

Peter Davies
Panel Chair, Smart Energy Code
Smart Energy Code Company Ltd
8 Fenchurch Place
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Date: 18 May 2020

Dear Peter,

SECMP130 'CH order and delivery changes due to COVID-19' – Authority¹ decision on urgency

On 14 May 2020, the Data Communications Company (DCC) raised SECMP130. Following the SEC Panel meeting on 15 May 2020, we received a request from the Panel Chair that SECMP130 be treated as urgent.

This letter confirms our decision that SECMP130 should be progressed on an urgent basis and sets out the timetable under which the modification will proceed.

Background

In the Communications Hub orders process, Parties are required to forecast their orders covering the 24-month period commencing on the sixth month after the month in which the forecast is submitted. Parties are then 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 can 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

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.

insufficient warehouse capacity, which is exacerbated by the need to minimise the unnecessary movement of Communications Hub stock at this time. Suppliers have asked the DCC to consider actions to reduce this risk.

The Proposer believes this issue, if not resolved before the May 2020 delivery of Communications Hubs, could have a potential significant commercial impact on Parties and other stakeholders.

Panel View

At the SEC Panel meeting on 15 May 2020, the Panel agreed with the Proposer's rationale for why this modification should be progressed as an Urgent Proposal. The Panel unanimously decided to recommend to the Authority that SECMP130 should be progressed as an Urgent Modification Proposal.

Our decision

In reaching our decision on the urgency of the modification proposal, we have considered the details within the proposal, the views of the Panel and we have assessed the request against the urgency criteria set out in our published guidance.²

Our guidance sets out that an urgent modification should be linked to an imminent issue or a current issue that, if not urgently addressed, may cause:

- i. A significant commercial impact on parties, consumers or other stakeholder(s); or
- ii. A significant impact on the safety and security of the electricity and/or gas systems, or;
- iii. A party to be in breach of any relevant legal requirements.

We have also considered this modification in the context of our enabling framework for regulatory flexibility during COVID-19, as set out in open letters issued recently to energy network³ and retail energy supply⁴ companies. In those letters, and other COVID-19 engagement with industry as a whole, we have encouraged parties to identify early, and appropriately mitigate, the impacts of COVID-19 to ensure consumers – especially the vulnerable – are protected from immediate harm, security of supply is maintained, and the health and safety colleagues and consumers is maintained.

We are satisfied that the progression of this modification proposal and the need for an appropriate response to COVID-19 is *"a current issue that if not urgently addressed may cause a significant commercial impact on parties, consumers, or other stakeholders(s)"* and

² <https://www.ofgem.gov.uk/publications-and-updates/ofgem-guidance-code-modification-urgency-criteria-0>

³ See: https://www.ofgem.gov.uk/system/files/docs/2020/04/networks_letter_0.pdf

⁴ See: https://www.ofgem.gov.uk/system/files/docs/2020/04/supplier_letter.pdf

have therefore agreed that the modification should follow the urgent timetable as set out below.

Process	Date
SECAS and DCC develop solution and legal text	18 May 2020
Refinement Consultation	19 May – 21 May 2020
SEC Panel votes on the Modification Report	22 May 2020
Change Board vote	22 May 2020
Modification Report submitted for Authority determination	22 May 2020
Implementation	One Working Day following approval

In accordance with SEC Section D4.6, we therefore direct the Panel to treat the Modification Proposal SECMP130 as an Urgent Proposal in line with respective SEC conditions and our published guidance. The proposal shall be progressed within the time plan set out in this decision.

For the avoidance of doubt, in directing that the request for urgency be granted, we have made no assessment of the merits of the Proposal, or the forthcoming solution, and nothing in this letter in any way fetters our discretion in respect of our decision on the Modification Proposal.

If you have any comments or questions about this letter, please contact Michael.Walls@ofgem.gov.uk.

Jacqui Russell
Head of Metering and Market Operations
Signed on behalf of the Authority and authorised for that purpose