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SEC Section D Review Consultation

1. Purpose

We have been looking at ways in which we can improve the change process under the SEC to make it more efficient. As such, at the SEC Panel's request, we are carrying out a full review of SEC Section D 'Modification Process' to capture any proposals for improving how change is progressed and/or delivered.

As part of this review, we held a workshop on 13th February 2018 with a range of industry participants, DCC, BEIS and Ofgem, to seek views on the current processes and potential ways forward. Based on the discussions from this workshop, we have developed a straw man proposal for how the SEC Modifications process could be improved, which is outlined in this consultation document. We have presented this straw man to the Panel, Ofgem and BEIS for their comment, and their views have been incorporated into this straw man.

We are now seeking the views of industry participants on our initial proposals in this document as well as on any further areas participants wish to raise. The views raised by respondents will inform the progression of any modifications arising from this review.

We invite you to provide your views using the response form (Attachment B), emailing this to sec.change@gemserv.com. Please provide your responses by **17:00 on Wednesday 4th April 2018**.

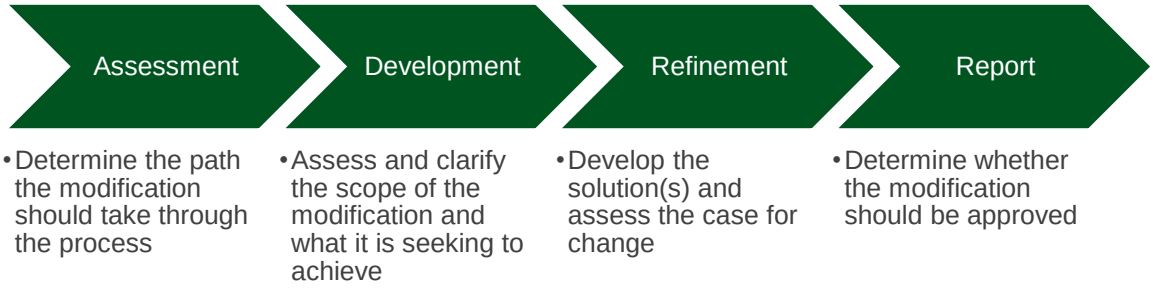
2. The modifications process

Following all the feedback received from the Workshop and from the Panel, we have developed a straw man process for progressing SEC modifications, which is detailed in this section.

The key changes we are recommending will see the Change Board play a much greater role in the process:

- The Change Board will consider all proposals as soon as they are raised, and their initial views will be passed to the Panel to help inform the timetable and terms of reference for the modification.
- A 'pre-modification process' will be added, and the Panel will determine if any new proposal will need to undertake this stage or not. The Change Board, or a sub-set of it, will act as a Working Group during this part of the process.
- The Change Board will also vote during the Refinement Process to provide a recommendation to the Proposer on whether their proposal should progress to the DCC Impact Assessment.

The diagram below summarises the proposed stages of the process and their key purpose. Not all modifications will undergo all four stages.



A series of process flow diagrams illustrating the steps of the proposed process can be found in Attachment A.

Please note that the names of the stages and documents are working titles, and could change later on.

2.1 Raising the modification and the Assessment Stage

The process will be initiated by an eligible participant submitting a Draft Proposal (DP) to SECAS. As we do now, we will review this form and provide any comments and suggestions back to the Proposer.

We will perform an initial assessment of the DP, including:

- An initial view of the likely impacts on participants and systems;
- The areas and questions that would need to be assessed as part of the modification's development and any specific expertise that should be sought for the Working Group;
- The most appropriate progression route for the modification, including whether a Development and/or Refinement Stage will be needed;
- The relevant Sub-Committees (e.g. the Security Sub-Committee for a security-related modification) from which feedback will need to be sought in subsequent stages; and
- A proposed progression timetable listing the expected activities that need to be completed (e.g. DCC Assessments, consultations etc.).

Following our review, we will prepare an Initial Assessment Report (IAR). The IAR will contain a summary of the proposal, the results of our initial assessment and a recommended way forward and project plan for the proposal.

We will first present the IAR to the Change Board, and seek its views on the proposal. Key questions the Change Board will be asked to comment on will include:

- What is the rationale behind the proposal, what are the merits and benefits, and is it likely to have the support needed for approval?
- Is the modification fit to be formally raised or is further consideration of the scope and defect needed first?
- What further areas would need to be considered before the modification is formally raised?
- What questions will a Working Group need to answer as part of the Refinement Stage?

- Are there any other changes with which it would be beneficial to progress this change in parallel?

The Panel will then consider the IAR and the Change Board's views, and will determine how the DP should be progressed. If the Panel believes that more work is needed on the proposal before it enters the formal process, then it has the option to submit it to a 'pre-modification process' – see Section 2.2. If it believes that the modification is ready to enter the formal process, it can, as it would now, progress it to either the Refinement or the Report Stage.

2.2 The Development Stage

The SEC currently has no formal 'pre-modification process'. Parties can raise an 'Issue' in order to discuss potential changes in informal workshops prior to entering the formal modifications process, but this option has never been taken up.

We propose that a new stage in the process, the 'Development Stage', is added, replacing Issues as a 'pre-modification process'. The purpose of this stage will be to discuss and clarify the scope of the modification and what it is seeking to achieve, including whether there are any alternative approaches to this, and to assess the merit of taking it further into the process. If a DP undergoes a Development Stage, the Panel will set the areas it will require the Change Board to further assess. The Panel can also set a date by which the Change Board is to report back to it.

The Change Board, or a sub-set of it, will act as a 'Working Group' during the Development Stage. It will discuss the modification and the issue raised, provide a view on the merits of the change and look at any potential options for solutions. We expect the Proposer to be involved in these discussions, and to attend any meetings where their DP is being discussed.

During the Development Stage, we would also seek other potential modifications that could be batched with the original DP, to achieve efficiencies in both the assessment and the implementation of these changes. For example, rather than having five separate modifications each proposing to add a new Service Request which are assessed individually, these could be merged into a single change, or progressed as a batch of changes, and assessed holistically. Doing so would reduce subsequent costs as only a single Working Group and a single DCC Impact Assessment would be needed to cover all five new items, plus, if approved, all the changes would be developed and implemented as a single package. This would improve the business case for these changes being made.

The Proposer will consider the output and the feedback received, and will determine whether to proceed on with their proposal or whether to withdraw it. By involving the Change Board in this way, the Proposer will receive an early indication of any issues with their proposal and the likely level of support across the industry, which they can take into consideration before entering the 'formal' process. If they conclude that it is not worth proceeding, the DP would simply be closed and no further action taken. Furthermore, if the proposal continues, the views of the Change Board will help inform the Panel of the questions that need to be considered by the Working Group during the Refinement Stage and the most appropriate timetable for this work. This will improve the efficiency and effectiveness of this next stage of the process.

If the modification is to proceed, we will prepare a Development Report on behalf of the Change Board with the views and information gathered during the Development Stage, and will present this back to the Panel. The Panel will then determine which stage the modification is to proceed to next.

2.3 The Refinement Stage

Once there is sufficient clarity on the scope of the modification and what it is seeking to achieve, the next stage is the Refinement Stage. The purpose of this stage will be to develop the solution(s) and assess the case for change. As part of this, a full assessment of both the costs and the benefits of the modification will be completed. If the modification proceeds to this point, it will become a Modification Proposal (MP), entering the 'formal' process, and its DP number would transfer across to become it's MP number.

The Proposer can amend the scope of the modification and the issue or defect initially identified at any time while the modification is a DP, but once it becomes an MP this scope will be fixed, and the solution(s) developed will need to address this. The Proposer can also choose to split their original DP into two or more MPs, in response to any feedback during the Development Stage.

It will be up to the Panel to determine if the MP needs to undergo the Refinement Stage or if the solutions are already fully developed and the case for change made, but we expect any modification that underwent a Development Stage would also need to undergo a Refinement Stage. If an MP undergoes a Refinement Stage, the Panel will set the questions it will require the Working Group to answer as part of the Modification Report and the timetable the Working Group is to follow, noting any input from the Change Board on these points.

The Refinement Stage will typically follow these steps:

1. A Working Group will be formed. Membership is expected to be a mix of Change Board members and other industry participants with relevant experience or expertise on the modification's subject matter. We also expect the Proposer to be part of the Working Group and attend all meetings. If there are multiple related MPs, we will form a single Working Group to assess all of them.
2. SECAS will work with DCC and the Proposer to prepare draft business requirements, and will present these to the Working Group for its consideration and development. The Proposer will have full ownership of the Proposed Solution, but will be expected to take on board the views of the Working Group. The Working Group can also raise Alternative Solutions if members believe there are other options that need to be developed and assessed. SECAS will work with DCC and the Working Group to develop the business requirements for any Alternative Solutions.
3. Once the business requirements for all raised solutions are agreed, the following steps are completed in parallel:
    a. Where applicable, the solution(s) will be issued for a DCC Preliminary Assessment;
    b. the relevant Sub-Committees will be consulted for their feedback on the solution(s) developed; and
    c. the legal text changes to the SEC Sections and SEC Schedules will be prepared based on the business requirements.
4. The Working Group will consider the information obtained from the previous step, and will assess the benefits case for implementing the modification and provide an initial view on whether the modification better facilitates the SEC Objectives.
5. A Working Group Consultation will be issued seeking the views and input from the wider industry based on the assessment completed so far.

6. The Working Group will consider the responses received to the consultation and may update its own views. It will then prepare a draft Modification Report summarising the work completed so far.

7. The Change Board will consider the Modification Report and will provide a view on whether the work completed is sufficient for it to be able to vote on approval or rejection during the Report Stage, or if more work needs to be done. If more work needs to be done, any timetable extensions will first need to be sought from the Panel (and the Panel can choose to not grant an extension but to require the modification to carry on as planned).

   If the modification requires a DCC Impact Assessment, all the following steps will be followed. If there are no DCC System impacts identified, the process will jump to step 12.

8. The Change Board will also vote on the merits of progressing the modification further, noting the costs that would be incurred for requesting the DCC Impact Assessment. This forms a recommendation to the Proposer.

9. The Proposer will consider the outcome of the Change Board vote, and will determine whether to proceed to the Impact Assessment or whether to withdraw the modification. If the Change Board recommended not proceeding but the Proposer elected to continue, they will be required to provide their rationale for this decision.

10. If the modification is to proceed, the modification will be issued for a DCC Impact Assessment. In parallel, SECAS will prepare the legal text changes to the SEC Appendices and other technical documents.

11. The Working Group will meet one last time to consider the results of the Impact Assessment, provide a final view on the benefits case of the modification and provide a final view on whether the modification better facilitates the SEC Objectives. Following this, it will update the draft Modification Report to account for the subsequent work.

12. The Panel will consider the Modification Report. It will determine whether to approve the report (including the business requirements and legal text) as final and proceed to the Report Stage or whether the modification needs to be returned to the Working Group for further work.

The Working Group will act as a form of ‘project board’ for the modification’s assessment, reporting to the Panel. As now, we will carry out the underlying work for the Working Group, such as preparing business requirements, legal text and other documents, providing secretariat and support services, and project managing the modification. Working Group members will be expected to be involved in the modification throughout its progression, making themselves available as needed for meetings or to review documents.

The Working Group will own the Modification Report, and will be responsible for ensuring everything that the Panel had asked of it is included; as now, we will draft and update the document on the Working Group’s behalf. The Modification Report will include, as a minimum:

- A summary of the background to the modification and the issue identified by the Proposer;
- A summary of the solution or solutions put forward, including:
  - The business requirements for each solution; and
  - The legal text changes needed to deliver each solution;
- A summary of the participant impacts and costs that would be incurred in implementing each solution;

- The proposed implementation approach for the modification;
- The benefits case for implementing the modification;
- A summary of the discussions held by the Working Group and the conclusions drawn; and
- The views and conclusions on the modification expressed by the Proposer, the Working Group, any relevant Sub-Committees and the wider industry.

Where applicable, a copy of the most recent DCC Assessment (either the Preliminary Assessment or the Impact Assessment) will also be provided, on the assumption that the most recent response will be the most relevant and would supersede previous responses.

2.4 The Report Stage and a final decision

Once the solutions are fully developed and assessed, the modification will undergo the Report Stage. When an MP reaches this stage, it's solution(s) becomes final and cannot be changed. The Modification Report (including the business requirements and legal text) will also be final, and the only changes allowed will be non-material changes (e.g. typographical errors or minor points of clarity).

This stage of the process will be unchanged from now. The Modification Report will be issued for the Modification Report Consultation, seeking industry views on whether the modification should be approved or rejected. Following this, the Modification Report and the consultation responses will be issued to the Change Board for vote. After the vote, a document summarising the Change Board's decision will be produced. If the modification is not Self-Governance, it will then be issued to the Authority for final decision.

2.5 The power to close a stalling modification

Under the current process, there is no effective mechanism for closing a modification that has stalled and is not proceeding, other than through the Proposer electing to withdraw their modification. This results in situations where a modification has been raised but no viable solution has been developed either by the Proposer or by the Working Group after a considerable period of time.

Currently, the Panel has control over the progression timetable, and can use this to end a Refinement Process and proceed to the Report Phase by not granting an extension to the original timetable. However, if the modification's solution has not been fully developed or the modification not fully assessed, this runs the risk of either the Change Board or the Authority sending the modification back due to being unable to form a view.

We propose that a mechanism be introduced to the process to allow the Panel powers to close a modification that has stalled and is not progressing. We would expect this to be a last-resort option to prevent modifications that are going nowhere from sitting open indefinitely. A clear process for this will need to be defined, which must include criteria to be met before these powers can be invoked. This area will need to be discussed and developed further as part of any subsequent modifications.

3. Working Group terms of reference

The SEC currently contains a lot of the details around how Working Groups operate and what areas they need to consider. This makes it difficult to give flexibility to different Working Groups to meet the different circumstances of each modification. Furthermore, any changes to these rules would need to be progressed via a modification, incurring the cost and effort involved in that.

As an example, we have recently struggled to progress modifications due to being unable to form a quorate Working Group in line with the requirements in Section D, but because this is a SEC requirement there is little we can do about it except keep chasing for members.

We propose that the details of how Working Groups operate are removed from the SEC. Instead, the SEC will mandate the Panel prepares and maintains a 'Working Group Terms of Reference' document that contains all the necessary details. The Panel will then be able to change these without needing a modification. This will also better allow for flexibility for individual Working Groups to cater for exceptional circumstances, as the Panel could agree to a derogation from its agreed terms of reference for a particular modification.

Whenever a Working Group is formed, it would automatically adhere to the approved terms of reference. This would be supplemented by an annex laying out the specific areas it needs to consider and the questions it must answer in the Modification Report.

We also believe that the rules for quoracy of a Working Group should be reviewed. Currently, a Working Group needs a minimum of five members to be quorate. The rules for quoracy of a meeting are unclear, but has been taken as five members being in attendance (either in person or on the phone).

We believe that the rule for there being five members on a Working Group should be maintained, to ensure a minimum representation is available to assess the proposal. However, there should be no quorum needed for a Working Group meeting; if a member does not attend and does not provide any comments outside of the meeting then it should be assumed they have read all the paperwork for the meeting and have nothing further to add. This will prevent a modification's progression from being delayed due to the availability of Working Group members. We stress though that SECAS will be required to ensure as many members as possible are able to attend a meeting when scheduling one.

Having reviewed the SEC, we do not believe that there is anything currently preventing this new approach to meeting quoracy from being adopted now. We will therefore recommend to the Panel that this approach be taken with immediate effect.

4. Fast Track Modifications

Fast Track Modifications allow minor housekeeping changes (e.g. typographical errors or changes to the names of key bodies or legislation referenced in the SEC) to be progressed through the process in an expedited manner, reflecting their self-evident nature. To date, there has only been one Fast Track Modification: SECMP0001 'Updating the SEC to reflect abolition of the National Consumer Council (NCC)', progressed in 2014.

The current process for a Fast Track Modification is:

- The Panel will agree to raise the modification.
- The industry will be notified that the modification has been raised, and will be given a minimum of 15 Working Days to comment via SECAS.
- At its next meeting the Panel will then determine whether to approve or withdraw the Fast Track Modification.
- If the Panel approves the modification, Parties then have a 10 Working Day window in which they can refer the decision to the Authority.

This two-step process for the Panel raising then approving these modifications is different to how the Fast Track process works under many other codes, and in practice only saves around two weeks compared to if the modification was progressed directly to the Report Phase as a Self-Governance Modification.

We consider that it would be more efficient to simplify this process and align it with the other industry codes as follows:

- The Panel will be able to simultaneously raise and approve a Fast Track Modification at the same meeting. It will only be able to approve the modification as a Fast Track Modification if that decision is unanimous. If this decision is not unanimous, the Panel must progress the modification down a different route (e.g. direct to the Report Phase as a Self-Governance Modification).
- If the Panel approves the modification as a Fast Track Modification, Parties will have a 15 Working Day window in which to object to the decision.
    - If an objection is received, the modification is returned to the Panel for it to progress down a different route.
    - If no objections are received, the decision to approve is final and the modification is implemented on the agreed date.

In addition, Fast Track Modifications can currently only be raised by the Panel. We believe it would be more efficient if any participant able to raise a modification is able to request that their modification be Fast Track. The Panel will then decide on this when it first considers the Modification Proposal.

5. Next steps

We are issuing this consultation to seek views from industry participants on our straw man proposals. We will seek to raise a set of Modification Proposals to develop and assess these proposals, which could be considered by the Panel at its April meeting; responses to this consultation will be taken into account as part of this.

We propose that three modifications are raised as follows:

- one modification to progress the new end-to-end process in Section 2;
- one modification to progress the Working Group terms of reference changes in Section 3; and
- one modification to progress the revised Fast Track process in Section 4.

For efficiency, we will progress these jointly through the modifications process using a single Working Group.

Following the outcomes of these modifications, we will seek to raise a further ‘housekeeping’ modification to restructure the provisions of Section D into a more logical order and rewrite it into a more ‘plain English’ style.

Subject to the progression of the relevant modifications, we currently believe it possible to implement these changes as part of the November 2018 SEC Release on 1st November 2018.

6. Consultation questions

As part of this consultation, we seek your views on the following questions. Please use the attached response form to provide your views, and email this to sec.change@gemserv.com by **17:00 on Wednesday 4th April 2018**.

- Do you agree with having the Change Board comment on a new modification before it is presented to the Panel?
- Do you agree with the introduction of the 'Development Stage' into the process? Do you have any comments on the purpose of this stage or how this will work?
- Do you agree with the process and purpose of the Refinement Stage?
- Do you believe that a mechanism for allowing the Panel to close stalling modifications should be introduced? Do you have any views on how this should work?
- Do you agree with the proposal to move the detail around how Working Groups operate out of the SEC and into a Panel-owned document?
- Do you agree with the proposed quoracy arrangements for Working Groups? Do you agree these should be adopted immediately?
- Do you agree with the proposed changes to the Fast Track process?
- Do you have any other areas under Section D that you believe should be further reviewed?

7. Contact

If you have any questions, please contact **David Kemp** on 020 7090 7762 or email sec.change@gemserv.com.