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DP197

‘Reallocating Third Party Communications Hubs in the Event of a SoLR’

Modification Report

Version 0.1

11 January 2022

Corporate member of
Plain English Campaign
Committed to clearer
communication

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About this document

This document is a draft Modification Report. It currently sets out the background, issue, 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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1. Summary

This proposal has been raised by Michael Stott from Magnum Utilities.

Where a third-party Meter Asset Manager (MAM) or Meter Asset Provider (MAP) has ordered Communications Hubs from the Data Communications Company (DCC) on behalf of a Supplier, there is no protection in place for the MAM or MAP if the Supplier ceases trading.

Currently, the third-party MAM or MAP carries all the financial risk and commercial burden in the scenario described above. It would be responsible for the storage, rental, and reallocation costs of the surplus Communications Hubs. There are known issues with the reallocation of Communications Hubs, which are being addressed under [MP140 'CH Stock Transfer'](#); however in the scenario described where a third party is in possession of the Communications Hubs, the issue could potentially be resolved by migrating liability for existing stock and its rental to the incoming Supplier.

2. Issue

What are the current arrangements?

Where electricity and gas Suppliers utilise third parties to order Communications Hubs it falls upon the third party to carry the commercial risk and ongoing rental of their remaining Communications Hubs and in-flight orders should a Supplier of Last Resort (SoLR) event occur.

What is the issue?

Smart Energy Code (SEC) Section F8.7 states that when a SEC Party ceases to be a SEC Party it should return all uninstalled Communications Hubs to the DCC. This would apply in the event of a SoLR.

However, where a third-party MAM or MAP has ordered Communications Hubs from the DCC on behalf of a Supplier, there is no protection in place for the MAM or MAP if the Supplier ceases trading. As the DCC Communications Hub ordering process requires Parties to provide a forecast of the quantity required a minimum of ten months in advance, and then to confirm the order six months in advance, the third party will be left responsible for all Communications Hubs in the supply chain. It will also be required to pay a rental cost for all uninstalled Communications Hubs until they can be reallocated.

Currently the only option available to MAMs and MAPs in this scenario is to return any unwanted Communications Hubs to the DCC, which also carries a charge. The existing modification [MP140 'CH Stock Transfer'](#) intends to enable SEC Parties to transfer Communication Hubs between themselves without the need to return all stock to the DCC. However, in the event of a SoLR, the issue could potentially be resolved by migrating liability for existing stock and its rental to the incoming Supplier.

What is the impact this is having?

The commercial risk of having to store and reallocate uninstalled Communications Hubs sits entirely with third party MAMs and MAPs if a SoLR event results in their clients ceasing to trade. Due to the

unprecedented occurrences of SoLR events during 2021 the financial burden on these kinds of Parties is incredibly high, and without safeguarding measures this could continue to rise and ultimately result in more businesses leaving the market, further reducing competition.

At a minimum rental cost of £0.47 per Communications Hub and a minimum order quantity of 896, a single pallet costs £421.12 per month to hold in a warehouse. On top of that cost, third parties incur a charge at their facilities to house these Communications Hubs.

Impact on consumers

In the event of a SoLR being appointed, smart meter installations scheduled to go ahead under the outgoing Supplier will be cancelled. The incoming Supplier will likely look to add the 'adopted' customers to its own smart meter installation programme, however this will be subject to delays while the resource is reallocated. The incoming Supplier will also require Communications Hubs to complete its installations, and if this stock needs to be added to future orders from the DCC it will cause further delays to consumers realising the benefits of smart metering.

If the incoming Supplier was able to automatically inherit the outgoing Supplier's existing Communications Hub orders from the third-party MAM or MAP, this could reduce delays and save money and resources by effectively redistributing Communications Hub stock.

3. Assessment of the proposal

Observations on the issue

Following an initial assessment of the issue by the Smart Energy Code Administrator and Secretariat (SECAS), it is not yet clear whether obligating an appointed SoLR to adopt the outgoing Supplier's third-party Communications Hub orders falls within the scope of the SEC. SECAS will seek input from sub-committees and other Code Managers on this question during the Development Stage.

Appendix 1: Progression timetable

Timetable	
Event/Action	Date
Draft Proposal raised	11 Jan 2022
Presented to CSC for initial comment	18 Jan 2022
Modification discussed with the Operations Group	1 Feb 2022
Modification discussed with the CCSG	14 Feb 2022

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
CCSG	Cross Code Steering Group
DCC	Data Communications Company
MAM	Meter Asset Manager
MAP	Meter Asset Provider
SEC	Smart Energy Code
SECAS	Smart Energy Code Administrator and Secretariat
SoLR	Supplier of Last Resort