Assessment of the Proposal

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### Observations on the issue

SECAS presented the Draft Proposal to the Change Sub-Committee (CSC) for initial comment. Members were supportive of the proposal's intent. Members felt that the issue was clearly defined and supported the rationale. Several CSC members have experienced first-hand becoming volunteer Proposers.

Members identified a key benefit which was the potential alignment to the newest industry Code, the REC. During the Development Stage, SECAS engaged with the REC Code Manager to further understand the rationale behind allowing 'any interested person' to submit a Change Proposal. The outcomes of this can be found in Section 2 above. Ofgem has also commented that while it encourages other Codes to learn from the changes being introduced under the REC, they should not just copy these over like-for-like but should first ensure any changes are suitable for that Code.

The proposal was presented to all other SEC Sub-Committees, who were happy for it to proceed and added no further comments.

The CSC recommended that the Panel converted the Draft Proposal into a Modification Proposal and progressed it to the Refinement Process.

### Solution development

The original solution to this issue was raised under [MP088](#) 'Power to raise modifications'. The solution was discussed at the Working Group, along with each of the SEC Sub-Committees and received widespread support. MP088 was recommended for approval by the Change Board but was ultimately rejected by the Authority. The Authority's decision letter highlighted key points that it felt needed further justification in order to approve the proposal.

SECAS, the Proposer and the Working Group have considered these points and have sought to address these below.

## **Do current governance arrangements block efficient progression of modifications, or prevent them being raised?**

Ofgem questioned whether there was sufficient evidence to support this modification. It noted in the MP088 decision letter that there was no evidence that modifications were not being raised, nor that there were inefficiencies within the process when modifications had volunteer Proposers.

Each modification is very different so making direct comparisons between them can be misleading. There have been more than 20 modifications raised that rely on a volunteer Proposer. Working Group members highlighted particular modifications that they had volunteered for that had resulted in an inefficient change process. [MP095 'Alignment of SEC Credit Cover'](#) (arising from a Panel recommendation) and [MP122 'Operational Metrics'](#) (arising from an OPSG recommendation) were both highlighted as good examples of this. MP095 has been placed on hold as there is not the resource from the Proposer to drive forward a solution that works for the rest of industry. MP122 resulted in a split to two proposals ([MP122A](#) and [MP122B](#)) and has required a far greater level of input and resource from the volunteer that had been envisaged. Both of these proposals are still ongoing after well over a year and are still in the Refinement Process whereas the average duration between a Draft Proposal being raised to the time a decision is made on a modification since 2018 is 140 working days. These figures also do not consider the additional time and effort required to find a volunteer Proposer in advance of a Draft Proposal being raised.

Up to this time, SECAS has been able to find volunteer Proposers when required. More recently, this has been met with increasing resistance as resources become more stretched for SEC Parties. Large Suppliers are often relied upon to act as a volunteer Proposer as other Parties often are not able to commit the resource required of them. However, the Large Suppliers who have traditionally acted as volunteer Proposers in the past have indicated that this is becoming more of an issue for them as well. At the Working Group meeting in June 2021 multiple SEC Parties who had acted as volunteer Proposers in the past voiced their opinions. The themes were that the resource required to support a modification is a burden and also that the volunteer is often left to make decisions without necessarily having the technical knowledge required in order to make that decision. It was clear that there was no appetite to continue to act as volunteers if it could be helped. This supports the belief that the solution is needed to future proof the Modification Process.

## **How and when would SECAS and the Sub-Committees raise modifications?**

The SMKI PMA and the SSC combined account for more than 10% of changes raised within the SEC since 2018. Of these modifications that have reached decision, each of them has been approved and implemented. This acts as an indicator for the quantity and demonstrates the quality of change that would likely be raised by a Sub-Committee.

The Working Group was asked to confirm which Sub-Committees it believed should be granted this power, and whether that should be unrestricted. The group agreed that Sub-Committees should only be allowed to raise modifications in areas that fell under the remit of that Sub-Committee. Therefore, each Sub-Committee will only be able to raise modifications that directly relate to its Terms of Reference.

The Working Group also felt that placing restrictions on the modification types that SECAS could raise would be too limiting in terms of its ability to raise positive changes. SECAS should be able to raise changes that it identifies could benefit the industry or consumers as and when they are identified. Members also felt the modifications framework already contains sufficient check and balances to prevent unnecessary or vexatious proposals from proceeding beyond the Development Stage. They

did not believe an additional check was needed before SECAS was able to formally raise a new Draft Proposal.

### **Are new/amended responsibilities or accountability mechanisms required?**

In its decision on MP088 Ofgem noted that the Modification Report did not give enough consideration to any potential change in governance or accountability.

The Working Group discussed the governance arrangements in detail and determined that the existing arrangements offer sufficient protection against misuse. It also noted that all modifications should follow the same process and adding unnecessary complexity and inefficiency into the governance was not warranted. The CSC would report to the SEC Panel if it felt that modifications were being raised that were not needed.

The Working Group agreed that the current SEC modification framework gives sufficient oversight and separation to ensure that vexatious proposals do not continue through the process. Each proposal must be reviewed and approved independently by the CSC and the Change Board at various stage gates. In addition, all SEC Parties are given the opportunity to input into each proposal via the Refinement Consultation, the Working Group and the Modification Report Consultation in advance of a decision.

### **Will additional workload lead to increase in SECAS costs?**

Whilst MP088 did address the implementation costs for the modification, there was no analysis against the potential costs that may be incurred as a result of the change of the modification.

It is not expected that there will be an increase in costs associated with this proposal. Currently each proposal is assigned a Lead Analyst who is responsible for assisting the Proposer to drive forward the modification by preparing documentation and carrying out research on each proposal.

Many volunteer-led modifications are currently presented to the Working Group several times for discussion as a result of the Proposer not being fully engaged with the proposal or having the requisite knowledge of the issue. These delays often result in duplication of work. Therefore, whilst there is the potential for more modifications to be raised directly by SECAS, any costs associated with this would be offset by being able to work more efficiently on those modifications once in the Modification Process.

### **Future of Code Governance – Alignment with the REC**

Ofgem has indicated, by way of the REC proposals, a shift from traditional Code Administration towards Code Management with enhanced responsibilities and accountability. SECAS will remain a Code Administrator; however, it is important that innovation and continuous improvement is at the forefront of the SEC to ensure it continues to evolve to meet the demands of smart metering to the benefit of the consumer.

The REC proposals include provisions that any person can propose a change to the Code, albeit with an appropriate framework to ensure that Proposals only continue that would be of benefit. MP149 does not aim to widen the net that far under the SEC. However, by allowing SECAS and the Sub-Committees to raise proposals it promotes a similar level of innovation. To ensure frivolous modifications are not raised, any change must, as now, pass through the CSC in the first instance before resource is diverted to them.

## Support for Change

### Working Group

The Working Group agreed that this is an issue that is likely to become more of a problem as resource constraints continue to be a factor. Many previous volunteers provided their views on being a volunteer in the past and how the burden and the decision making was not appropriate. There was widespread support for other Sub-Committees to be able to raise modifications that sat within their remit. Members felt that a Sub-Committee would pass on the details of any issue they identified that did not sit within their remit to the appropriate group. It was agreed that making the legal text too prescriptive could be a detriment should modifications arise that SECAS was then unable to raise that would generate positive change.

The Working Group agreed that the existing governance arrangements for all should be followed for any SECAS or Sub-Committee raised Modifications. The existing arrangements provide sufficient oversight and opportunity for engagement and adding additional criteria would make the process unnecessarily cumbersome and complex.

## Views against the General SEC Objectives

### Proposer's views

#### *Objective (g)<sup>2</sup>*

The Proposer believes that this modification will better facilitate SEC Objectives (g) as the consumers at premises affected by this issue do not have access to the benefits of smart metering as the devices at these premises are not providing smart functionality.

## 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.

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<sup>2</sup> To facilitate the efficient and transparent administration and implementation of this Code.

## Benefits for society as a whole

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

## Appendix 1: Progression timetable

This modification will now be issued for Refinement Consultation.

Timetable	
Event/Action	Date
Draft Proposal raised	14 Jan 2021
Presented to CSC for initial comment	26 Jan 2021
Sub-Committee input sought	Jan – Feb 2021
Presented to CSC for final comment and recommendation	23 Feb 2021
Panel converts Draft Proposal to Modification Proposal	12 Mar 2021
Solution developed with Proposer	Apr – May 2021
Modification discussed with Working Group	2 Jun 2021
Refinement Consultation	11 Jun 2021 – 2 Jul 2021
Modification discussed with Working Group	7 Jul 2021
Modification Report presented to CSC	27 Jul 2021
Modification Report Consultation	28 Jul 2021 – 16 Aug 2021
Change Board vote	25 Aug 2021
Authority decision (anticipated date)	Late Sep 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
BEIS	Business, Energy & Industry Strategy
CACoP	Code Administration Code of Practice
CUSC	Connection and Use of System Code
CSC	Change Sub-Committee
DCC	Data Communications Company
IRP	Issue Resolution Proposal
KPI	Key Performance Indicator
PMA	Policy Management Authority
REC	Retail Energy Code
SCR	Significant Code Review
SEC	Smart Energy Code
SECAS	Smart Energy Code Administrator and Secretariat
SMKI	Smart Metering Key Infrastructure
SSC	Security Sub-Committee
TSIRS	Technical Specification Issue Resolution Sub-Group

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# MP149 ‘Effecting Changes to the Smart Energy Code efficiently’

## Legal text – version 0.1

### Annex A

#### About this document

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

This document contains the changes required to deliver the Proposed Solution.

## Section D 'Modifications'

These changes have been redlined against Section D version 7.0.

### Amend Section D1.3 as follows:

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, and the following Sub-Committees:~~
  - ~~(i) the Security Sub-Committee in accordance with Section G7.23 (Modifications);~~
  - ~~(ii) the SMKI PMA in accordance with Section L1.19 (Modification of the SMKI SEC Documents and S1SPKM SEC Documents by the SMKI PMA); and~~
  - ~~(iii) each and every other Sub-Committee to which the Panel expressly delegates the power to raise a Draft Proposal (but only in respect of matters within the scope of the Sub-Committee's remit); and~~
  - ~~(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 Alt HAN Forum in respect of Section Z (Alt HAN Arrangements); and
- (g) the Code Administrator.