

Modification proposal:	Smart Energy Code (SEC) Modification Proposal (MP) 162: SEC changes required to deliver MHHS		
Decision:	The Authority ¹ determines that this modification ² should be made ³		
Target audience:	Data and Communications Company (DCC), SEC Panel, Parties to the SEC and other interested parties		
Date of publication:	28 November 2022	Implementation date:	27 June 2024

Background

In April 2021, we published our decision to introduce Market-wide Half Hourly Settlement (MHHS) into the Great Britain energy retail market⁴. The Final Business Case predicted that settling all consumers on a half-hourly basis would bring net benefits of between £1.6bn and £4.5bn over the period 2021-2045. The decision was predicated on the final, industry-led Target Operating Model (TOM)⁵ that introduced the concept of a Meter Data Retriever (MDR). SECMP162 seeks to give effect to the MDR role by updating the SEC to introduce a new User Role.

The modification proposal

SECMP162 was raised by DCC (the Proposer) on 7 May 2021. It proposes to create a new DCC User Role for MDRs to allow independent agents to be able to access half-hourly data from the

¹ 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.

² 'Change' and 'modification' are used interchangeably in this document.

³ 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.

⁴ <https://www.ofgem.gov.uk/publications/electricity-retail-market-wide-half-hourly-settlement-decision-and-full-business-case>

⁵ [The Target Operating Model for Market-wide Half-Hourly Settlement](#)

electricity smart metering equipment (ESME). The proposal seeks to update the SEC to incorporate the MDR role and define the following:

- The User Entry Process requirements for the new User Role.
- The relevant Service Requests the new User Role will have access to and the associated Target Response Times (TRTs) and testing scenarios, and
- The associated security and data privacy arrangements that will apply to the new User Role.

The Proposer believes that SECMP162 would better facilitate the second General SEC Objective as implementing the changes needed to deliver the MDR role defined in the TOM will allow DCC to comply with the requirement introduced into the DCC Licence to facilitate the implementation of MHHS. They also believed that the third and seventh General SEC Objectives would be facilitated as SECMP162 will support the delivery of the TOM, which will enable customers to benefit from more accurate allocation of their consumptions in settlements and enable the wider elements of the programme to be delivered.

SECMP162 was first submitted to us for decision on 27 July 2022. However, the Final Modification Report (FMR) included the additional capacity required by the DCC for MHHS and considered how the Service Requests would be scheduled across the day. We considered that these elements were not in scope of the modification and that the modification should focus only on the technical implementation of the MDR role into the SEC. We were therefore unable to make a decision and sent the modification back to the SEC panel on 9 September 2022 to be revised.⁶

SEC Change Board⁷ recommendation

At the SEC Change Board meeting on 26 October 2022, most of the Change Board considered that SECMP162 would better facilitate the General SEC Objectives⁸ and the Change Board therefore recommended its approval. The consumer representative voted to approve the

⁶ [SEC Mod MP162 Send Back](#)

⁷ The SEC Panel and Change Board are established and constituted pursuant to and in accordance with DCC Licence 22.26(a).

⁸ The General Objectives in accordance with DCC Licence 22.10-22.17

modification. The Change Board believed that the modification would better facilitate the second and the seventh General SEC Objectives and was neutral against the third General SEC Objective. The Board believed that the second General Objective was met because implementing the changes set out in the modification will allow DCC to comply with the requirement introduced into its licence to facilitate the implementation of MHHS. Similarly, The Board also felt that seventh General objective was met as 'delivering the SEC and DCC changes for the MDR role as set out in the MHHS TOM will enable the wider programme to be delivered as planned.'

However, large suppliers were of the view that none of the General SEC Objectives would be facilitated as they considered that no case had been made for the new User Role and the data needed for MHHS could already be obtained through existing means without incurring additional expense. Additionally, the FMR confirmed that the costs to introduce the new User role will be recovered from SEC Parties via the Fixed Charges in SEC Section K: Charging Methodology. As a result, the costs will be split between Suppliers and Network Parties only. Ofgem notes the concerns raised by the large supplier community on the costs associated with this modification. The TOM developed by industry included the MDR role and was consulted on extensively prior to it being baselined. The costs associated with the introduction of the MDR role were also considered in the Final Impact Assessment (FIA) for MHHS and was published alongside our decision in April 2021. Therefore, we do not agree with the supplier community that case has not been made for the introduction of this new User Role.

Further, Ofgem understands that a new modification – DP218: Review of the SEC Charging methodology⁹, has been raised to investigate whether the current arrangements remain fit for purpose. We would like to encourage parties to actively participate in the development of this modification to ensure their views on the charging approach are considered.

Our decision

⁹ [DP218: Review of the SEC Charging Methodology](#)

We have considered the issues raised by the proposal set out in the FMR and conclusions report dated 26 October 2022.¹⁰ We have considered 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; and
- directing that the change is approved is consistent with the Authority's principal objective and statutory duties.¹¹

Reasons for our decision

We consider this modification proposal will better facilitate the second and seventh General SEC Objectives and will have a neutral impact against the other SEC Objectives.

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

The Proposer asserts, and we agree, that this Objective is better facilitated. The DCC is required to be compliant with the requirement of the SEC as set out in Condition 21 of its licence¹². Further, Conditions 21.17 and 21.18 requires the DCC to be compliant with the MHHS obligations set out in the Balancing and Settlement Code (BSC). New conditions were introduced into the BSC at Section C12¹³ which are mirrored in Section C7.13 of the SEC that require industry parties to fully participate in the implementation of the MHHS arrangements. These conditions are underpinned by the arrangements set out in the TOM. The TOM introduced the concept of an MDR role which is required to deliver the new MHHS arrangements. Seven of the nine respondents to the Modification Report Consultation (MRC) believe that this Objective is met citing that this proposal enables the delivery of a key

¹⁰The [Modification Report, Conclusions Report and legal text](#) are available on the Smart Energy Code website.

¹¹ The Authority's statutory duties are wider than matters that the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended and the Gas Act 1986 as amended.

¹² [Smart Meter Communication Licence](#)

¹³ [BSC Section 12](#)

element of the TOM by introducing the MDR role into the regulatory framework of the new arrangements therefore giving effect to the new SEC User roles and delivering a key aspect of the TOM.

The seventh General SEC Objective is to facilitate the efficient and transparent administration and implementation of the SEC.

The changes proposed by SECMP162 will deliver efficient and transparent administration and implementation of the SEC through clearly defined requirements to support the implementation and delivery of the MDR role.

We consider that the solution provides prospective MDRs with details on the attributes they require to enter the market and to operate effectively within the MHHS arrangements. As such, we agree with the Proposer that the solution better facilitates this Objective.

Decision notice

In accordance with standard licence condition 23 of the Smart Meter Communication Licence, the Authority hereby determines that modification proposal 'SECMP162: SEC changes required to deliver MHHS', be made.



Rachel Clark
Deputy Director, Retail Systems and Processes
Retail Directorate
Ofgem

Signed on behalf of the Authority and authorised for that purpose