

Modification proposal:	Smart Energy Code (SEC) Modification Proposal (MP) 130 – CH order and delivery changes due to COVID-19		
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:	26 May 2020	Implementation date:	27 May 2020

Background to the modification proposal

The Communications Hub (CH) orders process, detailed in SEC Section F (Smart Metering System Requirements)⁴, requires Parties to forecast their Communications Hub orders covering the 24-month period commencing on the sixth month after the month in which the forecast is submitted. Parties are also required to confirm their orders five months prior to delivery, within tolerances, based on their forecasts ten months and seven months prior to delivery. Parties are able to cancel their order; however, this would incur financial penalties.

Energy Suppliers and their agents have significantly reduced Smart Meter installations in response to the UK lockdown and requirements to protect both their customers and employees. As a result, their requirement for Communications Hubs has dramatically decreased. This has resulted in large stock numbers being held by Suppliers. Currently, the SEC requires that deliveries continue as scheduled, which means Suppliers have the risk of insufficient warehouse capacity, which is exacerbated by the need to minimise the unnecessary movement of Communications Hub stock at this time.

Significant lead times in Communications Hub manufacturing and transport makes it difficult to reduce delivery and production volumes. The manufacturers of Communications Hubs are continuing production as normal, and the Service Providers are contractually obliged to receive them. Under the SEC, Parties are obliged to receive the deliveries they ordered.

The Proposer explains that Communications Hub deliveries for May 2020 are now due, and an agreement to diverge from SEC processes is required to prevent the DCC

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.

⁴ <https://smartenergycodecompany.co.uk/the-smart-energy-code-2/>

Communications Service Providers (CSPs) being obliged to deliver Communications Hubs to warehouses that are already full and require staff to go onto site to receive them. Suppliers have asked the DCC to consider actions to reduce this risk.

The modification proposal

SECMP130 was raised by the Data Communications Company on 14 May 2020 and the Proposer requested this be treated as an Urgent Proposal. This request was presented to the SEC Panel on 15 May 2020, who wrote to Ofgem on 15 May 2020 to request Urgency status. We wrote to the Panel to confirm Urgency had been granted on 18 May 2020.⁵ The Proposed Solution would introduce new obligations for both the DCC and Parties by implementing a temporary Communications Hub ordering and delivery process. It notes a proposed order commitment period for Parties and the DCC's requirement to hold stock or defer deliveries on behalf of Parties.

The Proposer considers that Legal certainty is needed that Parties will take the minimum order quantities once deliveries can recommence in order to protect the supply chain. The DCC, working with Suppliers, Service Providers and BEIS, has identified a solution to the issue. The DCC will reduce Parties' Communications Hub orders from 1 May 2020 to 31 August 2020. There will be different solutions for each CSP (North and Central & South), which will be located in a separate DCC controlled document titled 'Temporary CH Ordering and Delivery Rules'. This document will sit outside of the SEC and the DCC may from time to time amend the Temporary CH Ordering and Delivery Rules subject to the Panel's approval.

SECMP130 is an enabling modification to allow for this solution and document to become live. We also note that the Temporary CH Ordering and Delivery Rules shall automatically cease to apply from the start of 1 January 2022.

SEC Change Board⁶ recommendation

At the SEC Change Board meeting on 22 May 2020, the Change Board unanimously considered that SECMP130 would better facilitate the SEC Objectives and the Change Board therefore recommended its approval.

⁵<https://www.ofgem.gov.uk/publications-and-updates/secmp130-ch-order-and-delivery-changes-due-covid-19-authority-decision-urgency>

⁶ The SEC Panel and Change Board are established and constituted pursuant to and in accordance with DCC Licence 22.25(a).

The Change Board considers this modification will better facilitate General SEC Objective (a)⁷, as it will mitigate the unnecessary delivery of Communications Hubs.

Our decision

We have considered the issues raised by the proposal and the Final Modification Report dated 22 May 2020. 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 objectives;⁸ and
- directing that the change is approved is consistent with the Authority's principal objective and statutory duties.⁹

Reasons for our decision

We consider this modification proposal will better facilitate SEC Objective (a) and has a neutral impact on the other 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.

This proposal has been developed by the DCC in order to mitigate the effects of COVID-19 for Energy Suppliers and their agents, which have significantly reduced Smart Meter installations in the light of the UK lockdown requirements.

SECMP130 offers a temporary process of suitable relief to those Suppliers that have ordered, but are no longer able to receive, store and utilise additional DCC Communications Hubs. We are of the view that the proposed arrangements in SECMP130 offer a reasonable solution to mitigate the issues raised by industry.

⁷ Facilitate the efficient provision, installation, operation and interoperability of smart metering systems at energy consumers' premises within Great Britain.

⁸ The Objectives in accordance with DCC Licence 22.10-22.17

⁹ 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 agree with the views of the Panel and Change Board that the implementation will also prevent the unnecessary delivery of additional Communications Hubs, which will help to ensure that employees, throughout the supply chain, are not required to facilitate deliveries, or manage excessive stock. We are of the view that the implementation of SECMP130 also aligns with the government COVID-19 guidance on social distancing and safe working practices.

We note that SECMP130 enables the 'Temporary CH Ordering and Delivery Rules' to become live which will sit outside of the SEC as a DCC controlled document. We would expect the DCC to address any concerns that have been raised with that document prior to the implementation of this modification. We also expect the DCC to remain engaged with the SEC Panel and industry parties on any potential future updates to the document.

Decision notice

In accordance with standard licence condition 23 of the Smart Meter Communication licence, the Authority hereby determines that modification proposal SECMP130 '*CH order and delivery changes due to COVID-19*' be made.

Jacqui Russell

Head of Metering and Market Operations

Signed on behalf of the Authority and authorised for that purpose