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Modification Decision

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.

Change Board Decision



- The Change Board believes **by majority** that SECMP0047 better facilitates the SEC Objectives. The Change Board has therefore **approved** this Modification Proposal under Self-Governance

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 the Modification Decision document for SECMP0047. This document provides a summary of the Change Board discussions and conclusions.

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1. Change Board discussions

The **majority** view of the Change Board is that SECMP0047 better facilitates General SEC Objective **(g)** and should be **approved**.

Change Board discussions

On 23rd May 2018, the Change Board discussed the legal text drafting provided with the Final Modification Report (FMR) and highlighted one of the responses which was made in the responses in the Modification Report Consultation (MRC).

The members discussed whether SEC Section M8.1(a) should be removed, as the draft legal text suggested, or edited to make a distinction between Other SEC Parties which would or wouldn't require a licence, to prevent a situation arising where an Other SEC Party which requires an energy licence won't be placed in default if they fail to hold said licence. The Change Board members agreed to wanting a change to the legal text so that the modification could better facilitate SEC Objective (g).

When discussing the modification in general, the Change Board agreed that the modification being proposed is a temporary measure to ensure that Other SEC Parties wouldn't be penalised for not holding a licence where holding one is not necessary. One member stated that an alternate solution would be desirable which prompted the discussions on the legal text.

The Panel considered the Change Board's views on 15th June 2018, but elected to send the FMR back to the Change Board unchanged for it to vote upon. It was noted that a longer-term solution was being developed, and this modification would remove the immediate issue of a large number of Parties entering default while a longer-term solution was developed.

At the Change Board meeting on 20th June 2018, two Change Board members raised concerns that the modification could have been better designed so that a longer-term solution to the issue of Other SEC Parties being placed into default by not signing up to DCC services could have been developed. They felt that this two-step approach of removing the text now, only to implement a further change later on, did not represent good governance and was a poor way of working. The same members believed that, with the time that has been available since the Panel identified the issue, a more permanent solution could have been created. One of these members also queried whether, if the Other SEC Parties were to have entered default for this reason, would any serious consequences of this be pursued by the Panel.

Other Change Board members agreed with the view that more work is required, and supported the ongoing discussions, but believed that this modification was the most pragmatic option available to the immediate issue in the interim, removing the administrative burden this would create.

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Views against the General SEC Objectives

Objective (g)¹

The **majority** view of the Change Board is that this modification better facilitates General SEC Objective (g) as it will facilitate the efficient and transparent administration of this Code. Many companies have signed up to the SEC with no intent on using the DCC's services; it would be inefficient to place them all in Default, with the corresponding administrative burden on SECAS, the Panel and the impacted Parties, when they have no interest in using the services or obtaining a licence.

A minority of the Change Board believe the modification will not better facilitate General SEC Objective (g) due to the legal text not reflecting an efficient means of dealing with Other SEC Parties that would fall into default after the transitional variation period ends.

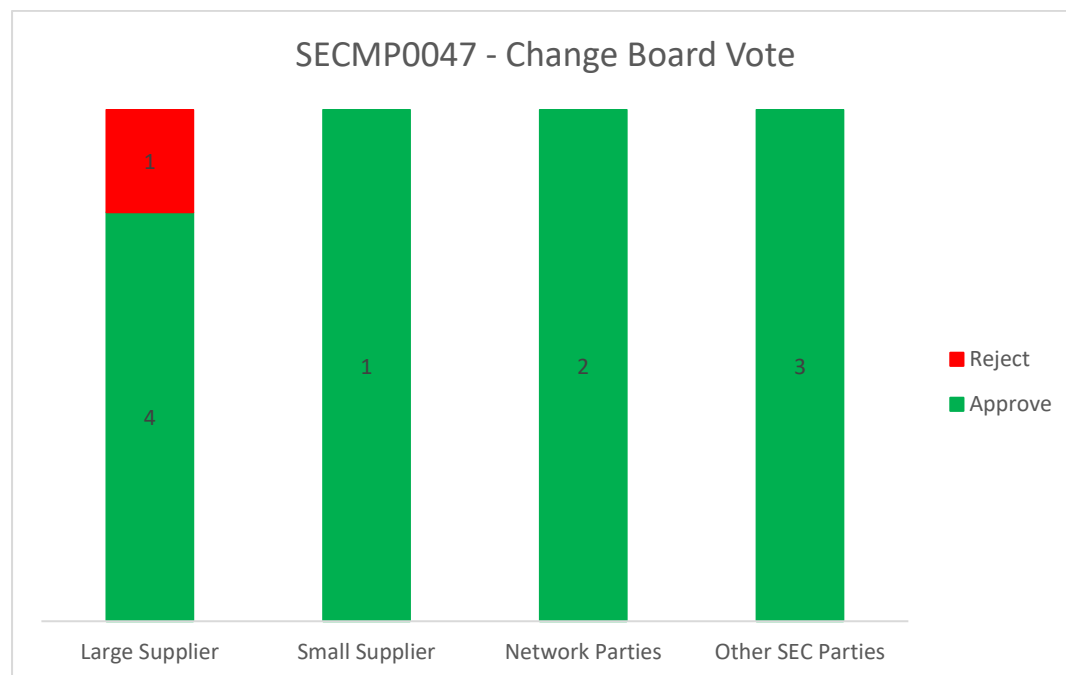
For the avoidance of doubt, the Change Board believes that SECMP0047 is neutral against all other General SEC Objectives.

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

2. Change Board Vote

This section sets out the breakdown of the Change Board’s vote.

The Change Board voted to approve SECMP0047.



One Large Supplier Party abstained, as while they supported the intention of the modification, they could not support the modification as the solution differed too much to one they believed would be more effective.

One Network Party abstained on the vote, as they did not believe it would impact upon Gas Transporters.

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3. Change Board Decision

The Change Board:

- **CONSIDERED** the Final Modification Report and Modification Report Consultation responses for SECMP0047;
- **APPROVED** SECMP0047 for implementation on 31st October 2018; and
- **PROVIDED** rationale as to why SECMP0047 better facilitates the General SEC Objectives.

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