
Smart Energy Code (SEC) Modification Proposal (MP) 224: SEC Performance Assurance Framework (SECMP224)

Decision:	The Authority ¹ determines that this modification ² should be made ³
Target audience:	Data and Communications Company (DCC), SEC Panel, Parties to the SEC and other interested parties
Date of publication:	07 November 2024
Implementation date:	One working day after Authority decision

Background

In contrast to some other industry codes, the SEC does not currently have a formal Performance Assurance Framework (PAF). Instead, the SEC Panel (the Panel) is responsible for addressing any individual code compliance issues as they arise. The Panel and its sub-committees have previously explored opportunities for improving compliance under the code. For example, the Panel tasked the Smart Energy Code Administrator and Secretariat (SECAS) with undertaking a project to investigate the merits of establishing a PAF and Performance Assurance Board (PAB) within the SEC. This project concluded that the implementation of a risk-based PAF under the SEC would provide greater confidence to SEC Parties that obligations set out in the code are being fulfilled and that performance risks and issues are dealt with in a consistent manner. A modification to the SEC is required to introduce these PAF arrangements.

The modification proposal

SECMP224 was raised by OVO Energy (the Proposer) on 9 January 2023. The Proposer considers that the current arrangements, whereby the SEC Panel handles performance issues

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² 'Change' and 'modification' are used interchangeably in this document.

³ This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989 and by section 38A of the Gas Act 1986.

on a case-by-case basis, are challenging, particularly as the scope of the SEC Panel's remit is broad. The Proposer asserts that one of the difficulties the SEC Panel has faced has been ensuring that required resources are allocated within available time to resolve the case-by-case events as they arise.

SECMP224 aims to introduce a PAF and PAB to ensure that the obligations set out in the SEC are being fulfilled and that any failure to meet obligations will not detract from the achievement of the SEC Objectives. This is to ensure that Parties are not being disadvantaged, either individually or collectively, by the failure of any one Party to meet its obligations and that performance risks and issues are dealt with in a standardised manner.

SEC Change Board⁴ recommendation

At the SEC Change Board meeting on 26 June 2024, the Change Board considered that SECMP224 would better facilitate the SEC Objectives, namely the first and seventh Objectives, and the Change Board therefore recommended its approval.

Our decision

We have considered the issues raised by SECMP224 and the Final Modification Report (FMR) submitted to us on 27 June 2024. We have considered and taken into account the votes of the SEC Change Board on the proposal, which is attached to the Change Report. We have concluded that:

- Implementation of the modification proposal will better facilitate the achievement of the SEC Objectives⁵ and
- Directing that the change is approved is consistent with the Authority's principal objective and statutory duties.⁶

Reasons for our decision

⁴ The SEC Panel and Change Board are established and constituted pursuant to and in accordance with DCC Licence 22.26(a).

⁵ The Objectives in accordance with DCC Licence 22.10-22.17

⁶ The Authority's statutory duties are wider than matters that the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended and the Gas Act 1986 as amended.

We consider that this modification proposal will better facilitate the first and seventh General SEC Objectives and will have a neutral impact on the other SEC Objectives.

The first General SEC Objective is to facilitate the efficient provision, installation, and operation, as well as interoperability, of Smart Metering Systems at Energy Consumers' premises within Great Britain.

The Proposer asserts, and we agree, that this objective will be better facilitated. We consider that the introduction of a risk-based PAF should ensure that any performance risks and issues arising within the SEC can be better monitored and managed more effectively. We also agree that a PAB will be well placed, with appropriate expertise, to develop techniques and solutions to mitigate against any identified performance risks. We agree with the Change Board and the Proposer that these new arrangements should give SEC Parties confidence that SEC obligations are being fulfilled and should ensure that risks are less likely to escalate to have a significant detrimental impact on the smart meter rollout or the operation of smart metering systems.

The seventh General SEC Objective is to facilitate the efficient and transparent administration and implementation of the SEC.

The Proposer asserts, and we agree, that this objective will be better facilitated. We consider that a risk-based approach to performance assurance, aimed at identifying and managing areas of risk to the achievement of the SEC Objectives, will support greater efficiency and transparency in the operation of the code.

We agree with the Proposer that the PAF should be focused on prevention and improvement. We note that the PAF is not intended to replace existing compliance arrangements in the code, including the Events of Default provisions in SEC Section M and the role of the SEC Panel in taking action where parties enter into default. We consider that the PAF and the role of the PAB should enable performance risks and issues to be identified and managed before they escalate into Events of Default, and we believe that this should, in turn, promote efficiency and improvement in how performance and compliance are managed under the SEC.

Furthermore, we believe that the performance assurance techniques and processes developed and implemented by the PAB to monitor and address performance should ensure greater consistency and transparency in the operation of the code.

Finally, we note that arrangements relating to Security (SEC Section G) and Alt HAN⁷ (SEC Section Z) have been excluded from the scope of the PAF. We agree with the views of the SEC Security Sub-Committee and the Alt HAN Forum that these arrangements should not be included within the scope of the PAF and that the existing mechanisms for monitoring compliance with these obligations should continue.

Decision notice

In accordance with standard licence condition 23 of the Smart Meter Communication licence, the Authority hereby determines that modification proposal SECMP224 'SEC Performance Assurance Framework' be made.

Gavin Baillie

Head of Industry Codes

Signed on behalf of the Authority and authorised for that purpose

⁷ Alternative Home Area Network.