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MP188

‘Temporary Communications Hub Ordering and Delivery Rules extension’

Modification Report

Version 1.0

6 December 2021



About this document

This document is a Modification Report. It sets out the background, issue, solution, impacts, costs, implementation approach and progression timetable for this modification, along with any relevant discussions, views and conclusions.

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This document also has two annexes:

- **Annex A** contains the redlined changes to the Smart Energy Code (SEC) required to deliver the Proposed Solution.
- **Annex B** contains the Data Communications Company's (DCC's) consultation on proposed changes to the Temporary Communications Hub Ordering and Delivery Rules (TCHODR).

Contact

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1. Summary

This proposal has been raised by David Rollason from the DCC.

SEC Section F5.1A sets out the provisions regarding the TCHODR document which relates specifically to the impacts Covid-19 has had on the manufacturing and delivery of Communications Hubs. The clause also sets out how the document may be amended. The current drafting of SEC Section F5.1A states that the Temporary Communications Hub Ordering and Delivery Rules will cease to apply after 1 January 2022.

A range of issues have arisen over the course of 2020 and 2021 which are impacting on the ability of Communication Service Providers (CSPs) to manufacture and ship Communications Hubs to meet current and future forecasts and orders.

The DCC proposes that the validity period of the TCHODR is extended. The DCC is seeking to implement this change as soon as possible. The DCC is also intending to further develop the TCHODR through industry engagement and consultation, as well as SEC Panel sign off – that development is separate to this modification, which seeks only to extend the TCHODR's validity period.

This modification affects Supplier Parties and the DCC. There are no DCC System changes required to implement this modification. If approved, this modification will be implemented one Working Day following the decision. Implementation costs would be limited to Smart Energy Code Administrator and Secretariat (SECAS) time and effort in updating the SEC.

The DCC's consultation on proposed changes to the TCHODR can be found [here](#).

2. Issue

What are the current arrangements?

SEC Section F5.1A sets out the provisions regarding the TCHODR document which relates specifically to the impacts Covid-19 has had on the manufacturing and delivery of Communications Hubs. The clause also sets out how the document may be amended. Please note that the TCHODR is a DCC-owned document, though any amendments need to be consulted upon and approved by the SEC Panel.

The DCC's consultation on proposed changes to the TCHODR can be found [here](#).

The current drafting of SEC Section F5.1A states that the TCHODR will cease to apply after 1 January 2022.

Communications Hub manufacture

A range of issues have arisen over the course of 2020 and 2021 which are impacting on the ability of CSPs to manufacture and ship Communications Hubs to meet current and future forecasts and orders. The issues are diverse and include the sourcing of components (silicon chips and others) in a highly competitive environment which continue to be linked with global supply chain issues.

Communications Hub order and delivery

Communications Hub orders are currently confirmed five months prior to the delivery month with a range of tolerances. The tolerances allowed on forecasting at ten and seven months prior to the delivery month results in too great a variation given the current global supply issues to ensure orders can be realised.

Current Communications Hub forecasting, ordering and delivery rules do not provide the DCC or DCC Users the ability to react to issues which may require a reduction in Communications Hub delivery volumes (as with Covid-19-related lockdowns).

Furthermore, as the TCHODR is currently written, SEC Parties may submit non-compliant orders (a 24-month forecast and order tolerance) which the DCC is required to take steps to fulfil. This provides additional variation in order volume and creates a further challenge to overcome in delivering order Communications Hub volumes.

What is the issue?

The current SEC requirements for Communications Hub forecasting, ordering and delivery make no allowance for unforeseen circumstances or issues that could be managed more effectively through temporary rules. These issues might require decreased Communications Hub volumes at DCC User request (as was the case in 2020) and amended ordering rules to help manage the supply chain.

What is the impact this is having?

The DCC and DCC Users cannot react to new and evolving Communications Hub requirements and cannot mitigate against issues that may arise in the future. For example, DCC Users may be provided with Communications Hub volumes greater than needed where unforeseen issues arise, and also the DCC may be unable to react to secure supply to allow for on time delivery.

Impact on consumers

If the TCHODR document is not extended, there will be an increased risk that required Communications Hub volumes are not delivered, whether that be a decreased volume as per a DCC User request or assuring a required volume (allowing installations to continue as planned).

3. Solution

Proposed Solution

The DCC considers that an extension to the validity period of the TCHODR should be granted, so that requirements on 2022 orders can be amended and Communications Hub volumes secured. This document is currently set to expire as of 1 January 2022. Furthermore, the DCC proposes that there is no end-date on the TCHODR itself; instead, any requirements set out within the TCHODR will include a specific end date agreed by the Panel following consultation.

The DCC also intends to further develop the TCHODR to account for the 2022 orders. This would take place separate to this modification through industry engagement and consultation ahead of SEC Panel sign off, as per the process set out in SEC Section F5.1A.

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 |

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

Energy Suppliers will be indirectly impacted by this modification as they will be subject to any new rules approved by the Panel for inclusion within the TCHODR.

Meter Installers and Meter Asset Providers (MAPs) will also be affected by this modification for the same reasons as Suppliers.

The DCC will be impacted by this modification's implementation as it will result in a more consistent supply chain which is necessary to procure components for manufacture. This will allow for the DCC to better manage Communications Hub delivery volumes for its customers.

DCC System

This modification will have no impact on DCC Systems.

SEC and subsidiary documents

The following parts of the SEC will be impacted:

- Section F 'Smart Metering System Requirements'

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

Consumers

This modification will have a positive impact on consumers as the DCC and its CSPs will be able to better manage Communications Hub manufacture and delivery, meaning that the Smart Metering Implementation Programme (SMIP) can continue as planned.

Other industry Codes

This modification will have no impact on other industry Codes.

Greenhouse gas emissions

This modification will have no impact on greenhouse gas emissions.

5. Costs

DCC costs

This modification's implementation would not result in the DCC incurring costs. There may however be costs associated with the rules contained within the TCHODR. This will be set out in the DCC's consultation and presentation to the Panel.

SECAS costs

The estimated SECAS implementation cost to implement this as a stand-alone modification is one day of effort, amounting to approximately £600. This cost will be reduced if this modification is included in a scheduled SEC Release. The activities needed to be undertaken for this are:

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

SEC Party costs

This modification's implementation would not result in SEC Parties incurring costs.

6. Implementation approach

Agreed implementation approach

The CSC approved an implementation date of:

- **One Working Day following decision** (Standalone SEC Release).

This will ensure that the TCHODR will remain valid following the current expiry date of 1 January 2022.

7. Assessment of the proposal

Observations on the issue

Before formally raising the proposal, SECAS engaged extensively with the Proposer to better understand the issue and urgency.

TCHODR consultation

SECAS has raised a concern that there is a potential disjoint between the DCC's new TCHODR consultation (and subsequent Panel approval) and the SEC Modification, which could act as barrier against the modification's approval. The DCC has informed SECAS that the consultation will be issued on 19 November 2021 and if the changes to the TCHODR are approved by the Panel, they are expected to become effective from 17 December 2021. SECAS has requested that the consultation is included as an annex to this document to provide further transparency on the proposed changes.

Modification urgency

The DCC has advised that, as the current TCHODR document expires on 31 December 2021, it wishes to have this modification implemented as soon as possible. This Modification Report currently states that if approved, implementation is scheduled for one Working Day after decision. On 30 November 2021, the Change Sub-Committee (CSC) approved of this approach. The DCC has commented that implementing the modification as soon as possible will mitigate the significant risks to Communications Hub supply in 2022.

Relevance of the TCHODR

SECAS questioned the need to extend a document that has no function. This is because the CSP arrangements set out in the TCHODR expire on 31 December 2021 which is why the TCHODR expires on the same date. The DCC responded that the document needs to be extended to enable it to introduce new rules and provide more certainty to industry that the Communications Hub supply is secure through 2022.

SECAS also commented that the DCC has previously stated that customers have made their Communications Hub orders up to the end of March 2022 and subsequent orders will be made in April 2022. The DCC responded to advise that this is incorrect and yet-to-be approved rules relate to order placement are needed as soon as possible.

TCHODR no longer a time-limited document

SECAS have also noted the proposed transition from a time-limited document to a more generic document housing future time-limited provisions. The CSC added that Communications Hub ordering provisions should undergo further review.

Views of the Change Sub-Committee

The CSC was concerned regarding the urgency of this proposal and queried why a more proactive approach was not taken. The DCC responded to state that it was working with CSPs in order to explore options that may mitigate supply chain risks. The DCC added that the Proposed Solution is the best option to address potential future issues through Panel-approved rules.

CSC members agreed that DP188 should progress to the Report Phase, however a more holistic approach towards Communications Hub ordering should be investigated. This would look to review current obligations and build in an element of flexibility to futureproof Communications Hub ordering requirements, preventing the need for multiple modifications.

The CSC agreed that the Modification Report Consultation should be issued immediately, with implementation one Working Day following decision to mitigate against any supply chain issues. It advised that in the future it would be beneficial to allow more time for industry to review and consult on proposed changes.

Appendix 1: Progression timetable

This proposal was raised on 22 November 2021. On 30 November the CSC agreed that DP188 should enter the Report Phase. SECAS will issue the Modification Report Consultation before holding an ad-hoc Change Board meeting to vote on whether the modification should be approved. The modification will be implemented one Working Day following decision.

| Timetable | |
|--|---------------------|
| Event/Action | Date |
| Draft Proposal raised | 22 Nov 2021 |
| Modification Report approved by CSC | 30 Nov 2021 |
| Presented to Sub-Committees for comments | Dec 2021 |
| Modification Report approved by CSC | 21 Dec 2021 |
| Modification Report Consultation | 6 Dec – 17 Dec 2021 |
| Proposal discussed with Sub-Committee Chairs | 15 Dec 2021 |
| Change Board Vote | 20 Dec 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 |
| CSC | Change Sub-Committee |
| CSP | Communication Service Provider |
| DCC | Data Communications Company |
| SEC | Smart Energy Code |
| SECAS | Smart Energy Code Administrator and Secretariat |
| SMIP | Smart metering Implementation Programme |
| TCHODR | Temporary Communications Hub Ordering and Delivery Rules |