

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.

## MP149 'Effecting Changes to the Smart Energy Code efficiently'

### June 2021 Working Group – meeting summary

#### Attendees

Attendee	Organisation
Ali Beard	SECAS
Holly Burton	SECAS
Harry Jones	SECAS
Bradley Baker	SECAS
Joe Hehir	SECAS
Kev Duddy	SECAS
Piers Garton	SECAS
Joey Manners	SECAS
David Kemp	SECAS
Sasha Townsend	DCC
Remi Oluwabamise	DCC
Charlotte Semp	DCC
David Walsh	DCC
Abhijit Pal	DCC
Lynne Hargrave	Calvin Capital
Julie Geary	E.ON
David Lyons	E.ON
Alex Hurcombe	EDF Energy
Paul Saker	EDF Energy
Alastair Cobb	Landis + Gyr
Ralph Baxter	Octopus Energy
Jonathan Coe	Ofgem
Grace Royall	Ofgem
Emslie Law	OVO Energy
Mafs Rahman	Scottish Power
Elias Hanna	Smart ADSL
Matthew Alexander	SSEN
Paul Fitzgerald	SSE
Gemma Slaney	WPD
Kelly Kinsman	WPD

## Overview

The Smart Energy Code Administrator and Secretariat (SECAS) provided an overview of the issue identified in [MP149 'Effecting Changes to the Smart Energy Code efficiently'](#) the support and opposition for the previously raised modification - [MP088](#) that also aimed to address the issue. SECAS highlighted the differences between these modifications and provided Governance arrangement options and intended next steps.

### Objectives:

- **Agree** which Sub-Committees should be able to raise Change Proposals.
- **Agree** an appropriate Governance Process for those Change Proposals.

### Issue:

- SECAS now owns the Issue Resolution Proposals (IRP) process to fix known issues. This is no longer carried out by the Department of Business, Energy and Industrial Strategy (BEIS) designations and now relies on the Modification process. All Proposals must have a defined Proposer.
- SECAS cannot raise proposals to fix this, they rely on a Proposer to step forward from a SEC Party.
- Identifying and working with volunteer Proposer causes delays and SECAS want to remove the burden from SEC Parties.
- Is it appropriate to be named on another person's or group's modification?

### History and Feedback:

SECAS provided an overview of MP088 which was initially raised in October 2019 to address this matter. Following Working Group discussions, the proposals were expanded to include all SEC Sub-Committees, Alternative Home Area Network (Alt-HAN) Forum and placed no restrictions on SECAS in the proposal. This was subsequently approved by the Change Board but rejected by Ofgem in September 2020.

During the consultations there was positive feedback, agreeing that SECAS are in a unique position to be able to identify beneficial change that other SEC Parties might not. There was agreement that the solution would remove unnecessary steps in the modification process allowing for simplification and improved efficiency.

Opposition during development suggested there was a lack of evidence that finding 'volunteer proposers' was an issue, and it was noted that no other Code has raised similar Draft Proposals, questioning why it was an issue in the SEC but not for other Code Administrators. There was concern over SECAS being able to raise change without added governance and, there could be potential conflict of interest if SEC Panel were able to raise changes that they then preside over.

### MP088 Ofgem Decision and Changes for MP149:

Ofgem's decision letter highlighted several issues:

- Not sufficient evidence to demonstrate efficient progression of modifications being blocked.

- No evidence of the prevention of modifications being raised.
- Unclear ongoing costs related to this modification.
- Did not clearly articulate the impact of the SEC.
- Did not consider any new responsibilities or accountability mechanisms.

Following the rejection of MP088, the proposer has chosen to raise a new modification which has taken into consideration Ofgem's previous comments. This modification aims to provide more evidence whilst also highlighting that this Modification is attempting to future proof this requirement as Parties may not be relied upon to volunteer in the future as they have in the past. More commentary has been provided against the ongoing costs of this modification; the view is that if the existing process can be streamlined then this would balance against any new high-quality changes that could be raised.

### **Working Group Discussion:**

One Working Group member (GS) responded to a previous comment made against other Codes not raising a similar proposal, highlighting that the Retail Energy Code (REC) is coming into effect to raise changes so this will be the new process moving forward. Another Working Group member (EL) suggested industry discussions have resulted in several modifications requiring volunteers. These volunteers then must justify the case for the modification they have volunteered to lead. The DCC (DW) did not believe it is a burden for the DCC to volunteer to lead modifications as they are heavily involved in the process. However, this view was challenged by another Working Group member who did not believe that this was a view from the whole of the DCC. It was also noted that DCC volunteering as proposer of modifications could be a conflict of interest since they stand to gain financially, although it was acknowledged in some cases it does make sense for the DCC to be the Proposer.

It was further noted that Parties that have previously volunteered on modifications have the view that this often leads to taking full ownership and decision-making control on sometimes technical solutions where they may not be the best person to do so. There were multiple Parties that voiced similar experiences and there was general agreement that SECAS was often best placed to lead these modifications on behalf of the Industry.

Ofgem (JC) provided further background as to why MP088 was rejected, specifically they see REC as the best-in-class Industry Code which will provide additional responsibilities in terms of raising Code modifications. In general, Ofgem are supportive of Industry looking at these developments in both the REC and the Energy Code Review. This could highlight what potential changes could be brought into current Codes to improve existing Code Governance Arrangements ahead of a fundamental Code reform. Ofgem's letter suggests that where such proposals are being brought forward to be implemented in Codes, they need to be fully considered in the context of that Code. Just because something is in the REC does not mean it is necessarily appropriate for the SEC. Ofgem were not against the principle behind MP088 but what was presented in the final Modification Report of MP088 was not an appropriate solution for the problem identified.

In terms of who is able to raise Proposals, SEC Panel are able to raise changes at this moment in time in very limited circumstances. The intent is to lift restrictions as Panel will not oversee Modifications. That function will be delegated to the Change Sub-Committee (CSC) which removes their conflict of interest. As part of the list Sub-Committees/groups, changes would need to relate to

their Terms of Reference (ToR) or the business for this committee. Security Sub-Committee (SSC) and SMKI PMA can raise their own changes as set out in the Terms of Reference and there is no intent to lift restrictions at this time.

A Working Group member (EL) suggested it would be difficult to justify why a certain Sub-Committee can raise a change that is outside of their remit. If this was to be implemented, then members should expect to see their ToR updated accordingly. Arguably, if this is restricted to IRPs then it is not futureproofed as future IRPs cannot be predicted. Members noted that as long as this is done appropriately and the correct governance is in place, then SECAS should have no restrictions.

### **Governance Arrangement Options:**

SECAS reiterated the current process in that changes are submitted to the Change Sub-Committee twice before being taken to Change Board. One option could apply to SECAS specific modifications which will consist of an increase in reporting to highlight the changes being raised are appropriate. The second option would seek initial authorisation from the SEC Panel to raise a SECAS modification.

Working Group member (GS) commented the proposed options seem to be adding additional time to the modification process, whilst questioning why additional governance is needed as modifications are currently seen by several Sub-Committees, Working Groups and Change Sub-Committee before moving to a decision by the Change Board. This view was shared by the DCC (CS) who also noted that there didn't appear a need to make the Change Process more complex by adding different authorisation routes.

### **Conclusion:**

SECAS confirmed work will now be undertaken to further define the legal text based on these conversations. Although the intent of MP088 remains roughly the same, the legal text will likely be different to provide an appropriate solution. This modification will then be issued for Refinement Consultation once the Legal Text has been drafted.

### **Next Steps**

The following actions were recorded from the meeting:

- SECAS to work with the Proposer to define the legal text before issuing for Refinement Consultation.