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End of Budgetary Year Report 2021-2022

Version 1.0

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1. Background

The SEC Panel budget sets out the Panel's good faith estimate of the Recoverable Costs that it believes will be incurred during the next three Regulatory Years.

The budget setting process for 2021-2024 started in October 2020 with input from the Panel's Finance and Contract Sub-Group (PFCG). It was reviewed by Panel Members, and a SEC Party consultation was issued in January 2021 in accordance with SEC Section C8.13.

This End of Budgetary Year Report provides the out-turn of the Panel budget covering the period 1 April 2021 – 31 March 2022. The report has been provided for transparency purposes for SEC Parties to view information that is normally available to SECCo Board Members on a monthly basis.

2. Executive Summary

The Panel set a budget of £9,040,991 for 2021-22, for the Panel, its Sub-Committees and the Smart Energy Code Administrator and Secretariat Service (SECAS) to complete the activities outlined within the SEC, alongside additional specified projects. Against this budget, £8,481,831 was utilised. However, this is subject to a discount of £668,603 for SECAS Services, which the SECCo Board negotiated into the SECAS contract. Therefore, the final out-turn will be £7,813,228, representing underspend of £1,227,763. Over-recovery will be credited back to the DCC in April 2022.

Mindful of cost pressures facing the industry, the Panel and Board have been careful to only release expenditure where absolutely required. The Projects category has come in significantly under budget, due in part to projects being deferred, or savings achieved through effective procurements. There has been a reduction in the requirement for User CIO support as a result of processes being more embedded and less support required by Users. Accommodation cost savings have been achieved due to holding remote meetings, and successful procurement activities have reduced the cost of CodeWorks licences and the SMDA Test House.

An overview of budgeted versus actual costs is provided in Figure 1, with further detail outlined below.

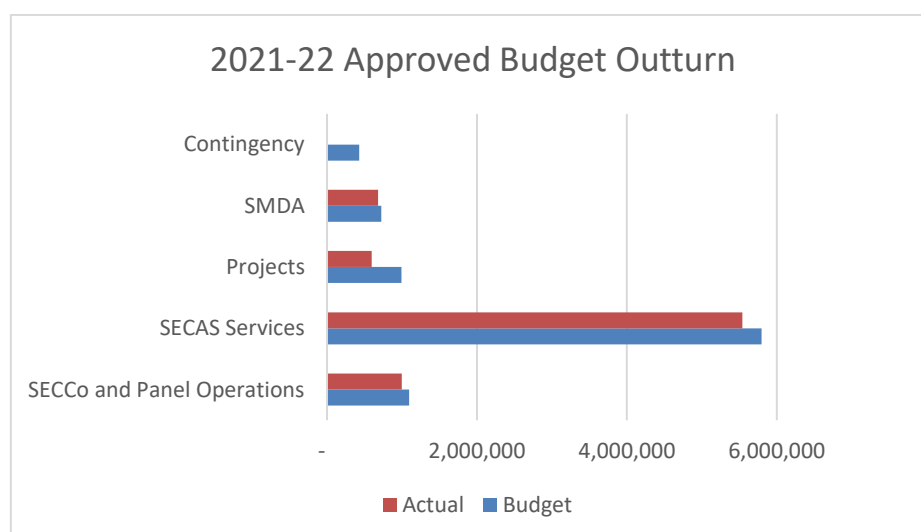


Figure 1: 2021-2022 Out-turn against Approved Budget

3. SECCo and Panel Operations

This budget category covers all the activities of the SECCo Board including insurance, legal advisors, licences, User Competent Independent Organisation (CIO)/ Independent Privacy Auditor (IPA) charges, website maintenance, and SEC Panel operations including remuneration of Independent Chairs, Panel and Sub-Committee expenses and specialist advisors. Overall, this category came in under budget by £98k. A breakdown of key variances is included in the sections below.

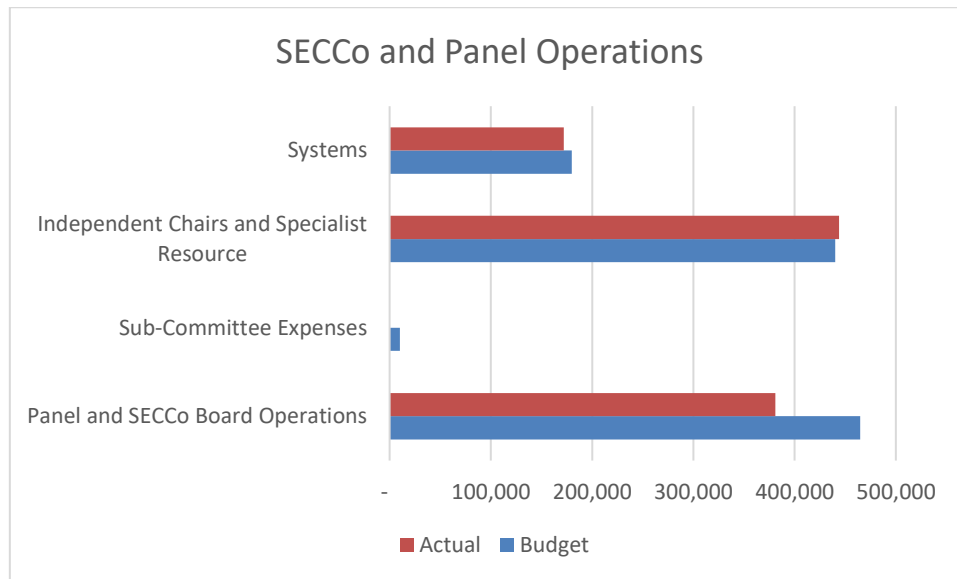


Figure 2: Panel and SECCo Board Operations Out-turn against Budget

3.1 Panel and Board Operations

The Panel and Board Operations sub-category includes costs of the User CIO/IPA, legal advisors, Panel Member expenses, licences, the annual SEC Party Engagement Day and Customer Satisfaction Survey. Underspend of around £84k is reported, driven primarily by a reduced requirement for support from the User CIO/IPA, as a result of processes being more embedded, and there being less need for SEC Party support.

3.2 Sub-Committee Expenses

The Sub-Committee Expenses sub-category is for expenses related to the activities of the SEC Sub-Committees. Underspend of £10k is reported as most Sub-Committee meetings were held remotely, due to COVID-19.

3.3 Independent Chairs and Specialist Resource

The Independent Chairs and Specialist Resource sub-category contains provisions for external resources that support the Sub-Committees, including the Chairs for the Security Sub-Committee (SSC), Smart Meter Key Infrastructure Policy Management Authority (SMKI PMA), Technical and Business Architecture Sub-Committee (TABASC), Operations Group (OPSG), and the SMKI Specialist as defined in the SEC. Overall expenditure was just £4k over budget for this category.

3.4 Systems

The Systems sub-category contains provisions for the systems that are maintained on behalf of the Panel and SECCo, including the website, business process modelling software, Egress and CodeWorks. An £8k underspend is recorded in this area, driven by a negotiation to reduce the cost of CodeWorks licences.

The outturn against each SECCo and Panel Operations budget line is included in Table 1 below.

Budget Category	Budget Line	Budget	Actual	Variance
Panel and Board Operations	Panel Members	£151,007	£160,135	£9,128
	SECCo	£24,000	£31,8396	£7,839
	Legal	£30,000	£58,361	£28,361
	SEC Party Engagement Day	£10,000	£1,011	£8,989
	Customer Satisfaction Survey	£11,500	£5,840	£5,660
	User CIO	£235,000	£120,779	£114,221
	Licences	£3,000	£2,100	£900
	Bank Charges	£0	£597	£597
Sub-Committee Expenses	All Sub-Committees	£10,000	£0	£10,000
Specialist Resource	SMKI Specialist	£30,000	£6,455	£23,545
	SSC & SMKI Independent Chair	£200,000	£205,200	£5,200
	TABASC Independent Chair	£90,000	£64,200	£25,800
	OPSG Independent Chair	£120,000	£168,000	£48,000
Systems	Website Maintenance	£20,000	£19,000	£1,000
	Business Process Modelling	£30,000	£40,474	£10,474
	CodeWorks	£125,000	£107,500	£17,500
	File Sharing Solution	£5,000	£5,167	£167
Total		£1,094,507	£996,848	£97,659

Table 1: Budget Line Variances for SECCo and Panel Operations

4. SECAS Services

SECAS Services expenditure is broken down by Service Area and Accommodation Costs.

4.1 Service Area

Each service area is supported by the Core Team and Subject Matter Experts. The Core Team is the core resource deployed to provide the Smart Energy Code Administrator and Secretariat (SECAS) Service for the SEC and is charged in accordance with the SECCo agreed rate card appended to the SECAS contract. The Subject Matter Experts are Gemserv resources outside the Core Team whose in-depth technical and security skills are called upon for subject specific activities, only on an as-needed basis to minimise overheads. Also included in this category is financial accountants and IT specialists.

The activities to be undertaken by the SECAS Core Team and Subject Matter Experts and associated costs are presented in a forward-looking quarterly Work Package, approved by the SECCo Board in advance of work commencing. Thereafter, a monthly paper is presented for the SECCo Board which details the actual costs for approval.

The out-turn against each Service Area is provided in Table 2 below. Overall, the outturn was £132,499 below budget.

The underspend for Change Board, CSC and Working Groups (£81k), TABASC (£32k) and Party Engagement (£24k) was driven by the Core Teams being under budgeted headcount in these areas, with vacancies now having been filled. The underspend on SSC (£52k) was driven by processes being more embedded and parties requiring less support. Underspend for SMKI PMA (£55k) resulted from efficiencies gained by merging the SSC and SMKI PMA meetings. The Privacy area showed overspend (£77k), given the high number of Privacy Assessments received, forecast to continue. Panel & Board also exceeded budget (£55k) due to support provided in drafting a high volume of consultation responses and support to the newly formed Strategic Working Group.

	Budget	Actual	Variance
Panel & Board	£570,979	£625,657	£54,678
TABASC	£725,138	£692,728	-£32,410
OPSG	£669,023	£662,280	-£6,743
TAG	£430,549	£418,087	-£12,462
SSC	£1,423,426	£1,371,425	-£52,001
SMKI PMA	£129,247	£74,429	-£54,818
Privacy	£17,724	£94,424	£76,700
Change Board, CSC, Working Groups	£1,589,944	£1,508,850	-£81,094
Party Engagement	£759,760	£735,411	-£24,349
Total	£6,315,790	£6,183,291	-£132,499

Table 2: SECAS Services Out-turn against Budget

4.2 Accommodation Costs

The Accommodation Costs relate to costs incurred for the Panel Chair's office, meetings held at the registered office, and space rental whereby a SECCo contractor, e.g., Independent Chair, utilises a desk within the registered office.

Underspend of £86k is reported here due to the impact of COVID-19, which resulted in more meetings being held remotely than anticipated, and Contractors working from home. Actual costs against the budgeted amounts are shown below in Table 3.

	Budget	Actual	Variance
Meeting Room Hire	£54,000	£18,996	-£35,004
Panel Chair Office	£24,000	£6,900	-£17,100
Contractor Space Rental	£34,200	0	-£34,200
Total	£112,200	£25,896	-£86,304

Table3: Breakdown of Accommodation Costs

5. Projects

The projects category is used for emerging requirements. These projects are under the control of the SEC Panel who authorise the scope and commencement of project work and subsequent requests to release funds for the projects from the SECCo Board, with input from the relevant Sub-Committees. An out-turn against each project is also reported monthly.

Further to more detailed scoping, the list of projects and final approved budgets are not always the same as those estimated in the SEC Panel Approved Budget, agreed at the start of the year. Total project spend for 2021-22 was £596k against a budget provision of £994k, representing underspend of £398k. Further detail on each of the project categories is available in Table 4 below, along with an explanation of any significant variances to Budget.

Project	Budget	Actual	Variance
Network Evolution	£75,000	£69,376	-£5,624
Market-Wide Half Hourly Settlements	£11,250	£7,225	-£4,025
Smart Metering Strategic Technical Design	£37,500	£37,589	£89
Meter Splitting (P375)	£11,250	£42,816	£31,566
Issues Management/ TSIRS transfer from BEIS	£75,000	£0	-£75,000
OPR Auditor Procurement & Auditing	£230,000	£49,650	-£180,350
Technical Specification Ambiguities	£15,000	£0	-£15,000
Performance Assurance	£67,500	£44,463	-£23,037
Quality Assurance (of Services)	£45,000	£17,813	-£27,187
Annual Security Obligations – Risk Assessment	£150,000	£85,946	-£64,054
Annual Security Obligations – Security Architecture	£70,000	£0	-£70,000
SMKI Document Set Review	£0	£10,000	£10,000
CPA Security Characteristics	£105,000	£102,547	-£2,453
Digitalisation	£56,250	£56,250	-£250
CACoP	£17,500	£17,332	-£168
Strategic Planning	£28,000	£6,639	-£21,361
Faster and More Reliable Switching	£0	£9,988	£9,988
SMETS2 Interoperability	£0	£16,184	£16,184
Programme Assurance	£0	£21,978	£21,978
Total	£994,250	£595,795	-£398,455

Table 4: Breakdown of Project Costs

5.1 Network Evolution

The DCC is leading a 5-year Network Evolution Programme. As part of the Panel's duty to consider developments in services from a SEC Party perspective, BEIS has asked the Panel to form a view on the Network Evolution proposals, which will shape BEIS' decision on how to progress. SECAS has met regularly with the DCC to ensure programme documentation meets the needs of Sub-Committee members, has performed technical reviews of documentation, and has co-ordinated responses to consultations on behalf of Panel or its Sub-Committees. The work has come in under budget by £6k.

5.2 Market-Wide Half Hourly Settlement

This Ofgem led project (with Elexon in lead role) is planning to leverage the capabilities of smart metering data, which will have potential impacts on DCC system capacity and the SEC. TABASC and SECAS identified impacts to the smart technical and business architectures and is progressing a modification to enable changes. Expenditure on this area was under budget by £4k.

5.3 Smart Metering Strategic Technical Design

This was a continuation of a project undertaken in the prior financial year. A scoping exercise was carried out to understand the extent to which the current smart metering architecture would need to change to compliment innovations such as Electric Vehicle charging. Work was also undertaken with BEIS to clarify the policy direction for smart metering in relation to these innovations. This work came in on budget.

5.4 Meter Splitting (P375)

This project was a continuation of work in the previous year to identify the impacts on smart metering technical infrastructure of BSC Modification P375 (Metering behind the Boundary Point). Overspend of £32k is recorded against budget, after additional scope was agreed to undertake an analysis of existing data that could be used by DCC systems to identify any SMETS assets associated with Virtual Lead Parties and to develop a DCC data solution.

5.5 Issues Management Process/ TSIRS transfer from BEIS

BEIS intended to transfer the operation and management of the Technical Specification Issues Resolution Sub-group (TSIRS) to SECAS, however, this has been deferred by a further year, resulting in an underspend of £75k.

5.6 OPR Auditor Procurement & Auditing

As part of the update to the Operational Performance Regime (OPR), Ofgem is undertaking an independent audit of DCC's contract management. SECAS has supported Ofgem with the procurement of the independent auditor for the upcoming OPR audit. An auditor has now been selected, although a delay in finding a suitable bidder means that the auditing will not commence until the new financial year. This has resulted in an underspend on this project of £180k.

5.7 Performance Assurance

The BEIS SMETS2 Interoperability Review identified that a performance assurance framework may be required to ensure that Parties are complying with their obligations. This Project was initiated to identify the type of framework that industry wants to be put in place, and the changes required to the SEC to afford the SEC Panel greater powers to take action. Commencement of the project was delayed due to other priority activities, and as such underspend of £23k is recorded.

5.8 Quality Assurance (of Services)

Shortcomings in the operational quality of DCC services continue to cause concern to Users. This project has been initiated to consider whether further DCC service quality assurance measures are required. Due to other business priorities, the commencement of this project was delayed, thus resulting in underspend against the original budget of £27k.

5.9 Annual Security Obligations – Risk Assessment

SEC Section G7.19(b) specifies that the SSC must carry out reviews of the Security Risk Assessment at least once each year, in order to identify any new or changed security risks to the End-to-End

Smart Metering System. SECAS and the SSC procured the services of a specialist security organisation to complete the 9th iteration of the risk assessment. Underspend of £64k is reported, as project commencement was delayed, and will continue into 2022-23.

5.10 CPA Security Characteristic

SEC Section G7.19(f) requires the SSC to maintain the CPA Security Characteristics. SSC continues to work with third party experts to support the development of industry guidance associated with the CPA Threat Mapping Review conducted last year. To further facilitate industry engagement and transparency in relation to the CPA evaluation process, a new Sub-Group was established:- the SSC CPA Issue Resolution Sub-Group (SCIRS), which meets monthly to enable the SSC, BEIS, NCSC and wider industry to discuss proposals either for changes to the CPA Security Characteristics, or to investigate Use Cases for Device Refurbishment. SSC and BEIS continue to hold workshops and discussions with NCSC to resolve the outstanding issues and achieve NCSC approval for the publication of updated CPA SCs. Spend was just £2k below budget for this area.

5.11 Digitalisation

In support of Ofgem's desire for industry codes to be digitalised, further work has been carried out to digitalise the security assessment management process. Several self-service workflow forms have also been added to the website. This area has come in on budget.

5.12 CACoP

This budget covered SECAS cross-Code activity, including attendance of the new Cross Code Steering Group (CCSG) and the monthly CACoP Forum meeting, where SECAS has sought to enhance cross-Code working by highlighting cross-Code impacting modifications, and sharing best practice. We have continued to produce the CACoP newsletter each quarter on behalf of the Forum. This work was delivered on budget.

5.13 Strategic Planning

The Strategic Working Group was established to consider both the remit of SEC Panel and the needs of SEC Parties, BEIS, the emerging landscape and, use of the infrastructure to support wider industry developments. One specific area looked at was the life of Assets. Spend was £21k below budget with working continuing into 2022-23.

The following projects were originally allocated budget in the SEC Panel Approved Budget 2021-22 but were either deferred or subsumed into other activities:

5.14 Technical Specification Ambiguities

This project was due to look at resolving areas where technical specifications are ambiguous on expected behaviour, causing operational problems. This project did not progress given TABASC feedback that this could be duplicative of the remit of the Technical Specification Issues Resolution Sub-Group (TSIRS).

5.15 Enduring Change of Supplier (ECOS)

BEIS consulted upon changes to the BMPPA framework and DCC also requested changes to the Joint Industry Plan Milestones. This resulted in delays to the migration commencement date of 12 months. Any further work is expected to be addressed under the existing core support provided to the Sub-Committees.

5.16 Annual Security Obligations – Security Architecture

SEC Section G7.19(d) requires the SSC to review and maintain the End-to-End Security Architecture and Security Obligations and Assurance Arrangements to ensure it is up to date. The Security Architecture did not require updating this financial year.

The following projects either weren't identified, or had no budget assigned in the SEC Panel Approved Budget 2021-22, hence variances are reported:

5.17 Faster and More Reliable Switching

Work continued to finalise support to Ofgem's Faster and More Reliable Switching project, which has systems and change implications for the DCC, and impacts on the SEC, incurring £10k of spend.

5.18 SMKI Document Set Review

SEC Section L1.17(c) requires the SMKI PMA to review the effectiveness of the SMKI Document Set. Work started last financial year to review the SMKI Document Set (including Section L, and 17 Appendices) and concluded in April, incurring £10k expenditure this financial year.

5.19 SMETS2 Interoperability Review

This project has been looking at the recommendations which came out of the National Audit Office Review of Smart Metering Assurance for Device Interoperability on Change report. The report set out ten recommendations relating to test assurance and firmware management of SMETS2 Devices, six of which the Panel agreed to investigate at the request of BEIS. This project incurred £16k expenditure this financial year.

5.20 Programme Assurance

The project is to provide the Panel with the necessary framework and processes to allow it to discharge its role in providing assurance of DCC Programmes; helping to support successful programme delivery to the maximum benefit of SEC Parties. £22k expenditure was incurred.

6. SMDA

The SMDA Scheme now falls under the governance of the SEC, with the fixed costs of the SMDA Scheme Operator and Test House being borne by the SEC Panel Budget.

Costs for the Test House were reduced following a successful procurement activity. Underspend of £45k is therefore reported.

7. Contingency

The Panel included a 5% contingency within the Approved Budget, in line with previous years. There was no draw-down against this budget category.

Budget Line	Budget	Actual	Variance
Contingency	£430,523	£0	-£430,523

Table 5: Budget line variance for Contingency