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Statutory Consultation on interim modifications to the SMCL (May 2025)

Dear Jakub,

The Smart Energy Code (SEC) Panel welcomes the opportunity to respond to Ofgem's Statutory Consultation on Interim Modifications to the Smart Meter Communication Licence (SMCL), published on 9 May 2025.

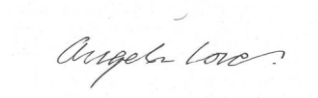
We support the intent behind the proposed modifications and agree that the draft Licence changes broadly and appropriately reflect the underlying policy decisions required to enable a smooth transition to the Successor Licensee, the introduction of ex-ante cost control, and the closure of the current Licence.

We particularly welcome:

- The pragmatic approach to regulatory reporting adjustments in the final Regulatory Year;
- The clarifications and transitional mechanisms relating to the Baseline Margin Adjustment and External Contract Gain Share;
- The introduction of Licence Conditions 34A and 34B to support the new cost control regime;
- The intent to establish the Customer Challenge Group under the SEC framework.

Our full responses to the consultation questions are included below. We would be pleased to assist further as Ofgem moves towards implementing the proposed modifications and planning for the transition to the Successor Licence. Should you have any questions on the above or our responses to the individual questions, please do contact Oli Meggitt, Senior Strategy Manager (oli.meggitt@seccoltd.com) or consultations@seccoltd.com.

Yours sincerely,



Angela Love
SEC Panel Chair

Q1: Do you agree with our proposals to modify Licence deadlines for regulatory submissions in the Licence after 31st July 2026?

Yes, we agree with the proposed modifications.

We recognise the importance of ensuring continuity of service during the transition to the Successor Licensee and support the proposal to modify Licence deadlines to reflect the likely misalignment between the end of the Regulatory Year and the Transfer Date. Aligning reporting deadlines to fall within three months of the Transfer Date is a pragmatic and proportionate approach, given that the final Regulatory Year will likely be shorter and less administratively intensive.

We support Ofgem's intent to preserve sufficient time for assessment of the final submissions before the expiry of the Licence. The proposed changes ensure that key controls—such as price control assessments and reporting on performance—can still be applied appropriately during the final stages of the Licence term.

We also appreciate the clarity this brings for the Panel and stakeholders preparing for transition and will work collaboratively to ensure the handover runs smoothly and meets Ofgem's expectations.

Q2: What are your views on our proposals to amend the Baseline Margin Adjustment and External Contract Gain Share mechanisms in the remainder of the Licence Term?

We support the proposed approach, which we believe is a fair and pragmatic way of ensuring the Licensee can continue to make use of the Baseline Margin Adjustment (BMA) and External Contract Gain Share (ECGS) mechanisms through to the end of the current Licence Term.

These mechanisms were established to reflect the risks and scope of the DCC's role and ensure alignment between efficient performance and financial reward. The proposed amendments allow the Licensee to continue engaging with these processes—albeit in a slightly compressed window—without disrupting the overall regulatory framework or the transition to a not-for-profit Successor Licensee.

We are content that the changes appropriately address the timing issues associated with the Licence expiry and avoid unintended financial distortions. We also support the clarity provided on how and when Notices can be served under these mechanisms post-Transfer Date.

Q3: What are your views on the proposed Licence modifications? How well do they support our policy intent across the consulted areas? Do you have any views on the proposed housekeeping changes?

We are broadly supportive of the proposed Licence modifications and believe they deliver on the stated policy intent across all four areas of change: implementation of the ex-ante cost control regime, final-year regulatory reporting, treatment of the BMA and ECGS mechanisms, and housekeeping.

However, we do wish to raise a few observations to support alignment between the policy and the Licence text:

- **Condition 34A.12** anticipates that the Licensee will consult with the SEC Panel on the draft Business Plan. While we understand that the Panel is expected to delegate this responsibility to the Customer Challenge Group (CCG), the drafting in the Licence still refers to the Panel and to a consultation process. This appears inconsistent with the CCG's intended role, which is framed around sustained engagement and challenge. We would welcome revised drafting that better reflects the anticipated role of the CCG under the SEC.

- We have identified some technical corrections needed to ensure clarity:
 - **Paragraph 34A.14** refers to paragraph 12, but this should be paragraph 13.
 - **Paragraph 34A.15** defines “Authorised Business of the Successor Licensee” by reference to 34A.9(a); this should be 34A.10(a).
 - The definition of “Mandatory Content” also incorrectly refers to paragraph 34A.9(c); this should be 34A.10(c).

We support the proposed housekeeping changes, including updates to the Licensee’s address and the correction to the applicable Regulatory Year for ECGS in LC39.5. These adjustments enhance accuracy without altering substantive policy.