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SECMP0041 Draft Modification Report

About this document

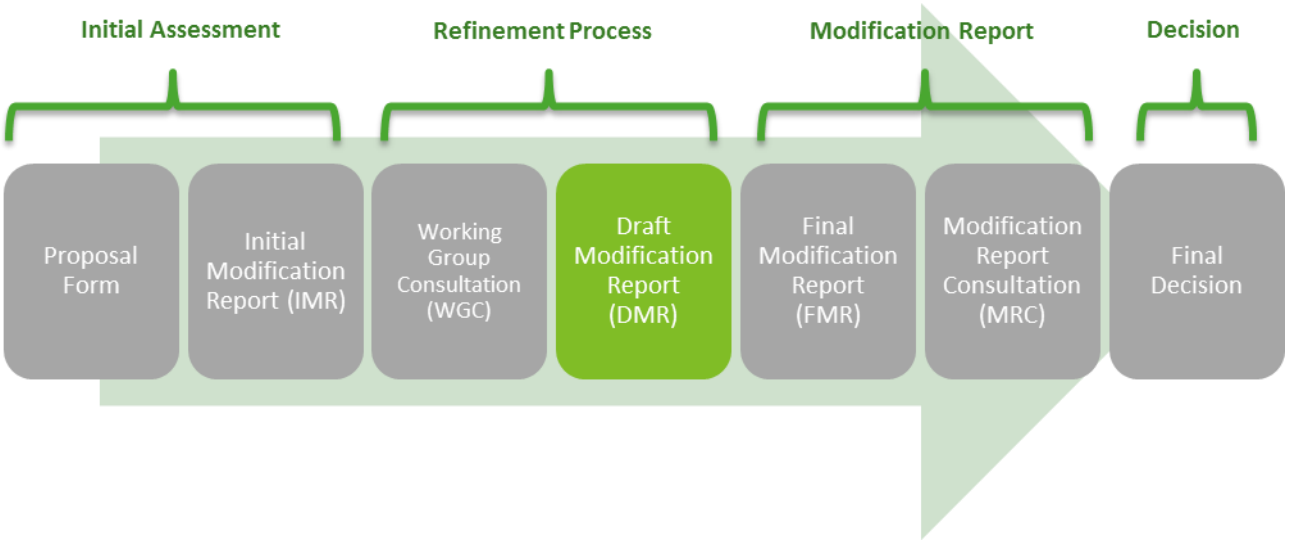
This Draft Modification Report (DMR) provides detailed information on the issue, solution(s), impacts, costs and Working Group discussions and conclusion on SECMP0041 'Amending the Change Board decision making rules for Modification Proposals'.

This report is submitted to the Smart Energy Code (SEC) Panel for consideration to ensure that due process has been followed and determine whether to issue the modification for Modification Report Consultation (MRC).

As part of this document the Panel will be invited to:

- **AGREE** that SECMP0041 is a Path 2 Modification Proposal;
- **AGREE** that the draft legal text delivers the intention of the modification;
- **AGREE** with the recommended implementation date of 1st November 2018; and
- **AGREE** that this modification be submitted to Modification Report Consultation.

Where are we in the process?



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Stage 02: Draft Modification Report

What stage is this document in the process?

01	Initial Assessment
02	Refinement Process
03	Modification Report
► 04	Decision

SECMP0041:

Amending the Change Board decision making rules for Modification Proposals

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Summary

This Modification seeks to introduce a mechanism for SEC Parties to vote on the outcome of Modification Proposals. It also looks to limit the decision-making activates of the Change Board and ensure it is only used where the industry cannot come to a majority decision.

Working Group View

✓

- The Working Group, by majority, believes that SECMP0041 should be **approved**

Impacts

!

- All SEC Parties
- Smart Energy Code Administrator and Secretariat (SECAS)
- Change Board
- There are no impacts on Data Communications Company (DCC) Central Systems and/or Party interfacing systems

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About this Document

This document is a Draft Modification Report (DMR). This document provides detailed information on the issue, solution, impacts, costs and Working Group discussions and conclusion on SECMP0041.

This document has four attachments:

- Attachment A contains the draft legal text changes to SEC Section A to support this modification;
- Attachment B contains the draft legal text changes to SEC Section D to support this modification;
- Attachment C contains the Solution Design Specifications; and
- Attachment D contains the full responses to the Working Group Consultation (WGC).

The Smart Energy Code (SEC) Panel will consider this report at its meeting on 10th August 2018 to ensure that due process has been followed and determine whether to issue the modification for Modification Report Consultation (MRC).

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1. Summary

What is the issue?

The Proposer suggests that within the SEC governance framework, there is a disconnect between the views of SEC Parties on Modification Proposals (and the potential new obligations and costs imposed) and the votes of Change Board members. The current arrangements only allow SEC Parties to express a view on whether a Modification Proposal should be approved or rejected. Further, SEC Change Board Members are not bound by their SEC Party constituents' responses and can therefore vote in a different way to the views expressed in the MRC.

What is the Proposed Solution?

This modification seeks to introduce a mechanism for SEC Parties to vote on the outcome of Modification Proposals. It also looks to limit the decision-making activates of the Change Board and ensure it is only used where the industry cannot come to a majority decision.

Impacts – Proposed Solution

Party

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

System

There are no impacts on DCC Central Systems or Party interfacing systems.

Implementation Costs

The total estimated implementation cost to deliver SECMP0041 is approximately **£3,000** in SEC Administration effort.

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Implementation Date

The Working Group recommends an implementation date of:

- **1st November 2018**, if a decision to approve is made on or before 18th October 2018; or
- **28th February 2019**, if a decision to approved is made after 18th October 2018 but on or before 14th January 2019.

Working Group's views

The Working Group believes **by majority** that SECMP0041 will better facilitate the SEC Objectives and therefore believes that this Modification Proposal should be **approved**.

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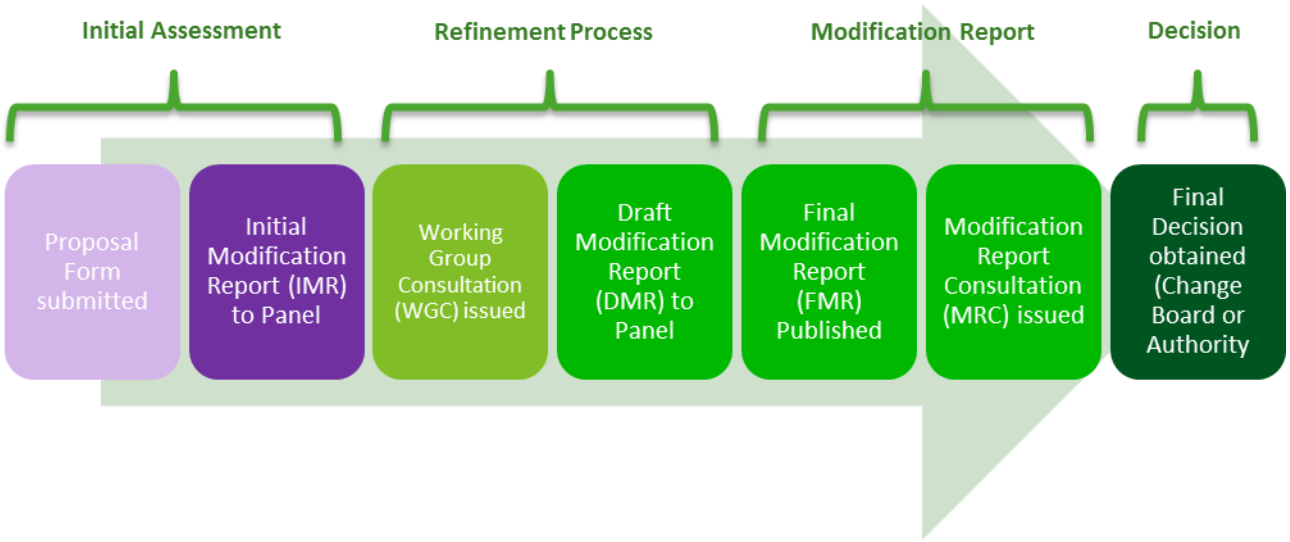
2. What is the issue?

What are the current arrangements for making decisions on Modification Proposals?

Overview of the current SEC Modification Process

The SEC allows for SEC Parties (and certain other stakeholders) to propose changes to the SEC. These changes are raised and progressed as Modification Proposals and follow the process set out below.



Refinement Process

As part of the Refinement Process a Working Group is established. The Working Group is responsible for:

- considering the likely impacts of the Modification Proposal to Parties or other persons;
- developing and refining the content of the Modification Proposal;
- considering whether DCC should, as part of the modification's implementation, be required to undertake testing of the systems or services
- seeking industry views on the Modification Proposal; and
- considering whether the implementation of the modification would better facilitate the SEC Objectives.

As part of the Working Group's development and assessment of a Modification Proposal a **Working Group Consultation (WGC)** is issued to the industry. The purpose of this

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consultation is to obtain information from the industry on the likely impacts should a Modification be approved as well as views on the merits of the Modification.

At the end of the Refinement Process SECAS prepares the Draft Modification Report (DMR) on behalf of the Working Group.

The DMR contains detailed information on the issue, solution, costs, impacts and benefits and drawbacks against the SEC Objectives. Once Working Group members confirm they are happy with the report it is presented to the Panel, who ensures that due process has been followed and considers whether:

- the DMR should be sent back to the Working Group for further clarification or analysis; or
- to allow the DMR to proceed to the MRC.

Modification Report Consultation

Where the Panel determines that a DMR is to proceed to MRC, SECAS arranges a consultation seeking the views from all SEC Parties (other than DCC) on whether the modification should be approved or rejected.

SEC Parties are able to respond to this consultation in the way of 'no interest', 'abstain', 'approve', or 'reject'. Each MRC prompts the Party to provide rationale for its response with reference to the SEC Objectives. The consultation responses received from SEC Parties are reviewed, collated and published by SECAS.

These responses, as well as the Final Modification Report (FMR), are provided to the SEC Change Board to aid it in deciding (or recommending, if the modification requires an Authority decision) whether a Modification Proposal should be approved or rejected.

Change Board

The Change Board comprises of members representing all Party categories as follows. The current membership comprises of the following:

- 12 Large Suppliers (one from each organisation);
- 3 Small Supplier representatives;
- 3 Electricity and Gas Network representatives;
- 3 Other SEC Party representatives; and
- 1 Citizens Advice representative.

The function of the Change Board is to:

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- consider each of the responses received to the MRC; and
- decide whether to approve or reject the Modification Proposal (if Self-Governance) or provide a recommendation on such to the Authority (if not Self-Governance).

The Change Board is guided by the responses received to the MRC. Change Board Members are not required under the SEC to vote in line with the responses received in their relevant Party Category.

Under SEC Section D18.14 - 17 each Change Board member has one vote. However, each constituency votes to produce a single verdict on behalf of that constituency. For the collective vote of the relevant Party Category to be considered in favour, the majority must vote in favour. For example, if eight Large Supplier members voted to approve and the other four voted to reject, the overall verdict from Large Suppliers would be a vote to approve the change, with this latter vote being the one that counts towards the final verdict of the Change Board.

Path 3 'Self-Governance' Modification Proposals approved by the Change Board are subject to a 10 Working Day referral window to allow SEC Parties to appeal the decision made by the Change Board to the Panel. If no appeals are received the Change Board's decision stands and, if it was approved, the Modification Proposal is implemented on the approved implementation date.

For Path 1 'Authority-led' and Path 2 'Authority Determined' Modification Proposals, the Change Board provides a recommendation to the Authority as to whether a Modification Proposal should be approved or rejected. After the Change Board vote has been made, the FMR, the MRC responses and the Change Board recommendation(s) are submitted to the Authority (currently the Department for Business, Energy & Industrial Strategy (BEIS)) for final determination. The decision made by the Authority is final and binding.

What is the issue?

The Proposer suggests that within the SEC governance framework, there is a disconnect between the views of SEC Parties on Modification Proposals (and the potential new obligations and costs imposed) and the votes of Change Board members. The current arrangements only allow SEC Parties to express a view on whether a Modification Proposal should be approved or rejected. Further, SEC Change Board Members are not bound by their SEC Party constituents' responses and can therefore vote in a different way to the views expressed in the MRC.

The Proposer adds that the absence of voting rights for SEC Parties on SEC Modification Proposals is not consistent with other industry Codes such as the Master Registration Agreement (MRA) and the Distribution Connection Use of System Agreement (DCUSA) where individual parties have voting rights on modifications to these agreements.

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3. Proposed Solution

Solution

SECMP0041 'Amending the Change Board decision making rules for Modification Proposals' was raised by Electricity North West Limited on 2nd August 2017.

This Modification seeks to introduce a mechanism for SEC Parties to vote on the outcome of Modification Proposals. It also looks to limit the decision-making activates of the Change Board and ensure it is only used where the industry cannot come to a majority decision.

The detailed solution requirements for SECMP0041 can be found in the tables below. You can also find a solution diagram for this modification in Attachment C.

Detailed Solution Requirements

Requirement 1	
Modification Report Vote	
1.1	Following completion of the Modification Report Consultation (MRC), SECAS will arrange for a SEC Party vote to take place. This process will be known as the "**Modification Report Vote**".
1.2	All SEC Parties, other than DCC, will be eligible to submit one vote for each Modification Proposal. For the avoidance of doubt, this Modification Report Vote is optional; Parties will not be obligated to submit a vote.
1.3	Parties wishing to vote will be able to: • '**approve**' a modification where the Party considers that making the changes will facilitate the achievement of the SEC Objectives better than the current baseline; • where there is more than one solution, the Party may only vote to approve a maximum of one solution; or • '**reject**' a modification where the Party considers that not making changes will facilitate the achievement of the SEC Objectives better than if the modification were to be approved. In addition to approving or rejecting a modification, Parties will also have the option to request the Modification Report is '**send back to Panel**', where they believe further work or clarification is required before the

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	modification is decided on. Parties will be able to request this option while also selecting one of 'approve' or 'reject'.
1.4	A Party's vote will only be valid if: • it is submitted using the relevant form provided by SECAS (with all mandatory fields having been completed, including rational against the SEC Objectives); and • it is received on or before the deadline for responses (which will be **15 working days** following the vote request being issued).
1.5	SECAS will review all responses received and determine whether the Modification Report Vote is a Valid Vote. A Modification Report Vote will be considered a '**Valid Vote**' if: • at least one vote is received from a Party in each Party Category (Large Supplier, Small Supplier, Network Party and Other SEC Party); • the outcome of the vote referred to in Requirement 1.6 is not to return the Modification Report back to the Panel; and • there is a common outcome from the collective votes under Requirement 1.7 made by at least three of the four Party Categories.
1.6	**Before determining whether a modification has been approved or rejected, SECAS will review the votes on sending the Modification Report back to the Panel and determine whether the modification should be sent back**. If a simple majority of responses received indicate that a modification should be sent back, progression of the modification will pause and the Final Modification Report (along with all votes and rationale) will be provided to the Panel for consideration at the next available Panel meeting. In the event of a 50/50 split, the modification (along with all votes and rationale) will be referred to the Change Board.
1.7	**If a modification has not been sent back to Panel, SECAS will determine whether a modification has been approved or rejected by applying a class voting system**. This means the majority view of each Party Category is taken to determine a single vote from that Party Category. At least three Party Categories must vote the same way in order to determine an overall industry decision. For example, if the majority of Small Suppliers, Large Suppliers and Network Parties vote to approve the Modification while Other SEC Parties vote to reject it, the

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	overall majority decision taken forward is to approve the Modification Proposal. If there is no clear majority within a Party Category (e.g. a split vote, or if four Parties vote for the Proposed Modification, three favour the Alternative Modification and two votes to reject the modification), the Party Category will not put forward an overall vote.
1.8	If the Modification Report Vote is a Valid Vote then: • If the modification being voted on is Path 1, Path 2 or an Authority-Led Variation, the Modification Report Vote will form a recommendation to the Authority. • If the modification being voted on is Path 3, the Modification Report Vote will form the final decision (approve or reject). This decision will still be subject to the existing 10 Working Day referral window to allow Parties to appeal the decision to the Panel (who will then either uphold or reverse the decision in accordance with SEC Section D9.4). If the Modification Report Vote is not a Valid Vote, then: • If the vote referred to in Requirement 1.6 is to return the Modification Report back to the Panel, the Modification Report shall be returned to the Panel as per Requirement 1.6; otherwise • The modification will be referred to the Change Board in accordance with Requirement 2.
1.9	Following each Modification Report Vote (regardless of it being valid or invalid), SECAS will update the Modification Register to include the vote outcome. Where the vote is a Valid Vote, SECAS will communicate the outcome of that vote to the Authority, the Panel, and all SEC Parties and shall send copies of the following to the Authority: • the Modification Report; • responses to the Modification Report Consultation; and • the outcome of the Modification Report Vote, including the rational given by Parties.

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Requirement 2	
Function of the Change Board	
2.1	Where a Modification Report Vote is not a Valid Vote, the modification will be considered by the Change Board at its next meeting for which the Paper Day has not passed at the time the result of the Modification Report Vote has been announced.
2.2	The Change Board will consider the rational provided by the industry as part of the Modification Report Vote and determine whether the Modification Proposal should be approved or rejected (and, where applicable, whether any alternative solutions should be approved or rejected) in accordance with the existing Change Board voting process.

Draft legal text

The proposed legal text changes to SEC Sections A and D are provided in Attachments A and B.

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4. Impacts

The following section sets out the impacts associated with the implementation of SECMP0041.

SEC Party impacts

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

All SEC Parties (other than the DCC) are expected to be impacted by SECMP0041 as the introduction of SEC Party voting will allow all Parties the opportunity to formally feed into the final decisions on SEC Modification Proposals.

Central System impacts

There are no system impacts on DCC Central Systems or Party interfacing systems anticipated.

Testing

No testing will be required to implement this modification.

SECAS impacts

SECAS will be directly impacted by the implementation of this Modification. It will have to make changes to internal processes, SEC modification documentation and internal guidance documents and will need to administer the voting process for each Modification Proposal.

Change Board Impacts

As SECMP0041 looks at changing how decisions are made on modifications, specifically around Party voting and when the Change Board will be expected vote, there will be a direct impact on the governance framework surrounding the Change Board and its functions. This impact has been taken into account when developing the legal text

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changes to Section D. As part of the implementation of this modification, changes will also be made to the Change Board's terms of reference.

SEC and Subsidiary Document impacts

This modification is expected to impact:

- SEC Section D;
- Guidance Notes related to the Modification Processes; and
- The Change Board's terms of reference.

Impacts on other industry codes

There are no other code impacts anticipated.

Greenhouse Gas Emission impacts

There are no Greenhouse Gas Emission impacts anticipated.

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5. Costs

Estimated Implementation costs

The total estimated implementation cost to deliver SECMP0041 is approximately **£3,000** in SEC Administration time and effort, as set out in the table below.

SECAS implementation costs		
Implementation Activity	**Effort (man days)**	**Cost**
Application of approved changes to the SEC, guidance documents and Change Board terms of reference. Publication of the new version of the SEC (and all other impacted documents) on the SEC Website and issuing this to SEC Parties. Review and update any impacted SEC modification documentation. Develop and implement new internal SECAS processes associated with the Modification Report Vote and develop all necessary documentation.	Five	£3,000[1]

[1] SEC man day effort based on a blended rate of £600 per day.

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6. Implementation

Recommended implementation date

The Working Group by majority is recommending an implementation date for SECMP0041 of:

- **1st November 2018**, if a decision to approve is made on or before 18th October 2018; or
- **28th February 2019**, if a decision to approve is made after 18th October 2018 but on or before 14th January 2019.

There are four other SEC Modifications[2] that have been approved for or are targeted for the November 2018 SEC Release that impact the modifications processes. The Working Group therefore recommends that this modification also be targeted for the November 2018 Release to ensure all approved changes to the modification process can be made at the same time.

The Working Group noted that, as part of the implementation of this modification, SECAS would have to determine whether any relevant transition period will be required, indicating which modifications will be subject to old processes and which will be subject to new ones.

Following discussions SECAS has agreed that any modification that is at the MRC stage at the time this modification is implemented would be subject to the new rules. Modifications post-DMR would be subject to rules that applied before implementation of SECMP0041.

[2] SECMP0034 'Changes to the SEC Section D for DCC analysis provisions'
SECMP0049 'Section D Review: Amendments to the Modification Process'
SECMP0050 'Section D Review: Moving the Working Group Terms of Reference to a separate document'
SECMP0051 'Section D Review: Amendments to the Fast Track Modification process'

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7. Working Group Discussions

Terms of Reference

The Working Group has considered and answered the questions put forward in the SECMP0041 Terms of Reference. A summary of its discussions and conclusions are detailed below.

Should SEC Parties be allowed to vote?

The Working Group considered whether SEC Parties should be allowed to vote on SEC Modification Proposals. **The majority of the Working Group was in favour of this.**

The Proposer noted that there is currently a risk of a disconnect between the views of SEC Parties on modifications (and the potential new obligations and costs imposed) and the votes of Change Board Members. This is because SEC Change Board Members are not bound by the views of their SEC Party constituents and can therefore vote differently to how their constituents may have wanted.

It was also noted by those in favour that allowing SEC Parties to vote on modifications means the decision-making process will be more inclusive, with everyone's views on a modification being treated equally. Furthermore, it means that Parties do not have to rely on their Change Board representatives to vote in line with their Party Category.

Those against the idea of Party voting highlighted the fact that Change Board Members consider all views put forward by the industry (across all Party Categories). They noted that the Change Board was put in place to vote impartially on Modification Proposals and to approve changes that, on balance, better facilitate the SEC Objectives and the industry as a whole. It was also stated that there is a risk with all SEC Parties voting on Modification Proposals that you lose that overarching impartial decision.

Those against also identified a potential risk, in that this modification may introduce significant administrative burden for Parties who choose to vote on a modification(s). This is because Parties will have to make the necessary time to become familiar will all aspects of a modification and will be expected to have read and understood all of the documents, legal text and solution requirements ahead of submitting a vote. This may mean that smaller Parties are unable to vote (and therefore must rely on the rest of the industry to make a decision), as they do not have the necessary time and resource to submit an informed vote.

Some Working Group members also considered this Modification solution to be inappropriate. They expressed concerns that there are no criteria or limitations to who is able to become a SEC Party, and therefore who could subsequently vote on SEC Modification Proposals that might impact on other categories of Party.

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What is the most appropriate mechanism for SEC Party voting?

The Working Group considered four different voting systems as part of their assessment and development of SECMP0041:

- **Class voting system**: where the majority view of each Party Category is taken and the overall majority across all Categories determines the industry decision;
- **Each vote counts individually**: where regardless of the Party Category, the overall majority determines the industry decision;
- **Master Registration Agreement (MRA) voting system**: a class voting system, where Party Categories can vote only on the changes that impact them; and
- **Weighted voting system**: where by a Party's vote is weighted based on the size of their portfolio (voting system currently used by MRA Forum).

The Working Group discussed the options above and were initially unanimously in agreement that a class voting system (akin to that currently used by the Change Board) is the most appropriate mechanism for Parties to vote on SEC Modification Proposals. Following further discussions, the majority of the Working Group continued to believe that a class voting system is the fairest mechanism to avoid one single Party Category monopolising the voting process.

The Working Group also agreed that voting on modifications should be optional and that the legal text should state this explicitly.

What are the most appropriate voting response options?

As part of the new Party voting system the Working Group agreed that SEC Parties should be able to vote to 'approve' or 'reject' a modification as well as have the separate option to send a modification back to the Panel.

Some members noted that there is a risk of a Party 'losing its vote' should it not be able to indicate an approve/reject as well as have the option to send the modification back. For example, a Party may believe that a modification better facilitates the SEC Objectives and thinks it should be approved, but believes there is an issue with the legal text that needs addressing or a requirement that needs to be drawn out more by the Working Group. In this scenario the Party may want to cast a vote to approve in case the modification is not sent back. The Working Group therefore agreed to allow a Party to vote to approve or reject as well as separately request that a modification be sent back to the Panel.

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Should there be a minimum number of votes required for an industry vote to be valid?

The Working Group considered whether there is a need for a minimum number of votes to be received for an industry vote to be considered valid. A majority of Members agreed that there should be a minimum number required as each Party Category should have input into the overall decision on a modification. Other members noted that this makes the solution less sustainable and negates 'future-proofing' due to the optional nature of the Modification Report Vote. It was also noted that having a minimum number in place will hopefully encourage Parties to submit votes and get more involved in the Modifications Process (as if no one from their category votes they risk the modification being referred to the Change Board).

The majority of the Working Group agreed that a minimum of one vote from each Party Category should be set for a Party vote to be valid. This will ensure that no one Party is disadvantaged just because no one else in their category submitted a vote. It also ensures that every Party Category has inputted into the overall decision. Other members had concerns that having this minimum threshold could permit a single Party to monopolise a Party Category's overall vote, which would directly disadvantage any other Parties that were unable to contribute due to resource constraints. They also believed that this concern would also impact on the futureproofing of the solution.

Should Network Parties be split into Gas and Electricity?

A member noted that there are currently only four Party Categories, which means there is a greater risk of there being a split vote. The Working Group considered potentially separating the Network Parties into gas and electricity so that there are five categories, eliminating the risk of a 50/50 split.

The Working Group determined that it was more consistent to leave the categories as they are, noting that if a modification was referred to the Change Board the voting categories would not match up, making the decision process less efficient.

Should Change Board Members' votes be bound by industry views?

When this modification was raised the Proposer was seeking to obligate Change Board members to vote in line with their constituents when making a decision on a modification. However, the Proposer and the Working Group have since developed a mechanism for which SEC Parties can vote on modifications, with the Change Board only voting when a Modification Report Vote is not valid. The Working Group has therefore agreed that obligating Change Board members to vote in line with their constituents is irrelevant as

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the Change Board will end up with the same 'invalid' outcome which led to it being referred to the Change Board to start with.

What is future of the Change Board?

Under the proposed solution, the decision-making abilities of the Change Board will be reduced as the Change Board will only vote on a modification where the Modification Report Vote is not valid.

For the avoidance of doubt, this modification will not make change to *how* the Change Board votes but rather *when* it votes.

However, the role of the Change Board could be expanded under SECMP0049 'Section D Review: Amendments to the Modification Process', should it be approved, to encompass a greater role in the early stages of a modification's progression, meaning it could still have a significant role to play in the modifications process.

Is a phased implementation approach appropriate for this modification?

When this modification was raised the Proposer asked the Working Group to consider whether a phased implementation approach would be appropriate whereby Change Board Members are bound by the views of their constituents for a period before transitioning to a SEC Party voting mechanism.

The Working Group has since developed a SEC Party voting mechanism and therefore determined that a phased implementation approach is no longer necessary.

The Working Group also noted that, as part of the implementation of this modification, SECAS would have to determine whether any relevant transition period will be required, indicating which modifications will be subject to old processes and which will be subject to new ones.

Following discussions SECAS has agreed that any modification that is at the MRC stage at the time this modification is implemented would be subject to the new rules. Modifications post-DMR would be subject to rules that applied before implementation of SECMP0041.

What impact will this modification have on the rest of the Modification process? What changes are required to the SEC Modification governance arrangements?

This modification will make changes to the Report Phase of the Modification Process (the details of which can be found in the solution diagram in Attachment C). The Modification will introduce a mechanism for SEC Parties to vote on Modification Proposals. It will also

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make changes to the governance of the Change Board, who will only vote on a modification where the Modification Report Vote is not valid.

As part of the implementation of this modification, changes will be made to internal SECAS processes and documentation to facilitate the new Modification Report Vote processes. Guidance will also be drafted and provided to the industry ahead of the first industry vote.

The Working Group requested that it be made it clear, for the avoidance of doubt, that this solution entails the addition of a further step, of potentially a month in duration, being added to the Modification Process.

Is the solution futureproof?

The majority of members believe that the proposed solution is futureproof as introducing a mechanism for SEC Parties to vote on modifications will make the decision-making process more inclusive and allow every Party to have an equal voice.

Those who disagreed believe that the current Change Board voting arrangements are already futureproof as it allows for an overarching impartial decision to be made on all SEC Modification Proposals. They also reiterated the concerns noted above that the thresholds for votes to be valid given optional nature of the vote and on the potential for one Party to monopolise a Party Category's vote as barriers to the futureproofing of the solution.

Are there any interactions between this modification and SECMP0034?

The Working Group has considered the solution approved under SECMP0034 and determined that there are no interactions with SECMP0041. However, the Working Group did note that there are interactions with all of the Section D Review modifications, and if those modifications are approved alongside SECMP0041 a housekeeping modification will likely be needed to ensure the legal text for all four modifications fit together. SECAS has since confirmed that there are no clashes that cannot be resolved within the individual modifications, and so no housekeeping modification will be needed.

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8. Working Group's Conclusions

The Working Group's **majority** view is that SECMP0041 better facilitates General SEC Objective (g) and should be **approved**.

Benefits and drawbacks of SECMP0041

Benefits

The Working Group has identified the following benefits for SECMP0041:

- It introduces a fairer and more inclusive voting system whereby all SEC Parties have an equal voice and do not have to rely on their Change Board representatives to vote in line with Party Category views; and
- The introduction of Party voting arrangements will incentivise Parties to get more involved in the modifications process to ensure they are able to submit informed votes.

Drawbacks

The Working Group has identified the following drawbacks for SECMP0041:

- The Change Board was put in place to vote impartially on Modification Proposals and to approve changes that, on balance, better facilitate the SEC Objectives. The introduction of Party voting arrangements means there is no guarantee of an overarching impartial decision having been reached.
- There is the potential for significant administrative costs and burdens for Smaller Parties resulting in them being unable to submit votes and therefore having to rely on the rest of the industry to make an informed decision.
- It creates a potential risk to all SEC Parties if every Party is allowed to vote as there is uncertainty about who will be a SEC Party in the future.

Views against the General SEC Objectives

Objective (g)[3]

The **majority** of the Working Group (three out of five members) believe SECMP0041 will better facilitate SEC Objective (g) as it will improve the rules and processes to allow for inclusive, accessible and effective consultation, and allow all SEC Parties to vote on SEC

[3] Facilitate the efficient and transparent administration and implementation of this Code.

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Modification Proposals, giving them the same rights as a selective few (albeit elected) SEC Change Board members.

A **minority** of the Working Group (two out of five members) believe this modification will be detrimental against Objective (g) as it will introduce extra risk, costs and administrative burden on SEC Parties.

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9. Recommendations

The Panel is invited to:

- **AGREE** that SECMP0041 is a Path 2 Modification Proposal;
- **AGREE** that the draft legal text delivers the intention of the modification;
- **AGREE** with the recommended implementation date of 1st November 2018; and
- **AGREE** that this modification be submitted to Modification Report Consultation.

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Appendix 1: Glossary

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

Acronym	Defined Term
BEIS	Department for Business, Energy and Industrial Strategy
DCC	Data Communications Company
DCUSA	Distribution Connection Use of System Agreement
DMR	Draft Modification Report
FMR	Final Modification Report
MRA	Master Registration Agreement
MRC	Modification Report Consultation
Ofgem	The Office of Gas and Electricity Markets
SEC	Smart Energy Code
SECAS	Smart Energy Code Administrator and Secretariat
SECCo	Smart Energy Code Company
WGC	Working Group Consultation

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