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# MP140 ‘Communications Hub Stock Transfer’

## Modification Report

Version 0.5

16 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, impacts, costs, 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.

## Contents

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1. Summary.....	3
2. Issue.....	3
3. Solution .....	4
4. Impacts .....	5
5. Costs .....	6
6. Implementation approach .....	7
7. Assessment of the proposal .....	7
Appendix 1: Progression timetable .....	11
Appendix 2: Glossary .....	11

This document also has three annexes:

- **Annex A** contains the business requirements for the solution.
- **Annex B** contains the full Data Communications Company (DCC) Preliminary Assessment response.
- **Annex C** contains the full responses received to the Refinement Consultation.

## Contact

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## 1. Summary

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This proposal has been raised by Sasha Townsend from the DCC.

Smart Energy Code (SEC) Parties currently order Communications Hubs (CH) through the DCC. If a CH order needs to be cancelled, the Party will be subject to charges in accordance with the SEC Section K 'Charging Methodology'. In March 2020, the UK government issued social distancing guidelines which led to a reduction in installations of smart metering equipment. Some SEC Parties built up an excess of stock and are now looking to transfer this excess CH stock. The DCC has proposed that the SEC Parties who want to transfer this stock should be able to send it directly to SEC Parties who are still taking CH orders. This should reduce logistics, inefficiencies and effort on the part of SEC Parties and the DCC.

The Proposed Solution is for the DCC to provide a means of allowing SEC Parties to exchange CH units between themselves directly, rather than returning them to the DCC. After a stock transfer has been completed between the two Parties, the DCC would share the transfer details with the Data Service Provider (DSP) to acknowledge the change of ownership and liability.

This Modification Proposal will impact Suppliers, Other SEC Parties and the DCC. The Proposed Solution has a lead time of between three and six months (up to Pre Integration Testing (PIT)) with a targeted implementation date of 30 June 2022 (June 2022 SEC Release). The cost is estimated to be between £301,000 to £625,000. This Modification Proposal is being progressed as a Self-Governance Modification.

## 2. Issue

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### What are the current arrangements?

SEC Parties currently order CHs in accordance with SEC Section F 'Smart Metering Systems Requirements' and are required to:

- forecast their CH orders covering the 24-month period commencing on the sixth month after the month in which the forecast is submitted; and
- confirm their orders five months prior to delivery within tolerances based on their forecasts ten months and seven months prior to delivery.

If a customer wants to cancel an order, then it will be subject to reasonable charges incurred by the DCC.

In accordance with SEC Section F6.5, risk of loss or destruction of or damage to ordered CH transfers to the ordering SEC Party on commencement of it unloading stock at the Delivery Location. At this point, the ordering SEC Party will also be required to pay the "CH stock level charge" as set out in SEC Section K7.5.

SEC Section F8 sets out the obligations surrounding the return of CHs. Including in the case of a Supplier of Last Resort (SoLR) scenario where SEC Section F8.7 states that where a SEC Party ceases to be a SEC Party, it shall return to the DCC all the CHs that have been delivered but not yet installed.

### What is the issue?

Many SEC Parties have raised concerns in relation to excess CH stock in their warehouses. This issue has been amplified by the impacts of social distancing guidance set out by the UK government in March 2020, whereby SEC Parties could not install CHs for a number of months.

Whilst [MP130 'CH order and delivery changes due to COVID-19'](#) mitigated risk of further increases to stock levels, SEC Parties have also enquired whether they can transfer excess stock to SEC Parties who have demand for them. The SEC does not currently accommodate this as there is no way to transfer the liability of any loss, destruction or damage of CHs to the SEC Parties away from those relinquishing CHs to those who would take on the excess stock. There is also not a method to transfer the CH stock level charges to the SEC Party receiving the new stock.

Furthermore, where a SEC Party ceases to be a SEC Party and where a SoLR has been assigned, the failed SEC Party and the DCC are unable to transfer the uninstalled Communications Hubs to the SoLR. This means that the only option for SEC Parties to reduce their excess stock is to cancel future CH orders or return excess CHs to the DCC via SEC Section F8, thus incurring charges.

### What is the impact this is having?

Currently, the only method of a SEC Party returning CHs which remain uninstalled is to return them to the DCC. This results in charges being levied against the SEC Party. The DCC will then send the stock back out from warehouses to a SEC Party who is still placing CH orders. This expends unnecessary costs, time and effort on the DCC to have the CHs shipped to it, before being shipped out again to another SEC Party.

## 3. Solution

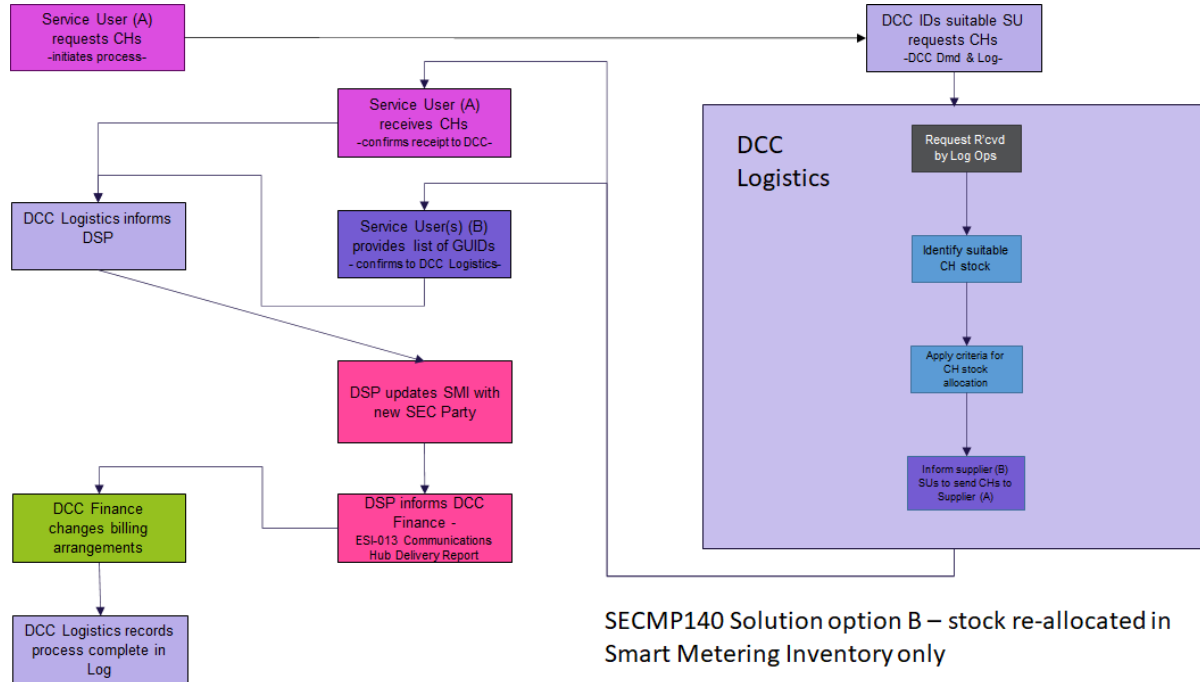
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### Proposed Solution

The Proposed Solution is for the DCC to provide a means of allowing SEC Parties to exchange CH units between themselves directly, rather than returning them to the DCC. After a stock transfer has been completed between the two Parties, the DCC Logistics team would share the transfer details with the DSP to acknowledge the change of ownership and liability. This exchange would be carried out via the DCC customer SharePoint, and communication between the SEC Parties (both sending and receiving CH units) and the DCC will be done by email. The transaction records as requested in the business requirements would be available on the DCC customer SharePoint. The DCC will also use its customer SharePoint to share the list of selection criteria for a SEC Party that requests additional CH units, and to outline the steps DCC will take in the event of a dispute between the SEC Parties exchanging CH units.

A new file upload interface will be provided within the for the purpose of CH stock transfer notification. This interface and the subsequent processing will be built in accordance with the existing processing patterns for file upload. The file will contain the list of CH IDs and the new Service User Reference. The DSP will update the Smart Metering Inventory (SMI) with the new Service User ID for the list of CHs. Only CHs with an SMI status of 'Pending' will be eligible for transfer and this will be enforced by

way of validation checks within the Self Service Management Interface (SSMI). The following flow diagram shows how the Proposed Solution would take effect:



In this option, the CH stock transfer data is updated only within DSP. The CSPs will not be updated since there is currently no mechanism to notify them when an update of this nature is made to the CH record. The only change that would take place with the CSPs under this solution are the financing arrangements for CH units, where renegotiations may be required as part of the Impact Assessment.

The updated CHs records will be available in the next scheduled delivery of CH Delivery Report.

The Business Requirements are set out in Annex A.

## 4. Impacts

This section below summarises the impacts that would arise from the implementation of this modification if the Proposed Solution were to be implemented.

### SEC Parties

SEC Party Categories impacted			
✓	Large Suppliers	✓	Small Suppliers
	Electricity Network Operators		Gas Network Operators
✓	Other SEC Parties	✓	DCC

Breakdown of Other SEC Party types impacted			
	Shared Resource Providers		Meter Installers
✓	Device Manufacturers		Flexibility Providers

Supplier Parties will be impacted by having a means of exchanging CHs between each other rather than returning them to the DCC and incurring refurbishment and returns costs. This would allow an alternate means of Supplier Parties who have built up an excess of CH stock to offload it to a willing recipient.

Other SEC Parties may be impacted, in particular Device Manufacturers, by having fewer orders if the stock of CHs may shift between Supplier Parties rather than placing orders with the DCC to acquire more CH units. However, this solution may prevent wasting or scrapping CH units and reduce costs creating new CH units if industry participants are free to exchange CH units between themselves rather than return them directly to the DCC.

## DCC System

Changes will be required to the SMI and SSMI in order to make updates to CH stock ownership and for keeping a record on transfers that have taken place.

The full impacts on the DCC Systems and DCC's proposed testing approach can be found in the DCC Preliminary Assessment response in Annex B.

## SEC and subsidiary documents

The following parts of the SEC will be impacted:

- Section F 'Smart Metering Systems Requirements'

Please note that legal text will be provided for the Proposed Solution once the Impact Assessment has been returned to confirm the changes needed in SEC Section F, and where other changes may be required in the SEC that have not been mentioned as part of the Preliminary Assessment. This is because the legal text requires the technical details from a Full Impact Assessment to be accurate.

## 5. Costs

### DCC costs

The estimated DCC implementation costs to implement the Proposed Solution up to PIT is £301,000 - £625,000. The breakdown of these costs are as follows:

Breakdown of DCC implementation costs	
Activity	Cost
Design, Build and Pre-Integration Testing	£301,000 - £625,000

More information can be found in the DCC Preliminary Assessment response in Annex B.

## SECAS costs

The estimated Smart Energy Code Administrator and Secretariat (SECAS) implementation costs to implement this modification is two days of effort, amounting to approximately £1,200. The activities needed to be undertaken for this are:

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

## SEC Party costs

There were two respondents to the Refinement Consultation. One respondent stated that it was hard to quantify what additional costs might be incurred by this change. The other said they would incur minor costs but these would be outweighed by the benefits of the change.

# 6. Implementation approach

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## Recommended implementation approach

SECAS is recommending an implementation date of:

- **3 November 2022** (November 2022 SEC Release) if a decision to approve is received on or before 3 November 2021; or
- **2 November 2023** (November 2023 SEC Release) if a decision to approve is received after 3 November 2021 but on or before 2 November 2022.

The lead time returned in the DCC Preliminary Assessment for the Proposed Solution is three to six months up to PIT. With an additional estimated lead time of six months for System Integration Testing (SIT and User Integration Testing (UIT), the November 2022 is the earliest viable SEC Release with systems impacting change being made. As there are no technical specifications changes being made under the Proposed Solution, it can be placed in the November 2022 SEC Release. Where needed the November 2023 SEC Release could also include the change proposed to the SSI/SSMI if the change is approved after 3 November 2021.

Refinement Consultation respondents cited a maximum of three months would be required to adjust their systems to incorporate the changes proposed by the Modification Proposal. Three of the five respondents believe they could implement the solution immediately, or nearly immediately, citing the internal processes would need minimal time and effort to align with the offered solution.

# 7. Assessment of the proposal

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## Observations on the issue

The Change Sub Committee (CSC) agreed that the issue was one which needed addressing as soon as possible given the impact it was having on Suppliers and their stock of CH units. It agreed this



Draft Proposal would likely help facilitate transfer of CH stock in the event of a SoLR. The CSC also urged this proposal be progressed swiftly to get a solution in place as quickly as possible.

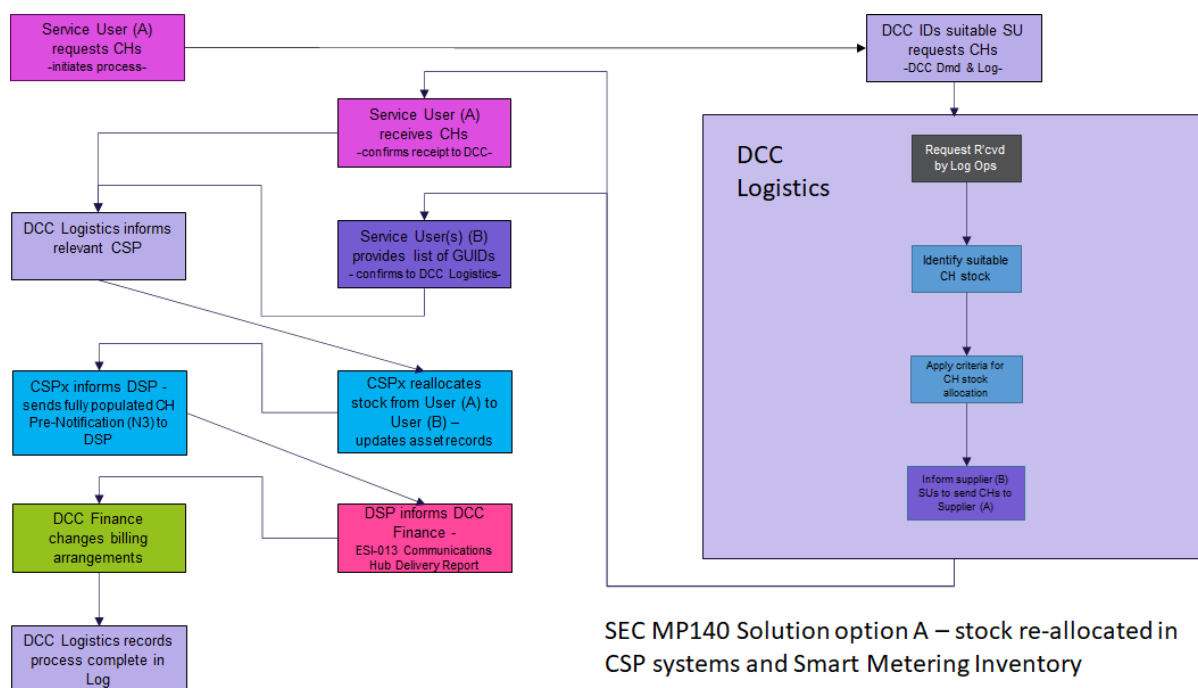
The DCC noted the issue had been presented to its Supply Chain Group that was reviewing arrangements. Suppliers present on this group supported this to be pushed forward so a solution could be in place for the mid-term ordering under the temporary arrangements.

## Solution development

The Working Group agreed with the issue raised under the Modification Proposal and that it made sense to find a way of transferring CH stock between SEC Parties, rather than returning where possible. The Working Group agreed with business requirements presented at the meeting, but requested additions be made to include a disputes process and Advanced Shipping Notification (ASN) to any solution being created. SECAS acknowledged these points and updated the business requirements to reflect these prior to issuing the Preliminary Assessment request to the DCC. A Working Group member asked about who the liability would lie with in the case of a transfer of CH units. The DCC answered that the SEC Party offloading their CH units would remain responsible for the Device until it had been delivered successfully, meaning that it will be the responsibility of the selling Party to ensure the CH units are delivered. A Working Group member asked about “legal costs” associated with the Impact Assessment request cost. The DCC believed that after consulting their Service Providers the costs associated with these legal checks was negligible.

## Potential alternative solution

The DCC offered an alternative solution when the Preliminary Assessment was returned where the CSP would also be informed as well as the DSP for updates related to the transfer of CH stock. The following flow diagram showed how this would have worked by using both the SMI and the CSP:



SEC MP140 Solution option A – stock re-allocated in CSP systems and Smart Metering Inventory



Whilst this was presented as an option, the DCC advised against it due to a substantially larger cost than the Proposed Solution with it ranging between £975,000 to £1,125,000 for Design, Build and PIT. The DCC also stated there would be a long lead time associated with this alternative solution, estimating it as 12 months up to PIT, instead of ranging between three to six months for the Proposed Solution. When Working Group members considered this, there was no support for this alternative solution, and it was subsequently discarded. This was supported by the Refinement Consultation responses, with every respondent who believed the Modification Proposal should be approved preferring the Proposed Solution.

### **Potential cost benefits of this modification**

A Working Group member believed that even with the Proposed Solution being used rather than the potential alternative solution, it would be difficult for Users to realise a cost saving with the Modification Proposal. The Proposer responded believing that as the cost of returning a CH unit to the DCC costs approximately £7 as noted in the CH returns process, it would require tens of thousands of units to equal the cost of the Modification Proposal. They also stated that they had a User who wants to return thousands of CH units, something they believed indicated that Users would benefit from the Proposed Solution.

The Working Group member believed there was still an issue about who would benefit from the solution, stating that some Users may benefit from it, but that Users who won't need any bulk return of CH units would be paying for something they may not end up using. SECAS stated this would be investigated as part of the Refinement Consultation to ascertain who in industry would benefit from either solution and the number of industry participants who would benefit. The Refinement Consultation returned responses that stated that there would be savings to Suppliers, both at an individual and industry wide level. One of these responses supporting the Modification Proposal suggested the sooner the solution is implemented, the greater the savings across industry would be made.

In the Refinement Consultation, the Large Supplier respondents by majority and one Small Supplier respondent believed that the benefits would outweigh the costs given the build-up of CH units that could be offloaded and where costs of returns to DCC could be avoided. The Small Supplier believed that greater benefits would be achieved if the Modification Proposal is implemented sooner, and asked if there was any means of reducing the lead time. The Large Suppliers (whilst believing there was clear benefit) did question the cost of the solution given they had undertaken similar (but manual) processes to try and achieve a similar outcome.

### **Support for Change**

The Working Group was supportive of resolving the identified issue but was unsure if the benefits had been shown to outweigh the costs.

The Refinement Consultation respondents broadly believed that the Modification Proposal should be approved.

## Views against the General SEC Objectives

### Proposer's views

The Proposer believes that General SEC Objective (a)<sup>1</sup> would be better facilitated as a result of this Modification Proposal. The reasons given were that it would provide a more efficient provision and installation of smart metering Devices.

### Industry views

Every Refinement Consultation respondent believed the Modification Proposal would better facilitate General SEC Objective (a). They believed this due to reducing the rental costs for the number of CH units and therefore lowering business costs, delivering a more efficient approach to returning CH units and by finding multiple ways of addressing excess CH levels. One respondent also believed the Modification Proposal would better facilitate General SEC Objective (b)<sup>2</sup> by helping the DCC comply with its obligations by diverting CH units to organisations that would order them.

## Views against the consumer areas

The Modification Proposal would have a largely neutral impact on consumers as it will only affect how an organisation removes and gains CH stock, rather than improve the functionality of any CH stock. There may be a minor pass through of cost savings from organisations that will avoid paying DCC charges for the return if they can transfer the CH stock to a willing organisation, but otherwise consumers are not expected to be impacted.

### Improved safety and reliability

The Modification Proposal is neutral against this consumer benefit area. This is due to not affecting any element of safety or reliability within the SMIP.

### Lower bills than would otherwise be the case

The Modification Proposal may yield a minor benefit for consumers in this area. If the organisation affected has reduced operating costs as a result of this Modification Proposal, there may be a pass through to the consumer.

### Reduced environmental damage

The Modification Proposal has a benefit in this area. By organising logistics between a sender and receiver directly rather than including the DCC, this will reduce carbon emissions used for transporting the CH units the extra distance.

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<sup>1</sup> Facilitate the efficient provision, installation, operation and interoperability of smart metering systems at energy consumers' premises within Great Britain.

<sup>2</sup> Enable the DCC to comply at all times with the objectives of the DCC licence and to discharge the other obligations imposed upon it by the DCC licence.

### Improved quality of service

The Modification Proposal is neutral against this consumer benefit area. This is due to not affecting any element of the CH unit's functionality or the provision of service offered by the affected organisations.

### Benefits for society as a whole

The Modification Proposal has a minor benefit in this area. This is due to reducing the carbon emissions and delivering a potential reduction in consumer bills as mentioned earlier.

## Appendix 1: Progression timetable

The Proposal will now proceed to the Change Board for an Impact Assessment request. If approved, the Impact Assessment will be requested.

Timetable	
Event/Action	Date
Draft Proposal raised	18 Aug 2020
Presented to CSC for comment and recommendations	25 Aug 2020
Panel converts Draft Proposal to Modification Proposal	11 Sep 2020
Modification discussed with Working Group	7 Oct 2020
Preliminary Assessment issued	27 Jan 2021
Preliminary Assessment returned	23 Mar 2021
Modification discussed with Working Group	5 May 2021
Refinement Consultation	17 May 2021 – 7 Jun 2021
Impact Assessment request	23 Jun 2021
Impact Assessment issued	24 Jun 2021
Impact Assessment returned	12 Aug 2021
Modification discussed with Working Group	1 Sep 2021
Modification Report presented to CSC for approval	28 Sep 2021
Modification Report Consultation	4 Oct 2021 – 22 Oct 2021
Change Board vote	24 Nov 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
ASN	Advanced Shipping Notification
CH	Communications Hub
CSC	Change Sub-Committee
CSP	Communication Service Provider
DCC	Data and Communications Company
DSP	Data Service Provider
PIT	Pre-Integration Testing
SEC	Smart Energy Code
SECAS	Smart Energy Code Administrator and Secretariat
SMI	Smart Metering Inventory
SoLR	Supplier of Last Resort
SSI	Self Service Interface
SSMI	Self Service Management Interface