

Modification proposal:	<b>Smart Energy Code (SEC) Modification Proposal (MP) 134A: Use of SMKI Certificates Relating to a SoLR Event</b>		
Decision:	The Authority <sup>1</sup> determines that this modification <sup>2</sup> should be made <sup>3</sup>		
Target audience:	Data and Communications Company (DCC), SEC Panel, Parties to the SEC and other interested parties		
Date of publication:	01 October 2021	Implementation date:	One Business Day Following Approval

## Background

The Supplier of Last Resort (SoLR) process was developed to manage the exit of failed Suppliers from the market when no trade sale or commercial agreement is possible. Once we revoke the supply Licence of a failed Supplier, the Data Communications Company (DCC) are required to revoke the Smart Metering Key Infrastructure (SMKI) Certificates. SMKI Certificates provide the authority to communicate with, and send commands, to a meter.

Smart meters rely on a Supplier having valid SMKI Certificates to interact with and perform meter commands, such as switching modes between credit and pre-payment and managing credit balances. These SMKI Certificates require a Private Key which is only held by the Supplier. In the case of some smaller Suppliers, their agent known as a Shared Resource Provider (SRP) holds this key. Once we revoke the supply Licence, the DCC is required by SEC Section L 'Smart Metering Key Infrastructure and DCC Key Infrastructure' to revoke the SMKI Certificates. Once the SoLR is appointed, the transfer of consumers can take between two and four weeks while the new Supplier performs a Change of Supplier (CoS) process on each gained consumer.

<sup>1</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

<sup>2</sup> 'Change' and 'modification' are used interchangeably in this document.

<sup>3</sup> This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989 and by section 38A of the Gas Act 1986.

The SEC Panel requested that the Smart Energy Code Administrator and Secretariat (SECAS) set up a project to examine the risks to consumers from this type of scenario and to propose solutions for progression. The project brief was agreed by the Panel in February 2020 and concluded in June 2020 when the final update was presented to the Panel. The Proposed Solution taken forward and raised forms this modification.

### **The modification proposal**

SECMP134A was raised by the DCC and proposes to, following our revocation of a failed Supplier's Licence, give the SMKI Policy Management Authority (PMA) the power to determine if the revocation of SMKI certificates should be delayed. This would allow Service Requests to continue to be sent in order to make the consumers' transfer to the new supplier more stable, and to ensure the continuity of supply.

SECMP134A outlines this proposed process and explains that in its decision the SMKI PMA must, where information is available to it, consider:

- if the Supplier will cease to be eligible for SMKI Certificates
- the contents of the Customer Supply Continuity Plan
- if there is an SRP that has access to the failed Supplier's SMKI Certificates and can send Service Requests
- if the failed Supplier is likely to undergo a disorderly exit
- if the failed Supplier had any prepayment consumers
- what effect the revocation of SMKI certificates (if directed by the SMKI PMA) might have on the affected consumers.

Once the SMKI PMA has determined whether to delay the revocation of the SMKI Certificates it must then inform the Authority. We could then direct an SRP to take action to maintain the continuity of the failed Supplier's prepayment consumers, using the failed Supplier's SMKI certificates where necessary. As proposed, once directed, the SRP must take the actions available to it in order to maintain the energy supply for the affected consumers.

Once the SoLR is appointed, it will inform the SMKI PMA whether it wishes the SRP to cease to use the failed Supplier's SMKI Certificates or to continue to use them. It will need to explain

why it considers this is necessary and its plans to transfer the consumers via the CoS process. The SoLR must remain in contact with the SMKI PMA on a regular basis during this time.

The full legal text associated with this modification is included as Annex A of the Final Modification report (FMR).

### **SEC Change Board<sup>4</sup> recommendation**

At the SEC Change Board meeting on 28 July 2021 a majority of the Change Board considered that SECMP134A would better facilitate the first and second SEC Objectives and the Change Board therefore recommended its approval.

### **Our decision**

We have considered the issues raised by the proposal and the Final Modification Report (FMR) which was sent to us on 28 July 2021. We have considered and taken into account the votes of the SEC Change Board on the proposal which is attached to the Change Report. We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the SEC Objectives<sup>5</sup>

### **Reasons for our decision**

We consider this modification proposal will better facilitate the first and second General SEC Objectives and has a neutral impact on the other applicable Objectives.

The purpose of the modification is to mitigate the risk that PPM consumers go off supply during the course of appointing a SoLR, in the case of a disorderly exit. The solution provides a facility for a SRP, in the event of a SoLR, to send a limited set of commands on behalf of a failed Energy Supplier to ensure the continuity of supply.

---

<sup>4</sup> The SEC Panel and Change Board are established and constituted pursuant to and in accordance with DCC Licence 22.25(a).

<sup>5</sup> The Objectives in accordance with DCC Licence 22.10-22.17

The obligations will sit outside the SEC in the Electricity and Gas Supply Licences. We have mandated that Energy Suppliers have a market exit process in place. Energy Suppliers may choose to have an alternate arrangement in place other than using SRPs. However, SECMP134A provides a mechanism that can be utilised by Energy Suppliers to fulfil these Supply Licence Obligations.

**The first General SEC Objective is to facilitate the efficient provision, installation, and operation, as well as interoperability, of Smart Metering Systems at Energy Consumers' premises within Great Britain.**

We agree, as did the overall majority of the Change Board, that SECMP134A will better facilitate this Objective by ensuring that consumers, particularly PPM consumers, do not lose supply in the event of a 'disorderly' exit of a Supplier from the market.

**The second General SEC Objective is to enable the Licensee to comply at all times with the General Objectives of the Licensee, and to efficiently discharge the other obligations imposed upon it by this Licence.**

We agree, as did the overall majority of the Change Board, that SECMP134A will better facilitate this SEC Objective by ensuring the obligations on the DCC are in line with the Proposed Solution.

### ***Other Issues***

We note that options for further mitigating risks to customers during the SOLR process are being considered with SECMP134B still in development. It is encouraging that the SEC Panel, DCC and industry are taking meaningful steps to identify and mitigate risks through the SEC modification process.

The recent increase in wholesale gas prices continues to be a cause of concern for consumers, business and energy suppliers across the UK. We encourage all market participants – whether licenced by us (e.g. suppliers) or accredited (e.g. Meter Operators (MOPs)/Meter Asset Managers (MAMs)) – to remain in contact with us if they are experiencing challenges. In the event of a SoLR, we expect all industry parties to work together to ensure that consumers remain protected

from a disruption in their supply, and that the SOLR processes are undertaken and completed seamlessly from the consumers' perspective.

### **Decision notice**

In accordance with standard licence condition 23 of the Smart Meter Communication licence, the Authority hereby determines that SECMP134A: *'Use of SMKI Certificates Relating to a SoLR Event'* should be made.

**Jacqui Russell**

**Head of Metering & Market Operations**

Signed on behalf of the Authority and authorised for that purpose