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## MP224 ‘SEC Performance Assurance Framework’

### February 2024 Working Group – meeting summary

#### Attendees

Attendee	Organisation
Rachel Black (RBI)	SECAS
Ali Beard (AB)	SECAS
Elizabeth Woods (EW)	SECAS
Kev Duddy (KD)	SECAS
Georgiana Severin (GS)	SECAS
Tim Newton (TN)	SECAS
Dan Simons (DS)	SECAS
David Walsh (DW)	DCC
Joe Hehir (JH)	DCC
Robin Seaby (RS)	DCC
Scott McPhilimy (SM)	Ofgem
Jamie Flaherty (JF)	Ofgem
Patricia Massey (PM)	BEAMA
Emma Johnson (EJ)	British Gas
Rochelle Harrison (RH)	British Gas
Beth Tatton (BT)	Calisen Metering
Sharon Armitage (SA)	E.ON
Ian Turner (IA)	E.ON
Graham Wiles (GW)	E.ON
Alex Hurcombe (AH)	EDF
Catherine Duggan (CD)	Electricity Northwest Ltd
Daniel Davies (DD)	ESG Global
Kelly Kinsman (KK)	National Grid Electricity Distribution
Ralph Baxter (RB)	Octopus Energy
Emslie Law (EL)	OVO
Eric Fowler (EF)	Power Data Consultants
Mahfuzar Rahman (MF)	Scottish Power
Jeff Studholme (JS)	Smart Meter Assets
Shuba Khatun (SK)	SSEN
Kevin Clark (KC)	Utilita

## Overview

The Smart Energy Code Administrator and Secretariat (SECAS) provided an overview of the issue identified, the draft Risk Evaluation Methodology and the changes to the Proposed Solution following the last Working Group discussion.

## Issue

- The SEC Panel is expected to manage any performance-related matters as they arise
- The Panel's scope is broad and managing matters case-by-case is challenging
- A 2022 project concluded that a risk-based Performance Assurance Framework (PAF) would give Parties confidence that obligations were being met

## Draft Risk Evaluation Methodology

- Methodology follows a risk-based approach
- Risks identified through various forums/methods and scored by the Performance Assurance Board (PAB) (Likelihood x Impact = Risk Score)
- High level risk is broken down into individual Risk Drivers that each would require analysis and proportionate Performance Assurance Techniques (PATs) applied

## Changes to Proposed Solution

- PAB Composition – increased Large Supplier reps to 3. Combined Network Party seats
- Consultations now required on more artefacts delivered by the PAB
- Reporting principles included to reassure Parties on their requirement to feed in
- Section G and Section Z removed from scope
- Appeal process of PAB decisions more detailed

## Working Group Discussion

SECAS (KD) provided an overview of the issue, the Draft Risk Evaluation Methodology and the changes to the Proposed Solution.

## Draft Risk Evaluation Methodology

A working Group member (CD) asked for more clarity on the role of Sub-Committees and prioritisation of risks. SECAS (KD) advised that the PAB would determine prioritisation and what would be the focus for the upcoming year. It would depend on the number and scale of the risks identified. The coordination of Sub-Committee activity would also be up to the PAB and how they wish to apply the PATs. SECAS (DS) expanded on this that the role of the Sub-Committee could be one of the PATs that the PAB develop, and task them to undertake analysis.

The Working Group member commented that it needs a top-down approach where the PAB provides the direction to those Sub-Committees. They noted that they were supportive of the work to date and was keen to see its progress and consider wider strategy. They also highlighted that the work done during the modification should act as the starting point.

Another Working Group member (EJ) noted none of the examples of PATs were related to enforcement, more monitoring. SECAS (KD) highlighted there will be lots of PATs and the PAB would assess which best fits and is proportionate to each Risk Driver.

Another Working Group member (SA) queried whether there would be target timescales and metrics for the risk treatment. SECAS (KD & DS) confirmed that was included in the draft methodology and the PAB would make those determinations.

### **PAB Composition**

SECAS (KD) highlighted the changes to the PAB composition.

A Working Group member (SK) questioned the combination of Network Party seats. SECAS (KD) noted the error on the slide and confirmed that Network Parties would have two seats and both could be nominated by either Gas or Electricity Parties.

The Working Group agreed with the amendments made to the composition of the PAB.

### **Appeals process**

SECAS (KD) highlighted the changes to the Appeals process, noting that Risk Management Determinations are reviewed initially by the PAB again before appeal to the Panel, whereas other decisions are reviewed by Panel before ultimate decision by the Authority.

Ofgem (SM) commented that this seemed sensible initially as it mirrors the Self Governance process but after further analysis internally they had noted that other Codes did not have a referral path to the Authority. These all have their respective Panels as the final appeal. They queried why the SEC would be different, and what decisions would need a referral. A Working Group member (JS) agreed, and noted the Self Governance modification process means a Proposer can keep pushing a modification forward just so that Ofgem must provide a view on the issue. They believed that more power should be given to Panel and ensure the PAB is able to be fully functional and empowered.

The Working Group agreed that the Panel should be the ultimate referral body, and further detail on appeal scenarios could be included.

### **Scope**

SECAS (KD) detailed the exclusion of obligations related to Section G 'Security' and Section Z 'Alternative Arrangements'. They noted that Section Z was excluded as their governance path is to the Authority, and not the Panel whereas Section G was excluded due to the highly confidential and technical nature of their risks and management of them.

A Working Group member (CD) raised concern this could lead to a disjointed approach as opposed to a holistic one. They noted that the User audits carried out under Section G assess all risks identified on an annual basis, which is fundamentally different to this risk-based approach.

Another Working Group member (EL) highlighted that Section G had been drafted to give the Security Sub-Committee (SSC) complete oversight of this area and that would need changes. They continued that the work the SSC do is highly technical and confidential, which would make it impossible to share their risk register with Parties. They also noted that the SSC reports straight to the government.

The Working Group member (CD) believed a review and potential amendments should be considered within Section G as part of this modification to ensure that all risk across the SEC was being managed and addressed in the same way.

Another Working Group member (SA) highlighted that there was a new Privacy Sub-Committee being established and questioned whether their work should also be excluded due to PAB members not likely having the technical expertise in that area.

A Working Group member (EL) agreed this should be explored but highlighted that there will be differences to the SSC as they are specifically required within the SEC.

SECAS (KD) agreed to provide statements from the SSC and the Alt HAN forum detailing rationale for exclusion. They would also consider whether the same would be required for the new Privacy Sub-Committee. The Working Group agreed that no other Sections of the SEC should be out of scope.

### **Added Value of a PAF**

SECAS (KD) noted that the specific benefits are not possible to be determined until the risks have been identified, which was a process for the PAB to undertake. They highlighted that the Balancing & Settlement Code (BSC) assign monetary values to risks which makes it easy to quantify benefits. Most other Codes provide quantitative benefits depending on each risk and the work they have done in that year, on their annual performance reports to qualify their benefits.

A Working Group member (CD) suggested that obtaining similar examples of possible risks in other Codes and detailing those benefits would be the best way to demonstrate. They also queried whether Code Reform would impact this. SECAS (KD) noted the modification would be implemented one month after decision, likely to be in July 2024. The Working Group member (CD) noted that the SEC was expected to be in the last phase of Code Reform.

### **Next Steps**

The following actions were recorded from the meeting:

- SECAS to include detail on the potential benefits of the PAF, utilising examples from PAFs in other Codes.
- SECAS to amend legal text to reflect appeals process to Panel only, and in which instances.
- SECAS to seek statements about scope from the SSC and AltHANCo and consider the new Privacy Sub-Committee in this area.