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End of Budgetary Year Report 2019-2020

Version 0.1

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2019 - 2020

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1.   Background

The SEC Panel budget sets out the Panel's good faith estimate of the Recoverable Costs that it believes, at the time of development, will be incurred during the next three Regulatory Years.

The budget setting process for 2019-2022 started in September 2018 with input from the Panel's Finance and Contract Sub-Group (PFCG). It was reviewed by Panel Members, and a SEC Party consultation was issued in January 2019 in accordance with SEC Section C8.13.

This End of Budgetary Year Report provides the out-turn of the Panel budget covering the period between 1 April 2019 – 31 March 2020. The report also outlines the steps that will be taken in relation to the over-recovery. It has been provided for transparency purposes for Parties to view information that is normally available to SECCo Board Members on a monthly basis.

2.   Executive Summary

The Panel set a budget of £7,753,956 for 2019-20, for the Panel, its Sub-Committees and SECAS to complete the activities outlined within the SEC, alongside additional specified projects.

Against this budget, £7,608,694 was utilised. However, this is subject to a discount of £659,847 for SECAS services, which the SECCo Board negotiated into the SECAS contract.

The final budget out-turn, after discount, will therefore be £6,948,847. Over-recovery will be credited back to the DCC in April 2020.

An overview of budgeted versus actual costs is provided in Figure 1 below, with further detail on the out-turn for each budget category provided in subsequent sections:
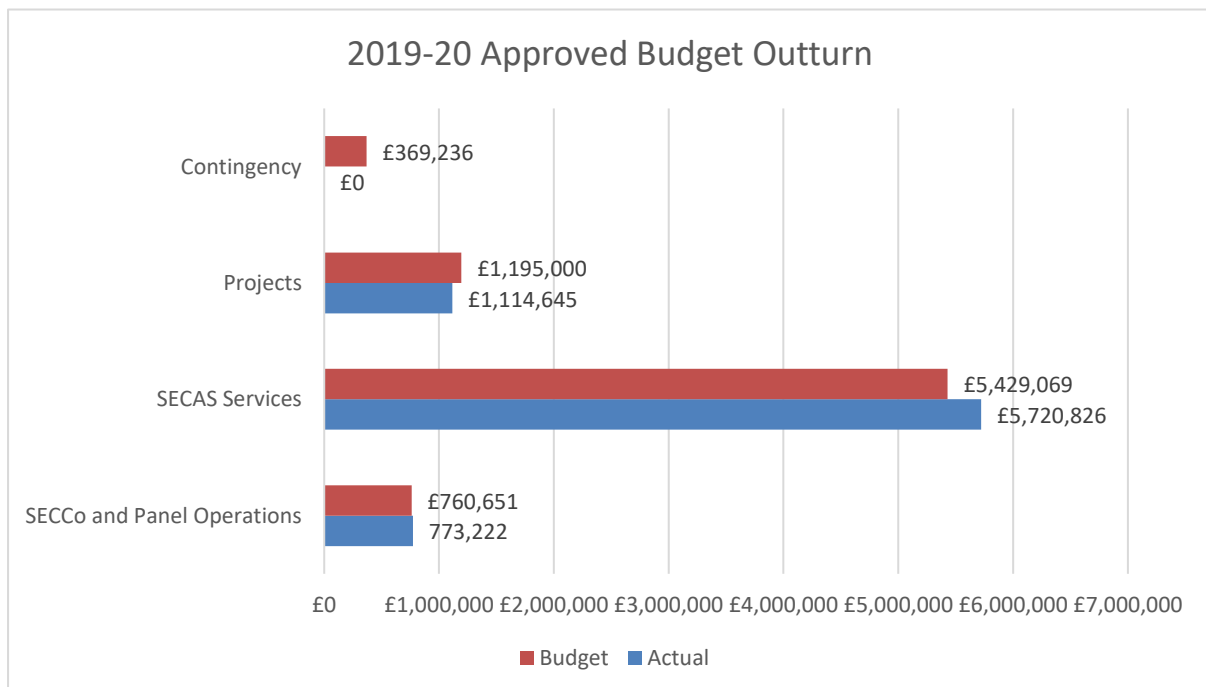

Figure 1: 2019/2020 Out-turn against Approved Budget

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3. SECCo and Panel Operations

This budget category covers all the activities of the SECCo Board including insurance, legal advisors, website maintenance and SEC Panel operations including remuneration of Independent Chairs, Panel and Sub-Committee expenses and specialist advisors.
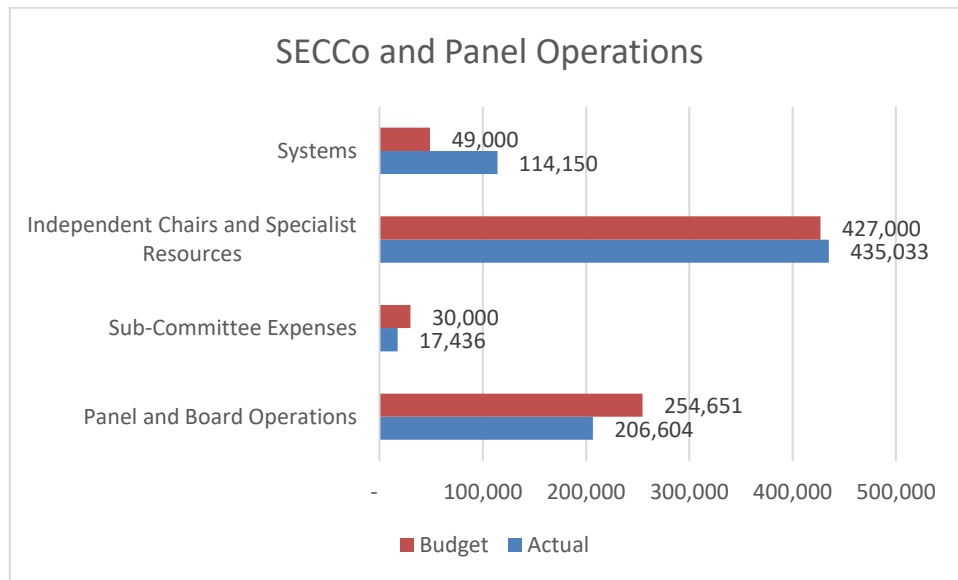

SECCo and Panel Operations

Category	Budget	Actual
Systems	49,000	114,150
Independent Chairs and Specialist Resources	427,000	435,033
Sub-Committee Expenses	30,000	17,436
Panel and Board Operations	254,651	206,604

Figure 2: Panel and SECCo Board Operations Out-turn against Budget

3.1 Panel and Board Operations

The Panel and Board Operations sub-category includes Panel Member expenses, SECCo expenditure, legal advisors, and costs for the annual SEC Party Engagement Day and Customer Satisfaction Survey.

An underspend of around £48,000 is reported, driven by lower than forecast demand for legal services, lower expense claims than forecast for SEC Panel members, and savings negotiated on the cost of the annual Customer Satisfaction Survey.

3.2 Sub-Committee Expenses

The Sub-Committee sub-category is for expenses related to the activities of all the SEC established Sub-Committees, including the Smart Metering Key Infrastructure Policy Management Authority (SMKI PMA), Security Sub Committee (SSC), Technical Architecture and Business Architecture Sub Committee (TABASC), Operations Group (OPSG) and Change Board.

An underspend of around £13,000 is reported due to Sub-Committee Members claiming fewer expenses than anticipated. The budget assumes an average amount per meeting based on the number of attendees. It is then at the discretion of Sub-Committee Members to claim expenses.

3.3 Specialist Resource

The Specialist Resource sub-category contains provisions for external resources that support the Sub-Committees, including the Chairs for the SSC, SMKI PMA, TABASC and OPSG, the

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SMKI Specialist which is defined in the SEC, and an Independent Expert to support the OPSG. A small overspend of £8,000 is reported due to an increased level of activity in the OPSG area.

3.4 Systems

The Systems sub-category contains provisions for the systems that are maintained on behalf of the Panel and SECCo, including website maintenance, business process mapping software, and Egress.

In 2019-20, as part of the SEC Digitalisation Strategy, CodeWorks was launched and User licences have been charged to this budget line. This contributed to an overspend of £65,000 in this category.

Budget Category	Budget Line	Budget	Actual	Variance
SECCo and Panel Operations	Panel Members	£163,801	£158,760	- £5,041
	SECCo	£25,000	£18,191	- £6,809
	Legal	£50,000	£16,335	- £33,666
	SEC Party Engagement Day	£6,000	£6,235	£235
	Customer Satisfaction Survey	£10,000	£6,500	- £3,500
	Bank Charges	£0	£583	£583
Sub-Committee Expenses	All Sub-Committees	£30,000	£17,436	- £12,564
Specialist Resource	SMKI Specialist	£35,000	£28,855	- £6,145
	SSC & SMKI Independent Chair	£200,000	£200,400	£400
	TABASC Independent Chair	£72,000	£68,578	- £3,422
	OPSG Independent Chair	£100,000	£123,600	£23,600
	OPSG Independent Specialist	£20,000	£13,600	- £6,400
Systems	Website Maintenance	£15,000	£17,400	£2,400
	Business Process Mapping Software	£30,000	£7,750	- £22,250
	File Sharing Solution	£4,000	£4,000	-
	CodeWorks Licences	-	£85,000	£85,000

Table 1: Budget Line Variances for SECCo and Panel Operations

4. SECAS Services

SECAS Services are split into four categories: SECAS Core Delivery Team, Community of Expert (CoE) Resource, Support Costs and Accommodation Costs. The out-turn against each of the budget lines is provided in Table 2 below:

	Budget	Actual	Variance
Core Delivery Team	£3,755,769	£3,947,201	£191,432
CoE Resource	£1,240,000	£1,407,265	£167,265

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Support Costs	£235,300	£199,764	-£35,536
Accommodation Costs	£198,000	£166,596	-£31,404
Total	**£5,429,069**	**£5,720,826**	**£291,757**

Table 2: SECAS Services Out-turn against Budget

4.1   Core Delivery Team

The SECAS Services 'Core Delivery Team' budget line relates to the core resource deployed to the contract to provide the Code Administration and Secretariat Services for the SEC and is charged in accordance with the SECCo agreed rate card appended to the SECAS contract.

The activities to be undertaken by the SECAS Core Team and associated costs are presented in a quarterly Work Package, approved by the SECCo Board. Thereafter on a monthly basis, a paper is presented for the SECCo Board which details the actual costs for approval. Figure 3 provides a breakdown of the annual costs against the agreed categories.

Overall, costs came in £191,000 above budget, driven primarily by the doubling of Technical Operations Sub-Committee Meetings requested to facilitate key operational decisions being made.
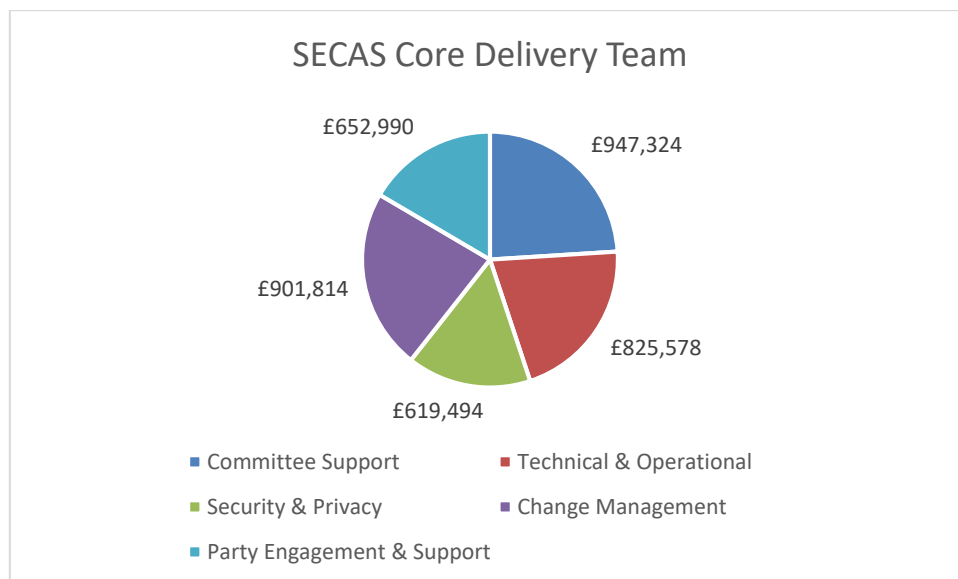

Figure 3: SECAS Core Resource Costs by Service Area

4.2   Community of Expert (CoE) Resource

The SECAS Services 'CoE Resource' budget line relates to specific individuals with in-depth technical and security expertise, who support the Core Delivery Team.

CoE activities are reported to the SEC Panel on a monthly basis via the Operations Report. There is an accompanying monthly paper for the SECCo Board which details the costs for approval. Figure 4 provides a breakdown of the annual costs against the agreed categories.

Overall costs came in £167,000 above budget, driven primarily by the spike in Security Assessments being undertaken, and growing demand for in-depth smart metering technical expertise to support delivery.
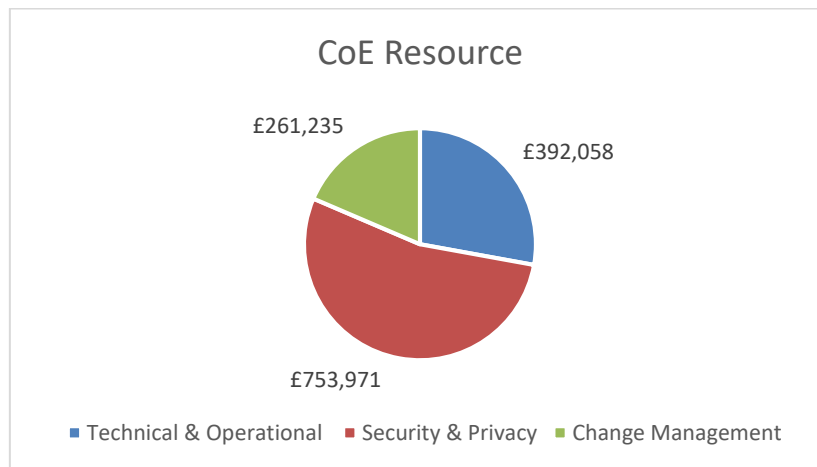
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CoE Resource

- £261,235
- £392,058
- £753,971

■ Technical & Operational ■ Security & Privacy ■ Change Management

Figure 4: SECAS CoE Resource Costs by Service Area

4.3   Support Costs

The Support Costs include Service Provider Costs (primarily the User CIO), and expenses such as memberships and licences. Underspend of £36,000 is reported here, primarily driven by the fact that events were hosted on site, rather than at external venues. Advance payment of the DLMS licence for 2020 has led to a small overspend in the Technical Operations area.

The actual costs against the budgeted amounts are shown below in Table 3.

	Budget	Actual	Variance
Technical Operations	£1,800	£4,391	£2,591
Security & Privacy	£201,500	£195,373	-£6,127
Party Engagement and Support	£32,000	£0	-£32,000
Total	**£235,300**	**£199,246**	**-£36,054**

Table 3: Breakdown of Support Costs

4.4   Accommodation Costs

The Accommodation Costs relate to costs incurred for the Panel Chair office, meetings held at the registered office, and space rental whereby a SECCo contractor, e.g. Independent Chair, utilises a desk within the registered office.

Underspend of £31,000 is reported here due to several meetings being held on-site or remotely, thus saving on external room hire. Where a meeting is held via teleconference, SECAS does not charge any Accommodation costs. Actual costs against the budgeted amounts are shown below in Table 4.

	Budget	Actual	Variance
Meeting Room Hire	£138,000	£106,496	-£31,504
Panel Chair Office	£24,000	£22,900	-£1,100
Contractor Space Rental	£36,000	£37,200	£1,200
Total	**£198,000**	**£166,596**	**-£31,404**

Table 4: Breakdown of Accommodation Costs

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5. Projects

The projects category is used for emerging requirements. These projects are under the control of the SEC Panel who authorise when expenditure may be incurred. The funds for the projects are requested in advance from the SECCo Board, with input from the relevant Sub-Committees. An out-turn against each project is also reported on a monthly basis.

Further to more detailed scoping, the list of projects and final approved budgets are not always the same as those estimated in the SEC Panel Approved Budget 2019-2022, agreed at the start of the year.

Total project spend for 2019/20 was £1,114,645 against a budget provision of £1,195,000. Further detail on each of the project categories is available below, along with an explanation of any significant variances to Budget.

	Budget	Actual	Variance
Faster Switching	£150,000	£117,159	- £32,841
Annual Security Obligations	£250,000	£150,235	- £99,765
Security Threats	£150,000	£152,727	£2,727
Operational Issues Management	£150,000	£142,051	- £7,949
BAD/TAD	£75,000	£75,393	£393
Release Management	£75,000	£31,349	- £43,651
TSIRS transfer	£75,000	£36,691	- £38,309
Review of Operational Metrics	£50,000	£192,295	£142,295
Digitalisation of SEC	£25,000	£82,872	£57,872
Supplier of Last Resort		£18,558	£18,558
CPL Enhancement		£47,306	£47,306
SEC Document Review		£56,042	£56,042
Market-Wide Half Hourly Settlement		£6,297	£6,297
Meter Splitting		£5,669	£5,669
SMETS1 Device Assurance	£75,000	£0	- £75,000
SMETS1 Migration Operational Oversight & Assurance	£75,000	£0	- £75,000
Modification Delivery	£25,000	£0	- £25,000
Independent Expert Crypto Analysis	£20,000	£0	- £20,000
Total	**£1,195,000**	**£1,114,645**	- **£80,355**

Table 5: Breakdown of Project Costs

5.1 Faster Switching

The Panel has been supporting Ofgem's Faster and More Reliable Switching project, which has potential systems and change implications for the DCC, and impacts on the SEC. Within this role, SECAS has supported Ofgem in the design of the Central Switching Service (CSS) and the development of the Retail Energy Code (REC), identifying any consequential impacts to the SEC, drafting changes, and preparing responses to market consultations. Underspend of £33,000 is reported against this project as it has not required the level of resource originally anticipated.

5.2 Annual Security Obligations

The End-to-End Security Architecture (SAD) and the Security Obligations and Assurance Arrangements have been reviewed and updated for SMETS1 by an appointed sub-contractor (SEC Section G7.19 (d)).

Within the year, responsibility for maintaining the CPA Security Characteristics transitioned from BEIS to SSC. Four industry workshops have been held, one hosted by the NCSC, and the CPA Security Characteristics have been updated.

The SSC has a responsibility to provide support to the DCC and Users relating to security incidents and the management of vulnerabilities (SEC Section G7.21 (a)). To meet this obligation the SSC reviewed their Joint Industry Cyber Security Incident Management Plan (JICSIMP) and Smart Metering Incident Response Team (SMIRT) responsibilities, which included carrying out a security incident management exercise replicating a series of hypothetical security incidents.

In accordance with SEC Section G7.16, the SSC, using an appointed sub-contractor, has commenced the annual review of the Security Risk Assessment (8th Iteration), in order to identify any new or changed security risks to the End-to-End Smart Metering System.

Underspend of £100,000 is reported, in part, due to the effective procurement activities carried out to secure best value, but also driven by the fact that the Risk Assessment will continue into FY 2020-21.

5.3 Security Threats

The 2018 Security Risk Assessment identified a risk to the End-to-End Smart Metering System that arises from internet-connected devices. This project was undertaken to identify security controls to mitigate these risks.

5.4 Operational Issues Management

This project focussed on identifying and resolving a variety of data quality and wider industry issues experienced by Users as a result of their early experience of SMETS2 solutions, such as incorrect labelling of SMETS meters, inconsistent RDP/DCC views of industry standing data items, and CSP WAN coverage address data inconsistency.

5.5 BAD and TAD updates

This project involved updating the Technical and Business Architecture Documents to cater for SMETS1 enrolment.

5.6 Release Management

This project established the required capability and processes to enable the SEC Panel to oversee the implementation of releases on behalf of SEC Parties. Underspend of £44,000 versus Budget was recorded, as, once scoped, the work did not require as much resource as originally anticipated.

5.7 TSIRS Transfer

BEIS intend to transfer the operation and management of the Technical Specification Issues Resolution Sub-group to SECAS mid-2021. This year, initial scoping was carried out to identify

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transition activities. Management of the transition has been deferred to 2020-21, hence the reported underspend of £38,000.

5.8   Review of Operational Metrics

This project was commissioned by the OPSG to identify improvements in the metrics used to measure the DCC service. The need for the review was identified following issues raised by the OPSG in relation to the monthly Performance Measurement report (PMR). The scope of the project increased significantly from that originally envisaged when the SEC Panel Approved Budget 2019-22 was drafted, with the outputs now feeding into Ofgem's OPR Review. Budget variance relates to this.

5.9   Digitalisation of SEC

Ofgem signalled, within the Retail Energy Code consultation, its desire for industry codes to be digitalised. As a result, a Digitalisation Strategy for SEC Panel was created, and CodeWorks, a digital version of the SEC, was launched. This allows SEC Parties to more easily search for tailored content. Overspend of £58,000 is recorded, given the complexity of work involved to launch the digital SEC.

The following projects either weren't identified, or had no budget assigned in the SEC Panel Approved Budget 2019-22, hence variances reported:

5.10   Supplier of Last Resort

SECAS has led cross-industry workshops with Ofgem, Suppliers, DCC, PSPs and other participants, to identify gaps and improvements to the end to end Supplier of Last Resort (SoLR) process, to address the risk of supply continuity.

5.11   CPL Enhancement

This project introduced a more automated and robust solution to managing the Certified Products List, previously maintained on an excel document.

5.12   SEC Document Review

SECAS carried out work to improve version control, structuring, categorisation and navigation of the SEC, with a view to improving ease of understanding and to simplify the change process.

5.13   Market-Wide Half Hourly Settlement

This project led by Elexon, on behalf of Ofgem, is planning to leverage the capabilities for smart metering data, which will have potential impacts on DCC system capacity and the SEC. TABASC has been leading on the identification of impacts to the smart technical and business architectures, with this work expected to conclude in 2020-21.

5.14   Meter Splitting

Work has commenced to identify the impacts on smart metering technical infrastructure, of BSC Modifications P375 (Metering behind the Boundary Point) and P379 (Multiple Suppliers through Meter-Splitting). This work continues into 2020-21.

The following projects either did not proceed, or costs were absorbed within the SECAS Core Delivery Team Costs:- SMETS1 Device Assurance, SMETS1 Migration Operational Oversight & Assurance, Modification Delivery and Independent Expert Crypto Analysis.

6. Contingency

The Panel included a 5% contingency within the Approved Budget, in line with previous years. There was no draw-down against this budget category.

Budget Line	Budget	Actual	Variance
Contingency	£369,236	£0	-£369,236

Table 6: Budget line variance for Contingency

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