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David O'Neill
Ofgem via email
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31 January 2023

Call for Input.

Dear David,

The Panel is pleased to have an opportunity to provide its views on the issues raised in the Call for Input.

Code Consolidation Principles

The principles proposed for determining code consolidation decisions are a good start. These are broad enough to set expectations and provide a useful guide.

The SEC has specific obligations for Panel that are set out in the code, we assume these are captured by the fourth principle "Supporting the ongoing operation of central systems." With regards to the 4th Principle, this should be extended to include the evolution of those systems ensuring robust I.T. infrastructure, security, and operational capability.

Regarding the 4th principle, we are concerned that addressing code governance will not (by itself) speed up industry change. There is a large I.T. system that sits behind the legal text in the SEC. In addition, there is a myriad of systems and devices that rely on that central system for the delivery of smart metering services, to DCC customers and end consumers. There is therefore a need for wider consideration of these supporting systems and service providers when considering how best to address and facilitate code changes. We are concerned that the Code Reform consultations to date, do not appear to consider these technical impacts.

We also note a significant emphasis on industry change in this and prior consultations. However, it should be recognised that SECAS and Panel have obligations to manage and facilitate the operation and day to day running of the SEC and services, in addition to Code Modifications. The SEC is not alone in this regard, and other Industry Codes have similar mandated functions. We therefore suggest there should be a fifth requirement for facilitating code / party service delivery. We believe adding this principle would ensure that consideration is given to clear and effective onboarding of participants, providing clear understanding of roles, responsibilities, risks, and liabilities, and providing support and advice where needed on an ongoing basis. This includes, for example, managing Parties through Security and Privacy audit processes, and day to day technical and operational queries.

Code Consolidation Options for Implementation

We agree with the proposal that the vertical consolidation option would provide the swiftest implementation route. However, we note the options from Cornwall Insight are only a qualitative study currently; a positive business case is required for industry and consumers before any final determination. We recommend that Ofgem undertakes a cost benefit analysis to ensure benefits for industry and consumers alike are positive, before progressing further.

We agree with the proposal that SEC and REC remain separate, given that the SEC is a technical code, and the REC more of a policy code. Both these codes are relatively new and have very different scope. The SEC is solely focussed on the rights and obligations of industry parties engaged and involved with smart metering. The SEC is still evolving as the DCC systems and processes mature and settle down. Further, governance arrangements of the SEC remain partly in the hands of BEIS, while the Smart Metering Implementation Programme (SMIP) remains in place to oversee key programmes of work such as Network Evolution and Enduring Change of Supplier. We believe SEC and REC should not be considered for consolidation until such time as enduring governance is fully in the hands of industry parties. If there is a proposal to consolidate the SEC and REC sooner, there should be a robust cost benefit analysis carried out, detailing the full costs and benefits to consumers and industry parties.

We note the preferred Option 2 proposing “common contractual framework and governance arrangements”. However, it is not immediately clear why simply making the changes in individual codes may not achieve the same objective. Further, it is unclear if the Code Manager role under either Option 1 or Option 2 would simply be to manage the “common contractual framework and governance arrangements” only, or if the operational elements related to day-to-day service provision, would be a secondary role for the Code Manager.

We recognise the desire for Ofgem to move as quickly as possible. However, if standardisation of code content and simplification for industry parties is a wider objective, a model, such as the recent approach to REC, may provide the better outcome and greater long-term benefit for parties. It would be preferable for the changes to be made once, and right first time, rather than a potential second set of changes introduced later, as suggested in the consultation. We believe this should be considered when developing an overarching business case for the benefits, costs, risks, and opportunities of code consolidation.

Code Manager Licensing

In general, the broad areas of licence content proposed, are a good starting point. We believe that, of all the areas proposed as a priority, Funding and Incentives should be considered first, so that Industry is clear as to how this critical area is going to be managed in the future. This should provide early certainty for industry parties as to how budgets will be set for new Code Manager roles. This will also deliver understanding of the involvement of parties, and oversight of incentives and performance measures for the new Code Manager role. Removing uncertainty early removes or reduces any potential or perceived financial risks for industry parties.

It is important that any licence conditions pertaining to charging methodology ensures that those parties in receipt of services are paying for the services delivered via the Code Manager. Current SEC charging arrangements result in parties driving service volumes and costs, the burden of which falls on those parties that do not need, or receive, any direct benefit.

It is important to recognise that the services delivered via codes will evolve, and the companies that benefit from those new services will change as the wider energy market develops over time. We believe that the provisions in the Code Manager Licence should enable flexibility, to facilitate the delivery of new services to new companies entering the energy market, and to avoid protracted change processes and delays to delivery in the future.

It would be helpful, for longer term planning purposes, to understand what Ofgem intentions are with regards to appointing Code Managers. Previous consultations have suggested options include tendering, selection of existing Code Administrators, or Special Purpose Vehicles. It would be helpful to better understand Ofgem intent in this regard for SEC.

Stakeholder Advisory Forum

Under the SEC there are existing Panel Sub-Committees which have distinct operational, security and technical remits to review central service provider (DCC) capabilities and risk management. Panel has delegated¹ several of its responsibilities and decision-making powers to these committees, where expertise from industry subject matter experts is sought for decisions. For example, H8.15a requires Panel agreement for any changes to the SSI Change Governance Process, following consultation by the DCC. Panel has delegated this decision to the Operations Sub- Group. It is unclear how the removal of Panels and replacement with Stakeholder Advisory Forums will deal with these types of delegated powers. Our working assumption is that these activities by the Sub-Committees would continue. Engagement of this type is essential in ensuring the service delivery by central providers is assured and understood by parties. A vital role of any new Stakeholder Forum must ensure that there is opportunity, for the parties paying for the services, to review and address service provider performance.

Furthermore, a considerable amount of industry expertise rests with the Sub- Committees, and in the case of the SEC, particularly Smart Metering Security. It should be noted that BEIS discharges responsibilities via the SEC for Critical National Infrastructure oversight. We are keen to understand how the expertise, duties and responsibilities of this group will be managed in future.

We agree with concerns that all industry voices should be heard. An issue with engagement is one of time and resource for industry parties. Code Administrators / Managers are already developing different means of communicating important messages to Parties. SECAS is constantly seeking to develop new channels to engage. Recent examples include Podcasts about modifications, social media sites such as LinkedIn, and regular Newsletter updates and online webinars, available via the SECAS website.

Post pandemic, it is recognised that use of TEAMS and Zoom for meetings is preferable for many parties, rather than travelling to meet in person. As such, “hybrid” meetings are readily available across committees, to encourage engagement. The use of new communication channels and technology in the collation of views, will further enhance abilities of Code Managers to engage with market participants and tailor those communications to individual party interests.

Code modifications and issues discussed within a Stakeholder Forum will need a certain level of quoracy for Code Managers to prove they have engaged with all interested Parties. This, however, does not need to be a fixed set of “seats” within a committee. An element of flexibility should be afforded the Code Manager to facilitate engagement in diverse ways. We have concerns that some SEC Parties are not licenced organisations. Several organisations interact with the DCC and SEC to receive and provide services to end consumers. This is an area that will potentially grow and evolve further, with future diversification of energy policy towards the “net zero” goal. The Code Manager licence construct should ensure that it does not inadvertently restrict with whom the Code Manager should consult with.

There is a need to consider how Code Managers demonstrate they have actively tried to engage with parties. This may be in the form of an “all reasonable endeavours” licence condition, reviewed annually by the Authority. This should have the impact of ensuring Code Managers continually look to improve and develop new ways of engaging with their Parties.

¹ <https://smartenergycodecompany.co.uk/document-download-centre/download-info/smart-energy-code-sec-delegations-register/>

If you would like to discuss any elements of this response further, please do not hesitate to contact me on 020 7090 7755 or SECAS@gemserv.com

Yours Sincerely,



Peter Davies
SEC Panel Chair