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SECMP0049 Initial Modification Report

About this document

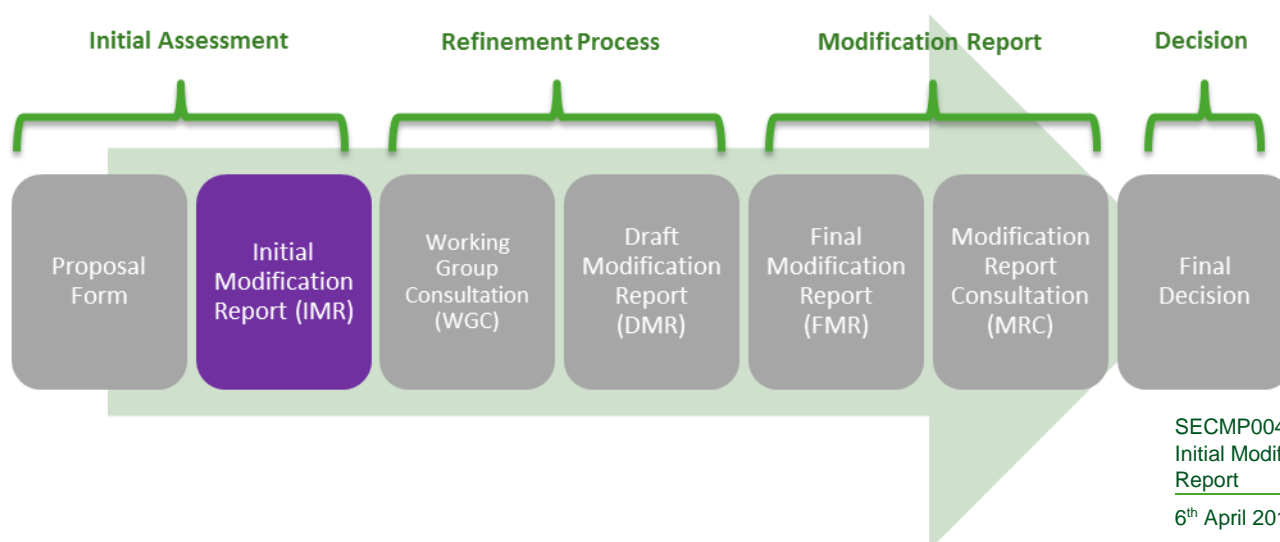
This Initial Modification Report (IMR) contains our initial assessment of SECMP0049. It also provides information on the issue, the Proposer's solution, potential impacts, costs and proposed progression.

This document was submitted to the Smart Energy Code (SEC) Panel for consideration to determine how this Modification Proposal should be progressed through the Modification Process.

As part of this document the Panel:

- **AGREED** that this modification should be submitted into the Refinement Process to be assessed by a Working Group;
- **AGREED** the Working Group Terms of Reference;
- **AGREED** the progression timetable set out in Section 6; and
- **AGREED** that SECMP0049 should be progressed as a Path 2 Modification Proposal.

Where are we in the process?



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Report

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Stage 01: Initial Modification Report

SECMP0049:

Section D Review: Amendments to the Modification Process

Summary

This modification proposes to amend the end-to-end SEC Modifications Process to introduce a formal 'pre-modification process' and enhance the role of the Change Board in developing and assessing modifications.

Proposed Progression

This Modification Proposal has been agreed to be:

P2

- progressed as a Path 2: Authority Determined Modification Proposal; and
- progressed through the Refinement Process for three months.

3
Months

Potential Impacts



- There are no identified impacts that place any additional obligations or process changes directly on SEC Parties.
- There are no impacts on DCC Central Systems or Party interfacing systems.

What stage is this document in the process?

01	Initial Assessment
02	Refinement Process
03	Modification Report
04	Decision

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About this Document

This is an Initial Modification Report (IMR). This document contains details of the issue, solution, potential impacts and costs as well as the proposed progression for SECMP0049.

This document has one attachment:

- Attachment A contains the SECMP0049 Modification Proposal Form.

The Panel considered this IMR at its meeting on 13th April 2018 and agreed that this Modification should be progress into Refinement for further development by a Working Group.



1. Summary

What is the issue?

The recent SEC Section D Review has identified a number of improvements to the end-to-end SEC Modification Process that should be introduced in order to improve the efficiency of the process.

What is the Proposed Solution?

This modification proposes to make changes to SEC Section D to introduce a 'pre-modification stage' into the process and to provide a greater level of involvement from the Change Board during the process.

Potential impacts

Party

Large Supplier Parties		Small Supplier Parties	
Electricity Network Parties		Gas Network Parties	
Other SEC Parties			

System

DCC Systems		Party interfacing systems	
Smart Metering Systems		Communication Hubs	
Other systems			

Potential implementation costs

We believe that the cost to implement SECMP0049 will be limited to SEC time and effort to deliver the necessary changes.

Proposed progression

The Panel agreed that this modification be progressed to the Refinement Process for a three-month assessment by a Working Group.

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2. What is the issue?

The SEC Section D Review

In January 2018, the Panel requested SECAS carry out a full review of SEC Section D: Modification Process, and to capture any proposals for how to improve the efficiency of how change is progressed or delivered.

The SECAS review consisted of a workshop held in February 2018 to discuss areas of the process, and an industry consultation issued in March 2018 on potential straw man solutions. The Panel, the Change Board, Ofgem and BEIS have also been consulted on the proposed straw man solutions.

This modification, along with SECMP0050 'Section D Review: Moving the Working Group Terms of Reference to a separate document' and SECMP0051 'Section D Review: Amendments to the Fast Track Modification process', have been raised to progress the outcomes of the review.

What are the issues with the current process?

The SEC Modification Process was switched on in February 2016. Since then, around 50 Modification Proposals (modifications) have been submitted. However, it has been considered that many of these modifications would have benefitted from further work and discussion prior to being submitted into the 'formal' process. In a couple of cases, modifications raised in 2016 are still without a firm solution due to the Proposer and the industry being unable to develop one under the Refinement Process.

Under the current process, Parties can raise an 'issue' when they have a potential modification but wish to discuss it further before raising a modification. This allows the issue to be discussed in informal workshops, allowing for potential ways forward (which may not require modifications) to be explored and for the wider industry support for the change to be gauged.

Once a modification is raised, it is subject to the full governance and process laid out in SEC Section D. Furthermore, the scope of the modification is fixed at the point the modification is raised, and the solutions put forward must resolve this defect; if the scope is not clear or it is identified that the scope is not correct, this makes it harder to develop suitable solutions. Working Groups may also identify appropriate solutions do not require changes to the SEC or its Subsidiary Documents, and therefore do not require a modification.

For some of the existing modifications, progression through a more informal discussion stage such as this may have helped to shape the modification and the issue it seeks, to address more clearly identify up-front whether there is an effective solution to the issue, and to gauge the industry support for the change. Many of the modifications have also proven to be expensive as standalone changes, which severely impacts upon the benefits case for their



implementation, particularly now that the Authority is requesting more detailed cost-benefit cases to be provided for each proposal.

Pre-assessment of all these areas at an earlier stage could have saved industry time, resource and money in not having to then develop and assess modifications with little chance of success. However, this is not a formal step in the process and so is completely optional; as such, no Parties have made use of the issues process to date, preferring instead to proceed directly to a modification.

Modification processes under some other codes allow for a formal pre-modification process whereby changes can be sent for further work before being progressed into the 'formal' change process. One notable example is the Issues Resolution Expert Group (IREG) under the Master Registration Agreement (MRA). All new MRA Change Proposals are sent to the IREG when they are first raised. The IREG will then determine if the change needs further work or assessment before it is formally raised, or if the change is ready to proceed on through the full assessment process to a final decision. This allows a route for those changes which still need work to be further developed early on, without holding up fully developed changes that are ready to proceed.

How is the Change Board involved in the process?

Under the SEC, the Panel oversees the progression of modifications through the process, and determines when changes are ready to proceed to the final Report Phase. However, the power to make decisions or recommendations on modifications rests with the Change Board. It is this body that makes the formal recommendations or decisions on whether a change should be approved or rejected.

Under the current process, the Change Board usually only sees a change for the first time at the very end of the process when the Modification Report is presented to it for vote, and does not usually get involved in the process at any point prior to this step (although Change Board members can choose to be involved on Working Groups if they so wish).

What is the issue?

The Section D Review recommended that a series of changes are made to the SEC Modification Process to introduce a 'pre-modification' stage and enhance the role of the Change Board. This modification has been raised to take these proposals forward.

3. Solution

Proposed solution

SECMPO049 'Section D Review: Amendments to the Modification Process' was raised by Simon Trivella of Centrica on 5th April 2018.

This modification proposes to make the following changes to Section D:

- When a modification is raised, SECAS will take its initial assessment to the Change Board before the Panel. The Change Board, as the Sub-Committee focusing on modifications, will be able to comment on the merits of the new proposal, the areas that will need to be further discussed or clarified and the route that the modification should proceed down. These views will be fed back to the Panel when it determines the modification's progression.
- A new stage in the process, the 'Development Stage' will be introduced. This stage will sit before the Refinement Process in the timeline and will act as a 'pre-modification process'. When it determines the progression for the modification, the Panel will decide whether the modification will benefit from further work to clarify the scope of the modification and what it is seeking to achieve, or whether the modification is ready to advance to the 'formal' stage of the process.
- During the Development Stage, the Change Board will act as a 'Working Group'. 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. It will be expected that the Proposer will be involved in these discussions, and will attend any meetings where their modification is being discussed. At the end of the Development Stage the Panel will determine whether the modification is ready to proceed to the 'formal' process.
- The Refinement Process will be largely unchanged from now. The only change will be the Change Board's involvement prior to the DCC Impact Assessment being issued. When the Working Group reaches this stage, a draft of the Modification Report will be presented to the Change Board. The Change Board will provide a view on whether the contents of the Modification Report will be sufficient for it to vote on, or if more work is needed. It will also vote on whether the modification should be issued for Impact Assessment (noting the costs the industry would incur from this). The outcome of that vote will form a recommendation to the Proposer on whether they should proceed with the modification or withdraw it, although this decision will sit entirely with the Proposer.
- The Report Phase will be unchanged.

In addition to these changes, the Proposer considers that a mechanism for the Panel to close modifications that have stalled and are not proceeding for reasons beyond the control of the process to be introduced. This would be a last-resort option to prevent such modifications from sitting open indefinitely if the Proposer did not wish to withdraw the modification. A

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process with clear criteria for invoking this will need to be developed as part of this modification.

Finally, parts of Section D will be clarified to incorporate lessons learnt over the last two years and tidy up wording.

The full end-to-end solution proposed by this modification is that covered in Section 2 of the SEC Section D Review Consultation document.

Views against the General SEC Objectives

The Proposer believes that this Modification Proposal better facilitates General SEC Objective (g)¹.

Introducing a 'pre-modification process' will better enable potential modifications to be assessed prior to entering the formal process. Part of this stage will be to consider the merits of the change. This will improve efficiency by reducing the number of modifications with little chance of success from undergoing a full assessment, incurring the corresponding SECAS and industry time and resource, which would allow this to be focused on modifications with a greater chance of success. Early consideration of the modification by the Change Board will also support drawing out up-front the areas that will need to be considered by the Working Group as the modification progresses, allowing the Panel to set more effective timetables.

For the avoidance of doubt, the Proposer believes that this modification is neutral against the other Objectives.

¹ Facilitate the efficient and transparent administration and implementation of this Code

4. Potential Impacts

The following section sets out the initial assessment of likely impacts and costs should SECMP0049 be approved and implemented. Additional impacts/costs may be identified by the Working Group as part of the Refinement Process.

SEC Party impacts

Large Supplier Parties		Small Supplier Parties	
Electricity Network Parties		Gas Network Parties	
Other SEC Parties			

This modification is not expected to place any additional obligations or internal process changes directly on any SEC Party. All Parties will benefit from the changes identified to improve the Modification Process.

Central System impacts

DCC Systems		Party interfacing systems	
Smart Metering Systems		Communication Hubs	
Other systems			

This modification will not impact on any systems.

SEC and Subsidiary Document impacts

This modification will require changes to SEC Section D 'Modification Process'.

Impacts on other industry codes

This modification is not expected to impact on any other industry codes.

Greenhouse Gas Emission impacts

This modification will have no impact on greenhouse gas emissions.



5. Potential Costs

Potential implementation costs

The cost to implement SECMP0049 is expected to be limited to the SEC Administration time and effort for:

- Making the necessary amendments to the SEC;
- Releasing a new version of the SEC to SEC Parties; and
- Publishing the updated SEC on the SEC website.

However, this will be confirmed as part of the Working Group's assessment and development of the modification.

6. Proposed Progression

Modification Path

We and the Proposer recommended that SECMP0049 be progressed as a Path 2: Authority Determined Modification Proposal. The Panel agreed that this Modification should be progressed as Path 2.

This modification will make material changes to the processes in SEC Section D. This satisfies criteria (d) in the list of criteria in SEC Section D2.6 for a modification to require an Authority determination.

Proposed progression

For efficiency, we proposed that all of the modifications arising from the Section D Review, SECMP0049, SECMP0050 and SECMP0051, be progressed in parallel and assessed by a joint Working Group. The Panel agreed to this.

The Panel agreed the following progression timetable.

Activity	Date
Modification Proposal raised	05 Apr 18
IMR presented to Panel	13 Apr 18
Working Group meeting	W/B 30 Apr 18
Working Group Consultation	17 May 18 – 08 Jun 18
Working Group meeting	W/B 18 Jun 18
Panel reviews Modification Report	13 Jul 18
Modification Report Consultation	13 Jul 18 – 03 Aug 18
Change Board vote	22 Aug 18
Authority decision (<i>Path 2 only</i>)	Around 28 Sep 18

Refinement length

The Panel agreed that this modification be submitted to the Refinement Process for three months to allow for an assessment by a Working Group. This three-month timeframe will allow for:

- a full Working Group assessment to take place (two or three meetings); and

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- one 15 Working Day industry consultation to be issued and reviewed.

For a more detailed progression plan please see Appendix 1.

Working Group

Membership

The Panel agreed that the SECMP0049 Working Group be made up of representatives from the Section D Review Workshop, individuals with expertise in Industry Code governance, and any other interested parties.

Terms of reference

In order to assess the Modification Proposal fully, we are recommending that the Working Group considers the following specific questions in addition to the standard terms of reference questions.

Q1: How should the Panel determine whether a Development Stage is required?

The proposed process allows the Panel to submit a modification to the 'informal' Development Stage for further work before entering the 'formal' Refinement Process. The Working Group should consider what the Panel and the Change Board should look for when determining whether a new modification requires the Development Stage, and what the criteria for exiting this stage and entering the 'formal' process should be. As part of this, the Working Group should consider what options the Panel can take if a Proposer does not wish to take on board feedback from the Change Board or other participants (such as the other Panel Sub-Committees) during the Development Stage.

Q2: How should the Change Board be involved during the Development Stage?

The new Development Stage will involve the Change Board assessing a new Modification Proposal and helping the Proposer to shape the scope. In the straw man, it was considered whether the group that does this could be a subset of the Change Board rather than involving all members (currently 22, including the Consumer Representative, and would increase if more Large Suppliers are registered).

As part of this modification's assessment, the Working Group should consider and agree the Change Board's membership and terms of reference specifically regarding this role during the Development Stage. The Panel can then agree changes to the Change Board's Terms of



Reference in line with these recommendations as part of this modification's implementation (if approved).

[SECMP0041 'Amending the Change Board decision making rules for Modification Proposals'](#)

is looking at how the Change Board's decision-making process works. Please note that SECMP0049 is not proposing to change how the Change Board votes on a modification, but does propose that a second voting point is introduced during the Refinement Process. The two Working Groups will need to ensure that any solutions put forward are compatible with each other, and SECAS will work with both Working Groups to ensure co-ordination on this aspect.

Q3: How should the process for closing a stalling modification work and what criteria should be applied?

The Proposer believes a process for allowing the Panel to close a stalling modification should be introduced. This process should include clear criteria to be met before the Panel can invoke these powers.

The Working Group will need to agree how this process should work and what the criteria to be applied should be.



7. Recommendations

The Panel:

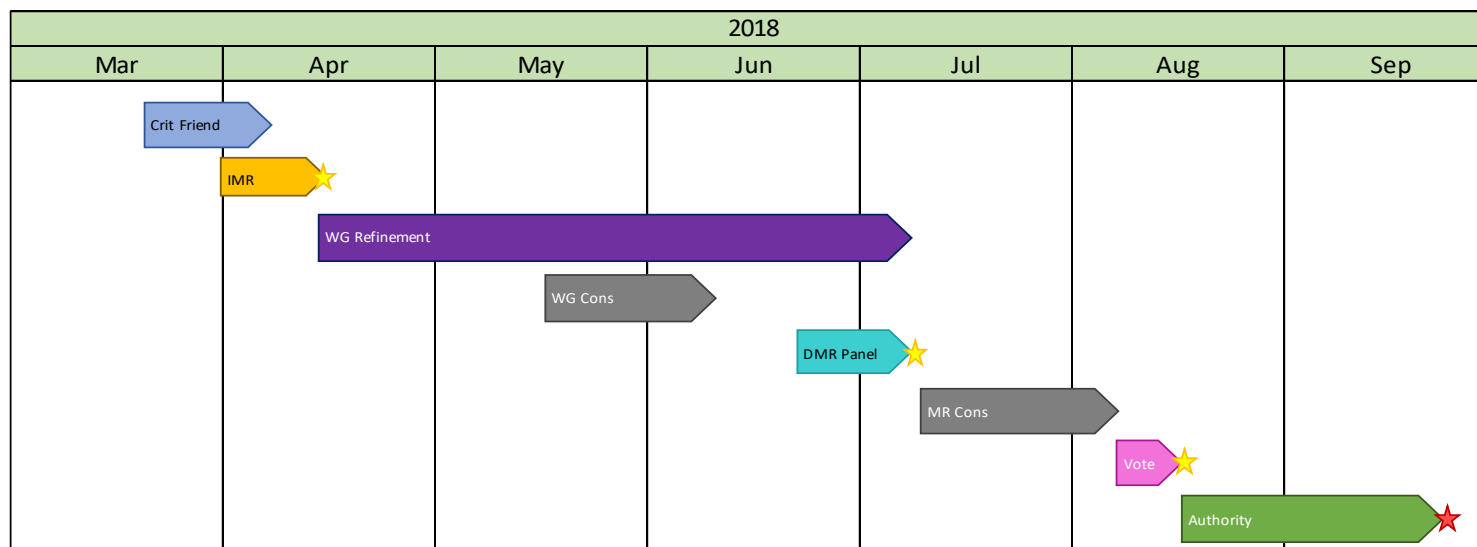
- **AGREED** that this modification should be submitted into the Refinement Process to be assessed by a Working Group;
- **AGREED** the Working Group's terms of reference;
- **AGREED** the progression timetable set out in Section 6; and
- **AGREED** that this modification should be progressed as a Path 2 Modification Proposal.



Appendix 1: Detailed Progression Plan

Please note that the progression plan shown below is subject to change.

Panel agreed milestone ★ Decision Date ★





Appendix 2: Glossary

The table below provides definitions of the terms used in this document.

Acronym	Defined Term
DCC	Data and Communications Company
IMR	Initial Modification Report
IREG	Issues Resolution Expert Group
MRA	Master Registration Agreement
SEC	Smart Energy Code
SECAS	Smart Energy Code Administration and Secretariat