

Peter Davies, SEC Panel Chair
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28 September 2021

Re: Consultation on the Design and Delivery of Energy Code Reform

Dear Sir or Madam,

The SEC Panel welcomes the opportunity to respond to the latest consultation on Energy Code Reform. Due to the nature of the consultation, it seems more appropriate that responses are received from individual Parties rather than a collective view from a Code Panel. This response is therefore from myself, as the Chair of the SEC Panel, rather than on behalf of the SEC Panel (noting it has been circulated to SEC Panel members to seek input and for transparency). Regardless, I hope you find the views below useful and constructive, particularly from my experience of working with the SEC and the DCC as the licensed Central Service Provider.

Firstly, I would like to note support for the intent of this review. I believe effective solutions can be found that would deliver the required outcomes by the desired dates without the need for significant restructuring of the existing governance frameworks.

I would agree that there is a need for a Strategic Body to take responsibility for the implementation of Government Policy across the energy sector; however, I believe that the desired outcomes can be achieved without radical change working with the existing code bodies and the principle of self-governance and the accountability that this brings.

To help with reviewing this response I have set out my views below into separate sections. I am hoping this makes it easier for you to digest the salient points, but if you would like to discuss this further, please do not hesitate to contact me on 020 7090 7755 or SECAS@gemserv.com

Yours faithfully,



Peter Davies
SEC Panel Chair

Shifting responsibilities and operational impacts

One of my key concerns is that moving the accountability of Code Managers from Code Signatories to being entirely accountable to a Strategic Body challenges and undermines the principle of Self Governance. Currently, the SEC Panel and SECAS are accountable to SEC Users for their performance, and as such Users have an active role and incentive to engage and participate. Under the suggested model, accountability for delivery of all Code matters appears to be solely on the new Strategic Body. Whilst this seems entirely appropriate for the establishment and oversight of Strategic Direction, it does not appear to recognise the broader role and responsibilities of Code Panels and their Administrators.

The SEC Panel and SECAS (as the Code Administrator) have a far broader role than that of managing the change process. Such responsibilities include day to day oversight of all aspects of the operation and function of the Code, in doing so the Panel and SECAS are reliant upon the close engagement and support of SEC Users. Key to this is the experience and knowledge provided by the Panel and its supporting Sub-Committees. Under the SEC there are complex and unique technical challenges, ranging from security and privacy to detailed metering architecture. The current consultation seems to focus purely on the delivery of strategic change and does not address these operational matters. It is unclear how any Code Manager would be expected to have such knowledge “in house”, and risks alienating Users (the source of the information) from these governance arrangements and losing their ‘ownership’, and commitment to these arrangements function effectively.

More broadly, an identified issue with engagement is one of time and resource for parties to input into industry forums. Simply removing industry Panels and replacing them with Stakeholder Forums does not appear to address this.

I believe a model whereby Code Managers hold a license to operate but are competitively procured and accountable to the Code Panel is still viable. The license and contract would ensure accountability for performance with both the Strategic Body and Code Panel.

With regards to funding Code Managers, the governance structure should reflect that those paying for the services should have a say. The proposals outlined do not appear to deliver this and as stated, I believe that a Strategic Body with licenses and contracts for Code Managers to ensure accountability, could deliver the intended results. The Impact Assessment included with the consultation has a negative NPV for both governance options. Both options would appear to rely heavily on unquantified benefits resulting from improved change processes and the joining up of strategic objectives. Other models should therefore be considered.

Licensed Code Managers and Contracts

It is recognised that delivering change can be unnecessarily time consuming and costly, and there is a need for an agreed and coordinated strategic direction across the Energy Sector. However, in my view simply placing licence obligations on Code Managers and or Central System delivery bodies will not deliver the expected outcome without specific levers to enable and drive those objectives.

The model widely consulted upon and utilised for G.B. smart metering, means that the central systems that provide the infrastructure are one step removed from the Governance of the Code (SEC) and are managed via a contract management entity; the DCC. The DCC is also a licenced entity due to its unique market monopoly position. The fact the DCC has a licence and is also bound to comply with the

SEC, has not resulted in seamless service provision for industry or even compliance with the SEC. For example, DCC SEC compliance issues repeatedly arise for service provision areas such as Planned Maintenance activities, and System Outages and performance reporting.

Equally, I agree with the intent that industry changes can be prioritised and delivered better. However, in terms of experience with the SEC, it is the elapsed timescales, associated with determining the Impact Assessments across the DCC Service Providers, and physical implementation of these changes through industry systems and business processes for industry participants, which create delays and where most concerns exist.

In order to ensure future changes are made in a way that supports the strategic objectives, enabling innovation, and deliver maximum benefits to consumers, consideration should be given to the end-to-end change process across codes that would ensure prioritisation across all parts of the supply chain. I agree with the need for the Strategic Body to coordinate change, but believe that existing governance could be adapted to achieve this.

Strategic direction and cross Code change

The proposal for the Strategic Body to develop and then consult with the Secretary of State and other stakeholders prior to publishing its strategic direction does not seem an efficient process and could incur further delays. There is perhaps a role for a nuanced strategic view / lens to be applied to agreed government policy, such that the Strategic Body ensures delivery of that policy. In such a model the Strategic Body would identify the necessary changes to industry Codes and task those bodies with the responsibility to deliver these changes. The Strategic Body would retain oversight of delivery and Programme Management and co-ordination between Codes.

I agree that there is a role for a joining up of strategy to ensure better delivery of changes across Codes. It should be noted that the Cross Code Steering Group (CCSG) under the Retail Energy Code (REC) is about to commence its work. This group will seek to ensure that cross Code changes are delivered in an efficient manner, and ensure that cross cutting issues are not missed, with lead Codes assigned to ensure delivery. It would be worth drawing on experience of the CCSG, as it starts its work, and consider how this may work in line with the proposed Strategic Body.

I do not believe that the creation of the Integrated Rule Making Body (IRMB) and Future System Operator (FSO) role is necessary, or the most efficient response, to the challenges outlined. My view as stated above, is that with improved oversight from Ofgem, and working in tandem with existing Code governance, a similar objective and outcome could be attained to deliver on the broader objectives as set out in this and the 2019 consultation.