



Making a positive difference  
for energy consumers

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Date: 5 September 2022

Dear Peter,

**Authority decision to send back Smart Energy Code (SEC) Modification Proposal (MP) 162 'SEC changes required to deliver MHHS' and direct additional steps in accordance with SEC Section D9.3**

On 28 August 2022 the SEC Panel submitted a Final Modification Report (FMR) for SECMP162<sup>1</sup> to the Authority, following the SEC Change Board's recommendation that SECMP162 should be rejected. We are unable to form an opinion on SECMP162 based on the FMR as submitted to us and we are therefore sending the modification back to industry for further work.

We recognise that two significant concerns have been raised as a result of this modification proposal. These relate to the costs of additional capacity requirements on the one hand, and the impact on competition of the proposed approach to limiting those capacity requirements on the other.

On the first concern, we note that additional capacity demands will be placed on DCC services as a result of MHHS irrespective of whether the Meter Data Retriever (MDR) role is introduced under this modification proposal. Whilst MDR Service Requests do consume more capacity than supplier requests, the extent to which they will impose additional capacity requirements on DCC depends on scheduling decisions that are not included within the legal text. For this reason, we do not consider it appropriate to address capacity uplift under SECMP162 and we have directed<sup>2</sup> the DCC to look at these capacity issues separately. We also do not consider that issues around the cost of providing capacity to implement MHHS, but which are not impacted by this proposal, should materially inform the Change Board's recommendation on SECMP162.

On the second concern, we note that the scheduling of when MHHS Service Request Variants are processed was discussed at the Working Group. However, we do not consider that this issue is integral to the technical solution and therefore do not need to be addressed in this modification, though it obviously does need to be addressed in the context of the capacity issue mentioned above.

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<sup>1</sup> [SEC changes required to deliver MHHS](#), Smart Energy Code website.

<sup>2</sup> [Direction to DCC to commence work on the capacity required to deliver MHHS](#), Ofgem, August 2022.

The technical introduction of the MDR role is on the critical path for implementation of MHHS and delaying its implementation while both these concerns are resolved would unnecessarily add to the costs of programme implementation and delay benefits to consumers. Our understanding is that these issues are not covered in the proposed legal text, and we believe that they should be taken forward separately from consideration of this modification proposal, and that views on these issues should not materially inform the Change Board's recommendations on SECMP162.

We believe that consideration of the modification proposal should be based on the proposed legal text only, which introduces the new MDR role and requires MHHS-related Service Requests to be scheduled on first request. Further, we expect the impact assessment for SECMP162 to focus solely on the costs relating to the creation of the MDR role, rather than the costs of additional DCC capacity which will be required as a result of the implementation of MHHS whether the MDR role is introduced or not. The impact assessment should also not include proposals to handle processing of MHHS-related Service Requests that are not covered within this modification itself. With this in mind, we do not consider that we are able to form an opinion on SECMP162 without an impact assessment and Change Board recommendation that solely reflects the modification in question, without the additional considerations that we have set out above that are not relevant to consideration of this modification.

We accept that the issues of scheduling of MHHS-related Service Requests and the capacity required to process them are significant and will have costs depending on the outcome arrived at. The removal of consideration of these costs, or of scheduling requirements to limit these costs, from this modification proposal does not mean that these matters will not be considered in the most appropriate way. As noted above, we have already directed DCC to look at options around the capacity requirements and how best to manage them. As the Sponsor of the MHHS Programme we will ensure that DCC, the MHHS Programme and SECAS as appropriate, carry out the necessary analysis to develop proposals for scheduling of requests and capacity provisions that meet the needs of the MHHS programme at a proportionate cost and ensuring a pro-competitive outcome in the provision of settlement services.

In light of the above, in accordance with SEC Section D9.3 we therefore direct that additional steps should be undertaken to enable us to make a fully informed decision.

The revised FMR should therefore include:

1. An analysis of costs of the technical implementation of the MDR role as set out in the proposed modification only, without any additional costs resulting from the broader implementation of MHHS that are not impacted by the implementation of the MDR role.

We also encourage the Panel to ensure that the FMR, and documentation supporting the modification, only considers the timing or priority of requests to be sent by MDRs where these approaches are being captured within the legal text of the modification proposal.

In undertaking this analysis, the Panel should take views from all impacted parties, including but not limited to, the MHHS Programme, DCC, Suppliers and Agents. For the avoidance of doubt, the Authority does not expect this request to result in changes to the proposed legal drafting of the modification. However, should changes to that drafting be necessary to ensure the coherence of the proposal we would expect such changes to be incorporated.

After addressing the concerns set out above and revising the FMR accordingly, it would be helpful if SECMP162 could be resubmitted to us for decision as soon as practicable and by no later than 31 October 2022 to allow us to make a decision on the modification

proposal ahead of the design baseline decision and in time to allow the DCC to proceed in line with the approved MHHS programme timelines.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Rachel Clark', written in a cursive style.

Rachel Clark  
Deputy Director, Retail  
Signed on behalf of the Authority and authorised for that purpose