

Modification proposal:	<b>Smart Energy Code (SEC) Modification Proposal (MP) 0067 – Service Request Traffic Management</b>		
Decision:	The Authority <sup>1</sup> has determined to reject <sup>2</sup> this modification <sup>3</sup>		
Target audience:	Data and Communications Company (DCC), SEC Panel, Parties to the SEC and other interested parties		
Date of publication:	26 October 2020	Implementation date:	N/A

## Background to the modification proposal

The Final Modification Report (FMR) for SECMP0067 explains that DCC Systems have capacity constraints. As a result, in certain circumstances the volume of Service Requests (SRs) could overload the DCC System and prevent SRs from being sent from the Data Service Provider (DSP). In order to provide additional mitigations, various approaches to managing the System to prevent potential issues for service users and customers have been examined.

## The modification proposal

SECMP0067 was raised by DCC (the Proposer) on 30 November 2018 and seeks to introduce a mechanism to regulate the volume of SRs when the DCC System is experiencing unexpected heavy traffic. This functionality would be activated if the DSP system capacity threshold is breached, and would only occur in exceptional circumstances. Service Users would be allocated individual capacity thresholds that would be proportional to their portfolio. Users could exceed this allocation where there is spare System capacity, but would be required to operate within their threshold if the System is near capacity or the mechanism is activated.

The proposal would also require the DCC to provide reporting to SEC Parties on how often the mechanism is utilised and its duration, as well as individual Users' allocation and monthly traffic. Only Users who exceed their capacity threshold would have their Service Requests regulated when the mechanism is in effect, and any User who keeps within their capacity would not be regulated. The Proposer highlights that Users can independently prioritise their Service Request traffic as part of their respective business processes.

SECMP0067 was first submitted to us for decision on 30 April 2020. However, the FMR did not contain a sufficient level of evidence regarding the costs and benefits of the modification. We therefore were unable to make a decision and sent the modification back to the SEC Panel on 14 May 2020 for further work.<sup>4</sup>

## SEC Change Board<sup>5</sup> recommendation

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 'Change' and 'modification' are used interchangeably in this document.

<sup>4</sup> Authority decision to send back SECMP0067 'Service Request Traffic Management': <https://www.ofgem.gov.uk/publications-and-updates/authority-decision-send-back-smart-energy-code-sec-modification-proposal-mp-0067-service-request-traffic-management>

<sup>5</sup> The SEC Panel and Change Board are established and constituted pursuant to and in accordance with DCC Licence 22.25(a).

SECMP0067 was resubmitted to the SEC Change Board (CB) and voted on at the 26 August 2020 meeting, where a majority of the Change Board members considered that SECMP0067 would not better facilitate the SEC Objectives and the Change Board therefore recommended that the Authority should reject SECMP0067.

## **Our decision**

We have considered the issues raised by the proposal and the FMR issued to us on 26 August 2020. We have also considered and taken into account the votes of the SEC Change Board on the proposal, which is attached to the FMR. We have concluded that implementing the modification proposal will not better facilitate the achievement of the identified SEC objectives.<sup>6</sup>

## **Reasons for our decision**

We consider that evidence has not been provided to adequately demonstrate that SECMP0067 would be better facilitate the General SEC Objectives.

We are of the view that the positive effects identified by the CB against SEC Objective (a) do not justify the costs of this modification given the outstanding issues.

***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 majority of the Change Board thought that SECMP0067 would better facilitate this Objective by improving the efficiency of, and protecting, the DCC System during exceptional circumstances of high traffic levels. The CB members also acknowledged a potential reduction of the risk of delays in processing Service Requests, including install and commission and Pre-Payment Meter top-ups. We note that despite the perceived benefits, a majority of CB members also considered that these would be outweighed by the high implementation costs and the negative impact against SEC Objective (e).

When determining whether a modification better facilitates an Objective, we assess whether the Proposed Solution is an improvement on the existing arrangement. In this case, taking into account that DCC already have some capability to manage capacity through existing mechanisms, it has not been demonstrated that the benefits of this change outweigh the associated costs of implementation and the associated system upgrade costs for SEC Parties. For these reasons we are unable conclude that the modification would better facilitate this SEC Objective.

***The fifth General SEC Objective is facilitate innovation in the design and operation of energy networks to contribute to the delivery of a secure and sustainable supply of energy.***

The majority of CB members felt that SECMP0067 had a negative impact on this SEC Objective.

The Proposer argues that the solution delivers innovation in the DCC Systems, which would help to address the identified issue. However, the majority of CB members were of the view that it does not fully deliver against industry requirements – such as the Priority

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<sup>6</sup> The Objectives in accordance with DCC Licence 22.10-22.17

Service Request list not being completed and the lack of a compelling business case for implementation.

A minority of CB members believed that Objective (e) would be better facilitated by innovating the DCC Systems to help prevent against a Denial of Service attack and to better cope with Service Request traffic peaks without purchasing increased infrastructure.

Our view is that it has not been demonstrated that this modification better facilitates this SEC Objective. The DCC has not fully explained the current capacity of the system and its utilisation levels, or when it expects traffic to increase to the point that existing mitigations would be insufficient. The Working Group (WG) and CB members requested information on how often the DCC would expect the mechanism to be activated and how much value it will add in practice; however, this information has not been adequately provided within the FMR.

While the proposed legal text, as drafted, does deliver a solution against the identified issue, DCC has not provided sufficient justification that this would deliver net benefits. Given the cost of this modification, we would expect it to be supported by meaningful analysis, including but not limited to: current system functionality, the impact on the system if the risk of increased traffic materialised, how often this modification would mitigate against that risk, why the existing measures DCC have to manage capacity are considered insufficient, and ultimately how much value that protection would be worth in practice. Our view is that without this information, the case for progressing the solution at this time has not been proven.

#### *Other Considerations*

Several CB members argued that additional capacity from extra 'motorway' lanes could also deliver a mitigating solution for the issue; however, this was not adequately explored or explained within the FMR. We consider that there may be merit in considering this as a possible way to manage system traffic and encourage SEC parties to decide whether this warrants exploration. However, we note that this would not provide infinite capacity, so there would always be a risk to the System in exceptional events. Unfortunately, there was no comprehensive analysis of how adequately additional motorway lanes may address the issue, and of how this approach would compare to the preferred solution when managing these types of events. Without a forecasted level of traffic that DCC is trying to protect against, there is no meaningful way to compare whether this solution is indeed the most viable, or for how long it would be feasible.

It was proposed that the Priority Service Request list would be blank at the point of going live, and each individual User would choose which order they send the Service Requests in within their allocation. The rationale given was that the User would not have their priorities defined by other SEC Parties or DCC. However, we note that some CB members did not agree and felt that without the measures to prioritise Pre-Payment top-ups built into the solution, there is a risk that further modifications would be required, which could add extra costs and be detrimental to efficiency of the SEC arrangements.

This modification, as proposed, would not be fully implemented by SEC Parties until late 2021, with some Parties explaining that it could extend beyond that time due to their individual system upgrades. We note that the DSP contract is due to expire and will be

re-tendered with the System being redeveloped and deployed in 2023<sup>7</sup>. This may provide an opportunity for appropriate functionality to be built into the System from the outset, and potentially with less costs. A couple of parties raised this point; however, there was no debate or analysis that discussed the impact of this on the business case, which we would have expected.

The gaps in the SECMP0067 solution have not been fully addressed following our send back, nor has the business case for incurring these costs at this time been made. The issues identified by industry during the course of the WG and through consultations should have been addressed completely, and a more comprehensive and understandable explanation of why this solution is required been included within the FMR documentation. The DCC currently have the ability to amend and manage system capacity and we urge them to continue monitoring this situation, and liaise with industry to develop appropriate mitigations to manage exceptional events.

### **Decision notice**

In accordance with standard licence condition 23 of the Smart Meter Communication licence, the Authority hereby determines that modification proposal SECMP0067 'Service Request Traffic Management' not be made.

**Jacqui Russell**

**Head of Metering and Market Operations**

Signed on behalf of the Authority and authorised for that purpose

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<sup>7</sup> [https://www.smartdcc.co.uk/media/4144/20143-dcc\\_report-and-plan\\_v8.pdf](https://www.smartdcc.co.uk/media/4144/20143-dcc_report-and-plan_v8.pdf)