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## Stage 03: Final Modification Report

# SECMP0047:

# Default Provisions for Other SEC Parties

## Summary

This modification seeks to prevent SEC Parties listed under "Other SEC Parties" from being penalised for operating without licences and not becoming DCC Users or otherwise taking up DCC services.

## Impacts



- Other SEC Parties
- There are no impacts on DCC Central Systems and/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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## Content

1. Summary	3
2. What is the issue?	4
3. Proposed Solution	5
4. Impacts	6
5. Costs	7
6. Implementation	8
7. Panel discussions & conclusions	9
Appendix 1: Glossary	10

## About this Document

This document is the Final Modification Report (FMR) for SECMP0047. This document provides detailed information on the issue, solution(s), impacts, costs and Panel discussions and conclusions on the modification.

This document has two attachments:

- Attachment A contains the approved legal text changes to support this modification; and
- Attachment B contains the Solution Design Specifications.

The Change Board will consider this modification at its meeting on 23<sup>rd</sup> May 2018, where it will determine whether SECMP0047 should be approved or rejected.

SECMP0047

Final Modification  
Report

19 April 2018

Version 1.0

Page 2 of 10

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## 1. Summary

### What is the issue?

SEC Section M8.1(a) states that a Party is a 'Defaulting Party' if: it does not hold an Energy Licence and has not, during any period of six consecutive months, taken one or more Services; and/or made a request for a formal offer for a proposed Elective Communication Service.

Section M8.1(a) is currently subject to a transitional variation which is due to expire on 31st October 2018. From this date, any SEC Party not holding a licence that is not a DCC User or otherwise taking Services or Elective Communications Services will be in default of the SEC.

### What is the Proposed Solution?

This Modification proposes to remove Section 8.1(a), ensuring that Parties not holding a licence will not be in default should there be no need for them to become a DCC User or otherwise take Services or Elective Communications Services from the DCC

### Impacts

#### Party

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

### Implementation Costs

The total estimated implementation cost to deliver SECMP0047 is approximately £1,200, and consists of SEC Administration effort.

### Implementation Date

SECAS recommends an implementation date of:

- 31 October 2018, if a decision to approve is made by 30 October 2018; or
- One Working Day following decision if a decision is made after 30<sup>th</sup> October 2018.

SECMP0047

Final Modification  
Report

19 April 2018

Version 1.0

Page 3 of 10

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## 2. What is the issue?

### Background

SEC Section M 'General' sets out the provisions for the suspension, expulsion and withdrawal of SEC Parties from the SEC, with Section M8.1 specifically setting out provisions related to Events of Default and what would constitute a default under the SEC. Section M8.1(a) states that a Party is a 'Defaulting Party' if:

- it does not hold an Energy Licence; and
- it has not, during any period of six consecutive months:
  - taken one or more Services; or
  - made a request for a formal offer for a proposed Elective Communication Service.

Section M8.1(a) is currently subject to a transitional variation which is due to expire on 31st October 2018. This means that until this date this obligation does not apply to SEC Parties. However, from 31st October 2018, any SEC Party not holding a licence that is not a DCC User or otherwise taking Services or Elective Communications Services will be in default of the SEC.

### What is the issue?

With the transitional variation on Section M8.1(a) ending on 31<sup>st</sup> October 2018, the current SEC rules will require that SEC Parties who are unlicensed and have not become DCC Users or chosen to take on DCC services be placed into default. This places many businesses who don't need to operate with a licence but who have registered under the SEC as "Other Parties" in default unless the rules are amended.

The SEC Panel considered this situation at its meeting in March 2018. It noted that once the transitional variation is lifted, any SEC Party that is not a DCC User or otherwise taking up DCC services or Elective Communications Services will be in Default. This will have a significant impact on the Other SEC Party category, particularly on SEC Parties that may have no intention to use DCC Services, such as meter manufacturers or industry bodies. The Panel agreed that a modification should be raised to amend or remove this clause from the SEC.

SECMP0047

Final Modification  
Report

19 April 2018

Version 1.0

Page 4 of 10

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### 3. Proposed Solution

#### Solution

[SECMP0047 'Default Provisions for Other SEC Parties'](#) was raised by the Utilities and Energy Alliance (UEA) on 27<sup>th</sup> March 2018.

This modification seeks to remove SEC Section M8.1(a) so that parties within the SEC that don't hold a licence and are not taking DCC services will not be placed into default when the transitional variation is lifted.

#### Draft legal text

The proposed legal text changes to SEC Sections J, M and X are provided in Attachment A.

#### Views against the General SEC Objectives

The Proposer believes that this Modification Proposal better facilitates General SEC Objective (g)<sup>1</sup> as it will facilitate the efficient and transparent administration of this Code. An example of this being that many companies have signed up to the SEC with no intent on using the DCC's services, therefore it lacks efficiency to place them all in Default when they have no interest in using the services or obtaining a licence.

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

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<sup>1</sup> To facilitate the efficient and transparent administration and implementation of this Code

## 4. Impacts

The following section sets out the impacts associated with the implementation of SECMP0047.

### SEC Party impacts

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

Other SEC Parties will be indirectly, and positively, impacted by ensuring that a large number of organisations in this category will not be in default of the code when the transitional variation against SEC Section M8.1(a) expires.

### Central System impacts

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

There are no central system impacts anticipated.

### SEC and Subsidiary Document impacts

Changes will be required to SEC Sections J, M and X.

### Impacts on other industry codes

There are no impacts to other industry codes.

### Greenhouse Gas Emission impacts

There are no Greenhouse Gas Emission impacts.

SECMP0047

Final Modification  
Report

19 April 2018

Version 1.0

Page 6 of 10

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## 5. Costs

### Estimated Implementation costs

The total estimated implementation cost to delivery SECMP0047 is approximately **£1,200**.

The costs to implement SECMP0047 will be limited to Code 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 version on the SEC website.

### SEC costs

The estimated SEC implementation cost is detailed in the table below:

SECAS implementation costs		
Implementation Activity	Effort (man days)	Cost
Application of approved changes to the SEC. Publication of new version of the SEC on the SEC Website and issuing this to SEC Parties. Review and updated any impacted SEC guidance materials.	Two	£1,200 <sup>2</sup>

<sup>2</sup> SEC man day effort based on a blended rate of £600 per day.



## 6. Implementation

### Recommended implementation date

The Panel has agreed an implementation date for SECMP0047 of:

- 31<sup>st</sup> October 2018, if a decision to approve is made by 30<sup>th</sup> October 2018; or
- One Working Day following decision if a decision is made after 30<sup>th</sup> October 2018.

This date has been recommended due to the Transitional Variation period expiring on 31<sup>st</sup> October 2018. This modification should be implemented at the same time as the variation expires.

SECMP0047

Final Modification  
Report

19 April 2018

Version 1.0

Page 8 of 10

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## 7. Panel discussions & conclusions

### Panel conclusions

The Panel **unanimously** agree that due process has been followed and that SECMP0047 should progress to Modification Report Consultation.

The Panel also agreed that SECMP0047 is a Path 3: Self Governance Modification Proposal and that the draft legal text changes to the SEC deliver the intention of the modification.

SECMP0047

Final Modification  
Report

19 April 2018

Version 1.0

Page 9 of 10

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## Appendix 1: Glossary

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

Acronym	Term
DCC	Data Communications Company
FMR	Final Modification Report
SEC	Smart Energy Code
UEA	Utility and Energy Alliance

SECMP0047

Final Modification  
Report

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Version 0.1

Page 10 of 10

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