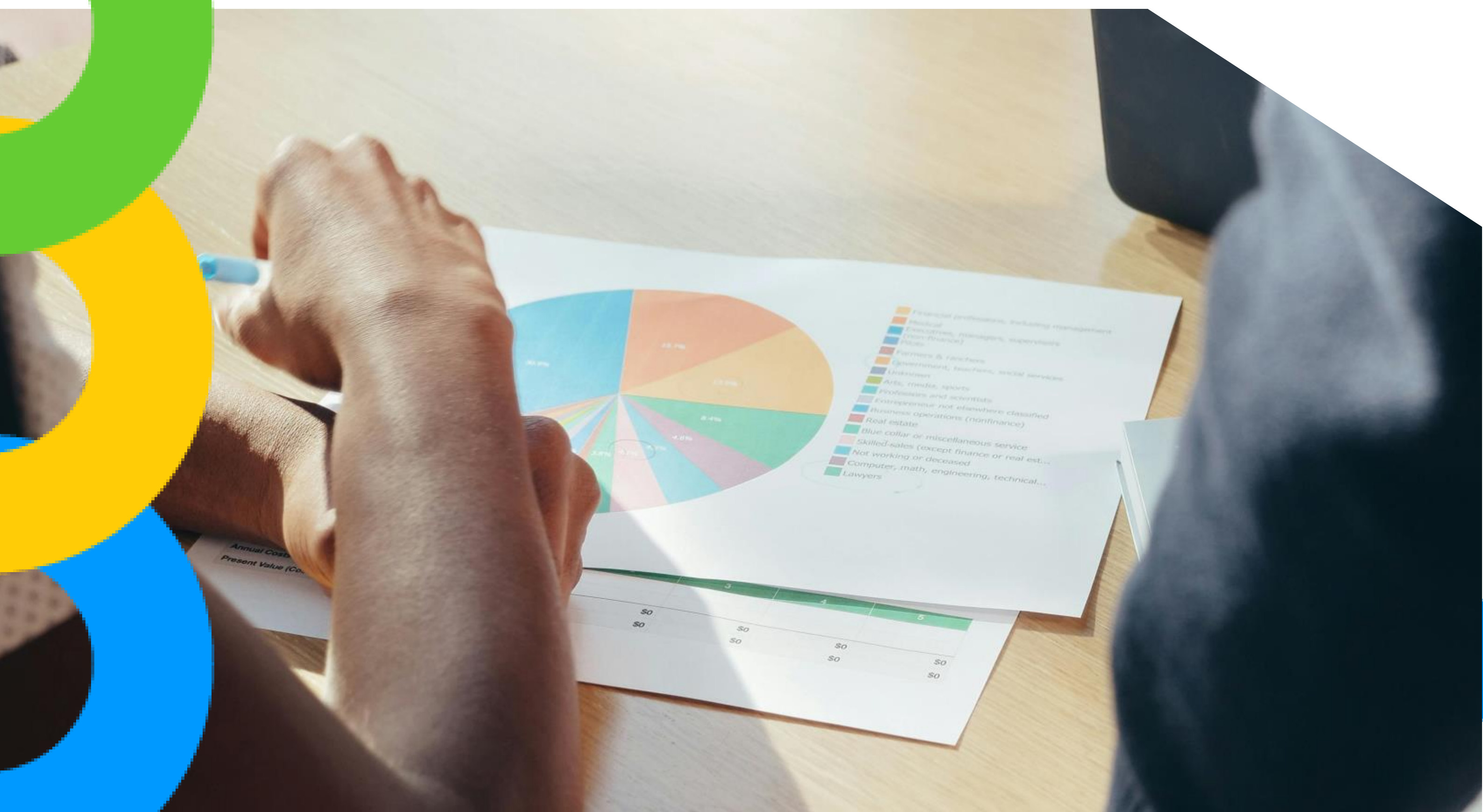
Smart Energy Code

Quarterly Budgetary Report

Q1 2024-25



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Background

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

The budget setting process for 2024-2027 started in October 2023 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 2024 in accordance with SEC Section C8.13.

This Q1 Budgetary Report is a new report providing the out-turn of the Panel budget covering the period 1 April 2024 – 30 June 2024. The report has been provided for transparency purposes, for SEC Parties to view information that is normally available to SECCo Board Members each month and will be published on a quarterly basis going forward.

Executive Summary

The Panel set a budget of £14,753,886 for 2024-25, for the Panel, its Sub-Committees and the Smart Energy Code Administrator and Secretariat Service (SECAS) to complete the activities outlined within the SEC, alongside additional specified projects. The quarterly budget for the year is £3,688,472. Against this budget, £2,818,952 has been utilised representing underspend of £869,520.

Mindful of cost pressures facing the industry, the Panel and Board have been careful to only release expenditure where absolutely required. So far six projects (of a budgeted 20) have been approved to date accounting for a proportion of the underspend. The primary driver for the underspend is the recruitment of SECCo employees, 5 of the 14 provisioned for this year, have so far been appointed.

An overview of YTD budgeted versus actual costs is provided in Figure 1 (overleaf), with further detail outlined below.

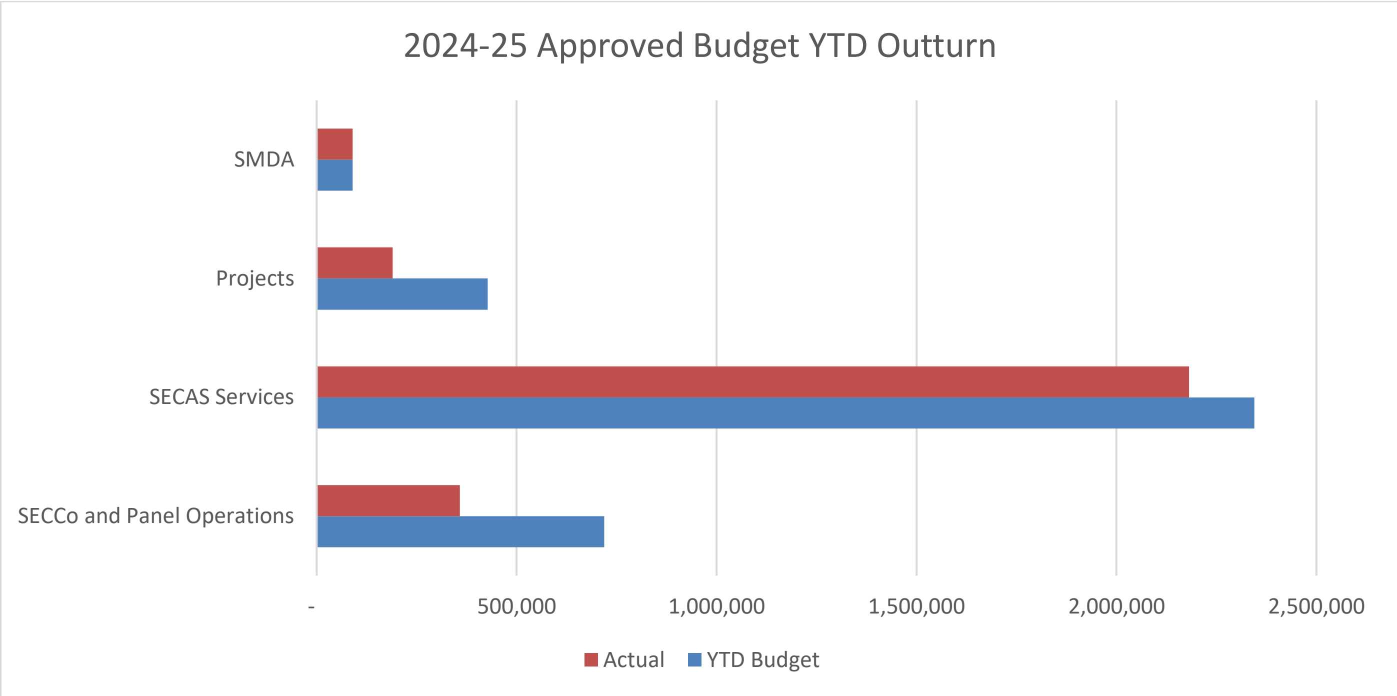


Figure 1: 2024-2025 YTD Out-turn against Approved Budget

SECCo and Panel Operations

Q1 Budget (£719k)	Q1 Actual (£358k)

This budget category covers all the activities of the SEC Panel and SECCo Board relating to the running of the Smart Energy Code Company and its Sub-Committees, including salaries, expenses, legal costs, Independent Chair charges, the User Competent Independent Organisation (CIO) and systems.

Year to date, this category came in under budget by £361,598. A breakdown of key variances is included in the sections below.

	Panel and Board Operations	Sub-Committee Expenses	Specialist Resource	Systems
YTD Budget	£620,690	£500	£67,500	£30,642
YTD Actual	£162,450	£1,049	£173,758	£20,474

Figure 2: Year-to-date variance against SECCo and Panel Operations budget at category level

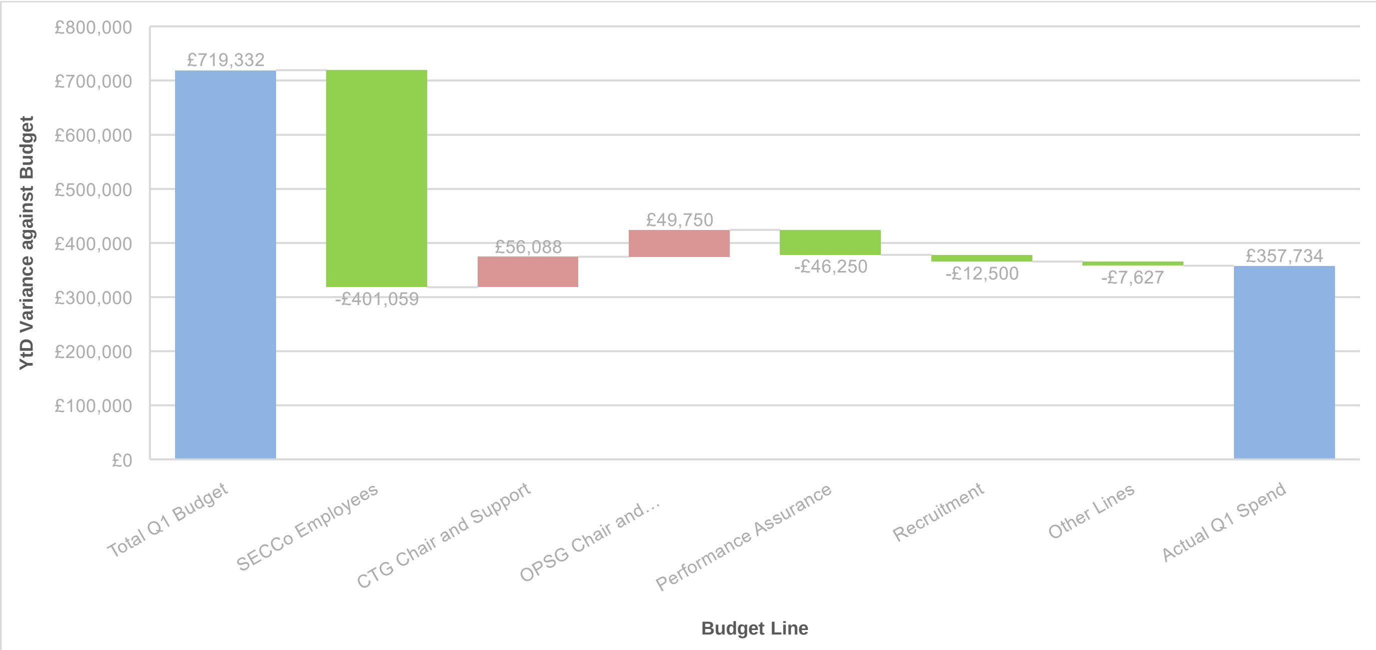


Figure 3: Waterfall Chart illustrating Key Year-to-Date Variances (± £10k) in SECCo and Panel Operations Budget (Key: Red = overspend versus Q1 budget, Green = underspend versus Q1 budget)

Panel and Board Operations

The Panel and Board Operations sub-category includes costs for the following items. Overall underspend of £458,238 is reported, with the key variances as described below:

SECCo Employee remuneration – this is under budget by £401,059 so far given the phasing of staff recruitment. Five of the fourteen roles anticipated in 2024/25 have been recruited.

Performance Assurance – this is showing underspend of £46,250 as the set-up of a Performance Assurance Framework is pending Authority decision on MP224.

Recruitment – so far, use of a recruitment agency has not been required, and therefore there is underspend of £12,500 in this category.

User CIO/IPA – so far there has been less requirement for central User CIO support, and so there is currently £5,769 underspend in this category.

Customer Satisfaction Survey – this is showing overspend of £5,636. However, spend is within the annual budget, albeit the cost has been budgeted for on a monthly basis.

The other categories of expenditure cover Legal advisors, Insurance, Panel Member expenses, Licences, and Annual SEC Party Engagement Day, all of which have a variance of less than £5,000.

Sub-Committee Expenses

The Sub-Committee Expenses sub-category is for expenses related to the activities of the SEC Sub-Committees. A small overspend of £549 is recorded.

Independent Chairs and Specialist Resource

The Independent Chairs and Specialist Resource sub-category contains provision for external resources that support the Sub-Committees, including the:

- Security Sub-Committee (SSC) Chair
- Smart Meter Key Infrastructure Policy Management Authority (SMKI PMA) Chair
- Technical Architecture and Business Architecture Sub-Committee (TABASC) Chair
- SMKI Specialist, as defined in the SEC.

Overall expenditure was over budget by £106,258 for this category, driven primarily by expenditure on the following:

OPSG Independent Chair – expenditure of £49,750 has been incurred for this role. There was a delay in this role handing over to a full-time SECCo Employee, which will represent a significant saving moving forward.

CTG Chair – there is expenditure of £56,088 for this role, which was originally budgeted as a being carried out by a SECCo Employee sooner than has been possible.

This overspend has therefore been offset by underspend against the SECCo employees budget line.

Systems

The Systems sub-category contains provisions for the systems that are maintained on behalf of the Panel and SECCo, including the website, Egress and CodeWorks. A £10,167 underspend is recorded in this area due to a reduced need for Website Maintenance, following launch of the new website, and no costs yet being incurred for CRM Helpdesk licences and the AMS Security Booking Tool.

The outturn against each SECCo and Panel Operations budget line is included in Table 1 overleaf. Total out-turn was £361,598 below budget.

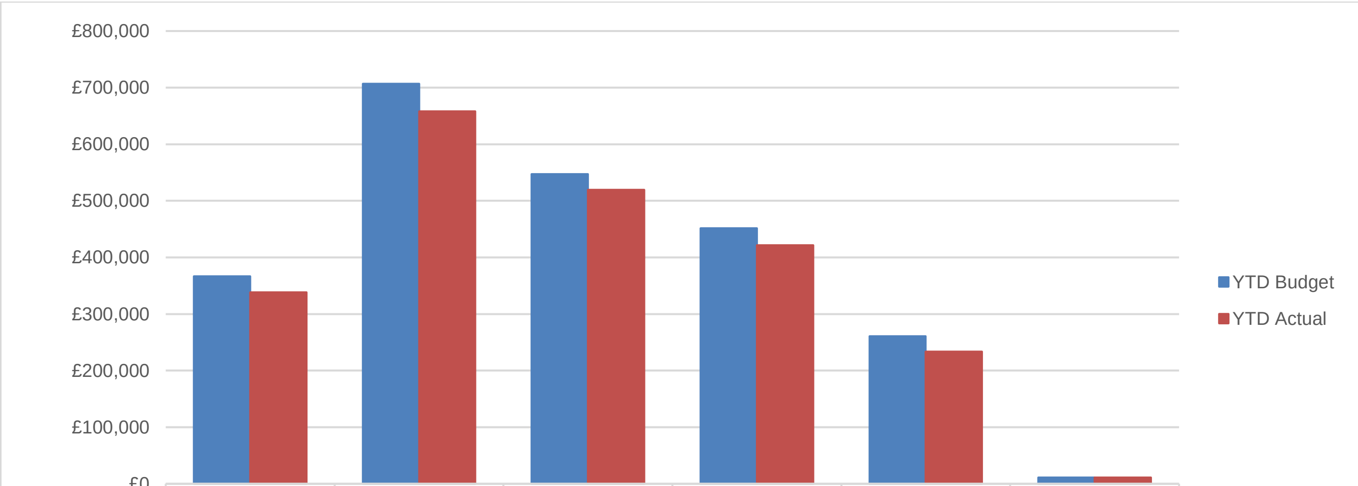
Budget Category	Budget Line	YTD Budget	YTD Actual	Variance
Panel and Board Operations	Bank Charges	£250	£143	£107
	Legal	£15,813	£17,840	-£2,027
	SECCo	£14,584	£17,440	-£2,856
	Panel Members	£6,000	£510	£5,490
	SEC Party Engagement Day	£2,876	£5,592	-£2,717
	Customer Satisfaction Survey	£1,864	£7,500	-£5,636
	Licences	£825	£525	£300
	User CIO/ IPA	£35,000	£29,231	£5,769
	Performance Assurance	£46,250	£0	£46,250
	SECCo Employees	£484,728	£83,669	£401,059
	Recruitment	£12,500	£0	£12,500
Sub-Committee Expenses	All Sub-Committees	£500	£1,049	-£549
Specialist Resource	SSC Independent Chair	£40,000	£46,200	-£6,200
	SMKI Independent Chair	£10,000	£5,400	£4,600
	TABASC Independent Chair	£15,000	£14,400	£600
	OPSG Independent Chair	£0	£49,750	-£49,750
	SMKI Specialist	£2,500	£1,920	£580
	CTG Chair and support	£0	£56,088	-£56,088
Systems	Website Maintenance	£7,500	£3,125	£4,375
	File Sharing Solution	£1,438	£833	£604
	CodeWorks	£16,516	£16,516	£0
	CRM Helpdesk Licences	£3,163	£0	£3,163
	AMS Hosting/IT Support	£2,025	£0	£2,025
Total		**£719,330**	**£357,732**	**£361,598**

Table 1: YTD Budget Line Variances for SECCo and Panel Operations

Smart Energy Code

SECAS Services

Q1 Budget (£2.34m)	Q1 Actual (£2.18m)



	Panel and Board	Technical Operations	Security and Privacy	Change and Releases	Party Engagement	Accommodation
YTD Budget	£366,390	£706,914	£547,378	£451,742	£260,723	£11,350
YTD Actual	£338,147	£658,281	£519,337	£421,355	£233,528	£10,950

Figure 4: Year-to-date variance against SECAS Services budget at category level

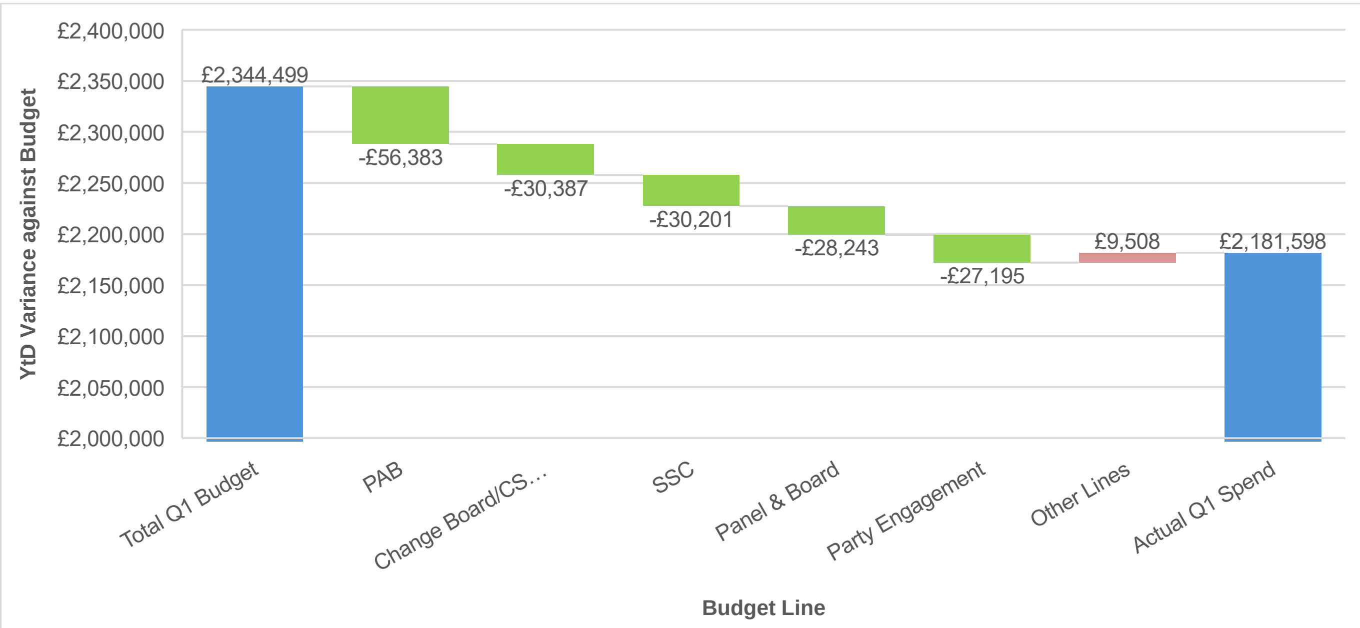


Figure 5: Waterfall Chart illustrating Key Year-to-Date Variances (± £10k) in SECAS Services Budget (Key: Red = overspend versus Q1 budget, Green = underspend versus Q1 budget)

Service Areas

The SECAS team supports the evolving needs of SEC Panel and Sub-Committees, through a combination of the Core Team and use of Subject Matter Experts as needed. This team provides a variety of support including Governance and Consultancy in the Technical, Security and Privacy aspects of Smart Metering. YTD outturn was £162,901 below budget. Details are provided in Table 2.

The main areas of underspend were as follows:

Panel & Board (£28k) due to a new role reflected in the SEC Panel Approved Budget which has not been filled.

PAB (£56k) as this Committee has not been established pending development of MP224.

SSC (£30k) due to fewer assessments taking place in the period than budgeted.

Change & Release (£30k) due to vacancy which has since been filled.

Party Engagement (£27k) due to vacancy which has since been filled.

This was partially offset by some areas exceeding budget:

TABASC (£4k) due to an ad-hoc May TABASC meeting to agree DSP low level requirements.

OPSG (£2k) due to interoperability report development and User Forum platform research.

CTG (£4k) due to development and provision of a SMETS1 End of Life RFI.

SMKI PMA (£7k) due to 6-monthly Standards and Best Practice Review.

Service Area	Sub-Committee	YTD Budget	YTD Actual	Variance
Panel & Board	N/A	£366,390	£338,147	£28,243
Technical Operations	TABASC	£180,854	£184,740	-£3,886
	OPSG	£271,175	£273,401	-£2,226
	PAB	£56,383	£0	£56,383
	CTG	£28,207	£32,308	-£4,101
	TAG	£108,396	£106,548	£1,849
	SMDA	£61,899	£61,284	£616
Security & Privacy	SSC	£434,411	£404,210	£30,201
	SCIRS	£8,758	£4,356	£4,403
	SMKI PMA	£32,103	£38,823	-£6,720
	Privacy	£72,106	£71,948	£158

Service Area	Sub-Committee	YTD Budget	YTD Actual	Variance
Change & Releases	Change Board, CSC, WG	£451,742	£421,355	£30,387
Party Engagement	N/A	£260,723	£233,528	£27,195
Accommodation		£11,350	£10,950	£400
Total		**£2,344,499**	**£2,181,598**	**£162,901**

Table 2: SECAS Services YTD Out-turn against Budget

Projects

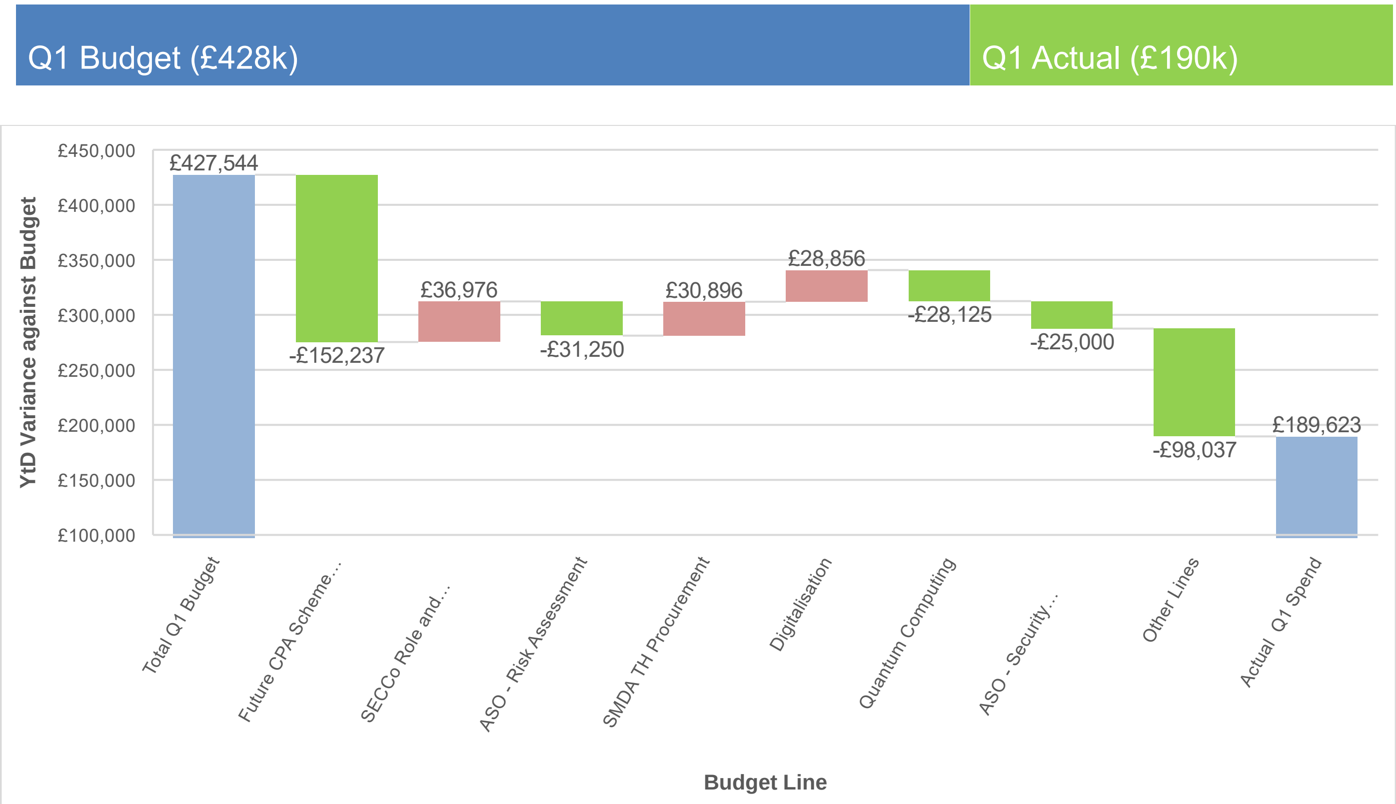


Figure 6: Waterfall Chart illustrating Key Year-to-Date Variances in Projects Budget. (Key: Red = overspend versus Q1 budget, Green = underspend versus Q1 budget)

This budget category outlines additional items of SEC expenditure which are at the discretion of the SEC Panel. Any expenditure against the Project budget requires prior approval and oversight from the SEC Panel and SECCo Board. A Project Brief (including proposed scope, budget, milestones and deliverables) will first be approved by the relevant SEC Sub-Committee, before being presented to the SEC Panel and Board for approval prior to release of funds. The SECCo Procurement Policy is followed to guide the SECCo Board when determining the delivery approach for new activities, work packages and projects.

So far this year, six projects have commenced, all of which were identified in the SEC Panel Approved Budget 2024-25. YTD Project spend for 2024-25 was £189,623 against a budget provision of £427,544. There is a further £1,520,552 remaining in the full year Project budget. Further detail on each of the project categories is available in Table 3 below, along with an explanation of spend to date.

Project	YTD Budget	YTD Actual	Variance
CPA Matters	£9,375	£12,445	-£3,070
Future CPA Scheme Transition/Procurement	£168,169	£15,932	£152,236
Digitalisation	£46,875	£75,731	-£28,856
SECCo Role & Structure/ Procurements/ TOM	£14,063	£51,039	-£36,976
Assessment of AI Risks and Opportunities	£14,063	£1,080	£12,982
SMDA TH Procurement	£2,500	£33,396	-£30,896
Annual Security Obligations – Risk Assessment	£31,250	£0	£31,250
Annual Security Obligations – Security Architecture	£25,000	£0	£25,000
Threat Assessment	£6,250	£0	£6,250
Quantum Computing	£28,125	£0	£28,125
Annual Incident Management	£15,000	£0	£15,000
DCC Licence Review	£6,563	£0	£6,563
Strategic Working Group Projects	£14,063	£0	£14,063
Supplier Issues	£6,563	£0	£6,563
Data Sharing/ Privacy	£11,250	£0	£11,250
Privacy - Data Protection & Digital Information Bill	£10,000	£0	£10,000
Transfer of Transitional Governance	£6,250	£0	£6,250
SMDA SEC Releases	£4,688	£0	£4,688
SMDA DSP Procurement	£1,875	£0	£1,875
SMDA 4G Communications Hub	£5,625	£0	£5,625
Total	**£427,544**	**£189,623**	**£237,921**

Table 3: Breakdown of Project Costs

CPA Matters

CPA matters are discussed within the monthly SCIRS meetings, a Sub-Group of the SSC. This forum allows NCSC, DESNZ, SSC and the industry to work together to resolve CPA matters. This provision is for CPA and Smart Metering CPA Security Characteristic expertise to support SCIRS; provide ad hoc technical advice; support maintenance of CPA Guidance and related documents; and support on the Risk Review process which was piloted this year (2023). Spend of £12,445 has so far been recorded.

Future CPA Scheme Transition/Procurement

Following the announcement that the NCSC will be stepping back from management of the CPA Scheme, this project budget will facilitate SECCo's procurement of a Scheme Operator and will fund the handover period and initial operation within 2024/25. Spend of £15,932 has so far been recorded.

Digitalisation

In response to industry feedback and Ofgem's desire for industry codes to be digitalised, SEC Panel is continuing to digitalise its services to make content and participation more accessible to SEC Parties. This provision allows opportunities to progress such as a more collaborative space for Change modifications, and second phases of the Security Assessment Digital Booking tool and Website. Spend of £75,731 has so far been recorded towards delivery of the new SEC Website which went live in May 2024.

SECCo Role & Structure/Procurements/TOM

This provision is to continue the work initiated in 2023/24 to review SECCo's Target Operating Model. The bulk of design work was completed last year, and the lower provision for the next three years is to cover any resulting procurements. Spend of £51,039 has been recorded against this project which covered the recruitment of four SECCo employees, Head of Industry Operations, Head of Service Management, Head of Codes and Regulatory Strategy and Head of Sub-Committee Management. It also included the set- up of SECCo as an employer, putting in place IT, a new pension scheme and employee policies and insurance. A third party was also engaged to help SECCo determine company employer policies and undertake the procurement and set up of the pension scheme. They also evaluated the jobs roles to ensure SECCo was valuing the roles robustly.

Assessment of AI Risks and Opportunities

This project will consider the implications of AI and whether the SEC has the right controls in place. Impacted areas could include the SEC Obligations, Agreed Interpretations, Security and Privacy Controls Frameworks. This project will undertake a risk assessment of existing and potential uses of AI on consumption and smart metering data and research the applicability of AI governance models. Spend of £1,080 is so far recorded against this project.

SMDA Test House Procurement

This budget provisions for the completion of a competitive tender process (commencing this year) for a Test House to support the SMDA Scheme, which we are hoping will reduce ongoing Test House costs. Following project scoping, the SECCo Board agreed a revised budget of £42,198 for the procurement exercise. Spend of £33,396 has so far been recorded against this budget.

SMDA

The SMDA Scheme now falls under the governance of the SEC, with the fixed costs of the SMDA Test House being borne by the SEC Panel Budget. YTD spend for the SMDA Test House was on budget.

OPR Auditing

As part of the update to the Operational Performance Regime (OPR), Ofgem undertook an independent audit of DCC's contract management. No spend has yet been incurred this year so an underspend of £24,750 is recorded YTD.

Contingency

The Board has so far not drawn down on the YTD contingency provision of £257,335.