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Smart Energy Code

End of Budgetary Year Report 2016-2017

Draft
Version 1.0

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1. Background

The SEC Panel budget sets out the Panel’s good faith estimate of the Recoverable Costs that it believes, at the time of writing, will be incurred during the next three Regulatory Years.

The budget setting process for 2016-2019 started in September 2015 with input from the Panel’s Finance and Contract Sub-Group (PFCG). It was reviewed by Panel Members, and a SEC Party consultation was issued in January 2016 in accordance with SEC Section C8.13.

This End of Budgetary Year Report provides the out-turn of the Panel budget covering the period between 1st April 2016 – 31st March 2017. The report also outlines the steps that will be taken in relation to the over-recovery. It has been provided for transparency purposes for Parties to view information that is normally available to SECCo Board Members on a monthly basis.

2. Executive Summary

The Panel set a budget of £6.703m for 2016/17 to complete the activities outlined within the SEC by the Panel, its Sub-Committees and SECAS. Additionally, project provisions were included for activities in relation to areas signalled in BEIS or DCC consultations or wider areas of work e.g. Smarter Markets.

The SECCo Board renegotiated the SECAS contract in April 2015 which included a discount mechanism. For 2016/17, the SECCo Board will receive a discount of £450,000 resulting in total costs including a discount of £4.925m. For 2016/17 there was an over-recovery of £1.819m which will be retained by SECCo for subsequent expenditure in 2017/18.

An overview of budgeted vs actual costs is provided in Figure 1 below, with further detail on the out-turn from each budget category provided in subsequent sections:

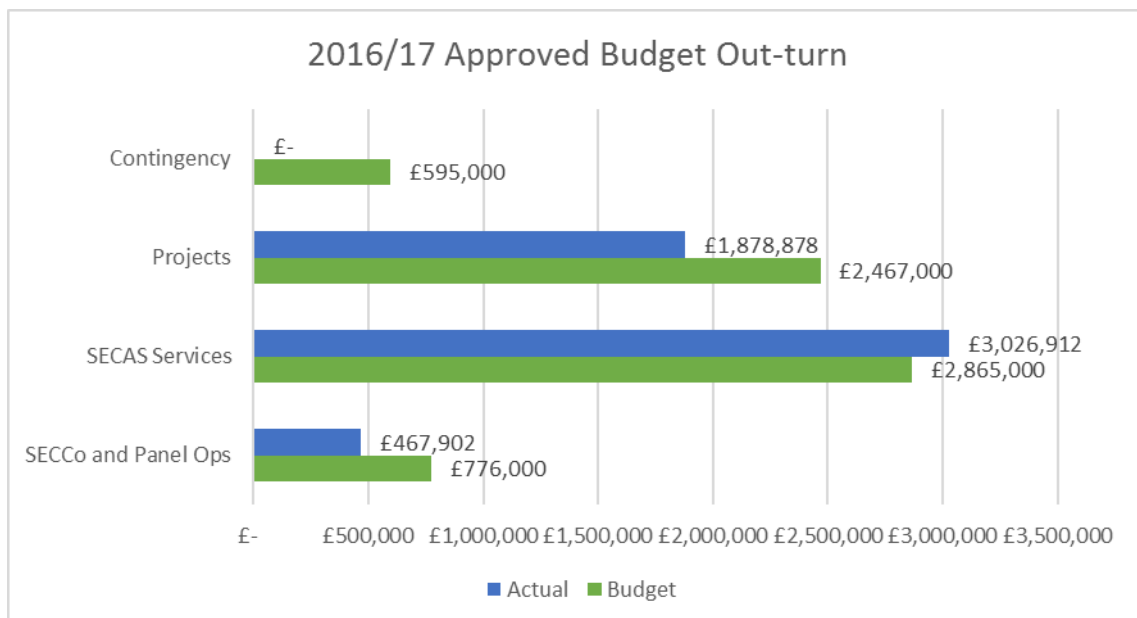


Figure 1: 2016/2017 Out-turn against Approved Budget

3. SECCo and Panel Operations

This budget category covers all the activities of the SECCo Board including insurance, legal advisors, website maintenance and also the SEC Panel operations including remuneration of Independent Chairs, Panel and Sub-Committee expenses and specialist advisors.

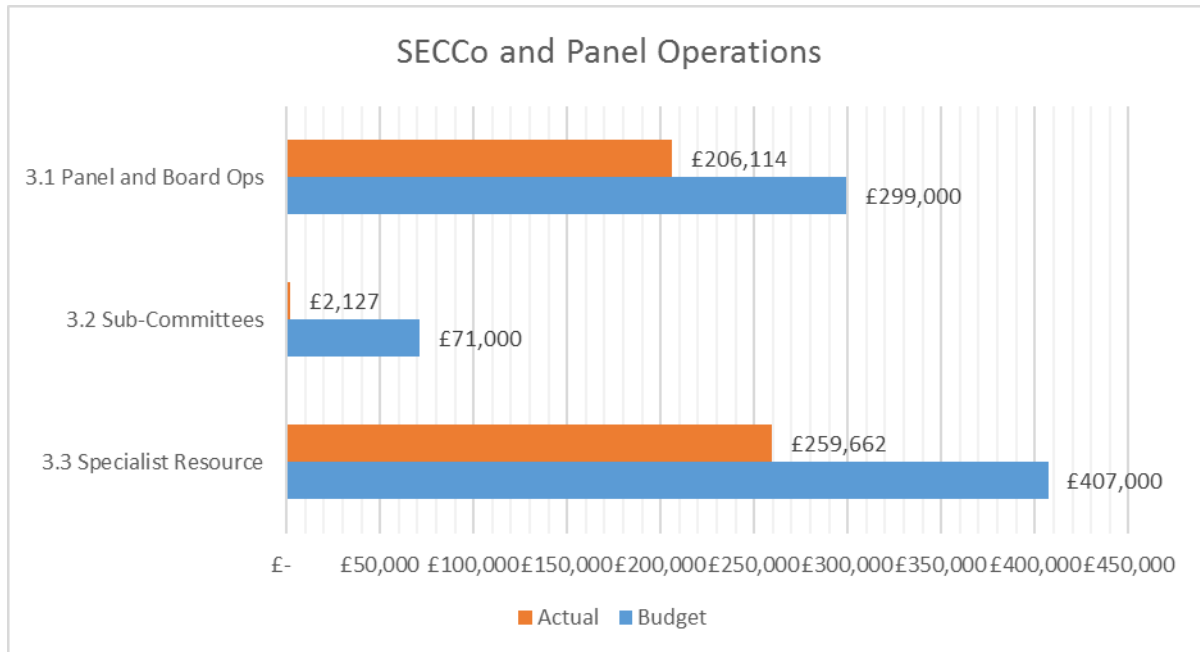


Figure 2: Panel and Board Operations detailed budget category costs against Approved Budget

3.1 Panel and Board Operations

The Panel and Board Operations sub-category includes Panel Member expenses, SECCo expenditure, legal advisors, website maintenance, costs for the SEC Party Engagement Day held every July, and a provision for the Customer Satisfaction Survey. An underspend of around £93,000 is reported.

An overspend was reported against the SECCo and the Customer Satisfaction Survey budget lines. The former was a minor overspend due to the costs for the SECCo Director training courses that were not budgeted for at the beginning of the year. The latter was due to the additional expenditure in relation to the Cross-Code Customer Satisfaction Survey run by Ofgem in November 2016. The budget line included provision for the SECAS survey which was undertaken in June 2016, however the costs in relation to this survey were not included within the budget due to the requirement being realised following the start of the Regulatory Year.

Underspend was reported against the other budget lines within this budget provision, significantly in relation to the legal provision. Legal drawdown to date has been in relation to supporting the drafting of Modification Proposals and ad hoc requests, however this has been at a lower level than anticipated when setting the budget for 2016/17.

3.2 Sub-Committees

The Sub-Committee sub-category is for expenses related to the activities of all the SEC established Sub-Committees, including the Change Board, Smart Metering Key Infrastructure Policy Management Authority (SMKI PMA), Security Sub Committee (SSC) and Technical Architecture and Business

Architecture Sub Committee (TABASC). These costs can be member expenses or accommodation charges for hosting the meetings. A total underspend of £68,873 has been reported due to Sub-Committee Members not requesting expenses. This has resulted in a subsequent reduction in the budget line for 2017/18.

3.3 Specialist Resource

The Specialist Resource sub-category contains provisions for external resources that support the Sub-Committees including the SMKI Specialist which is defined in the SEC, specific legal cover for the SMKI PMA advice and independent Chairs for the SSC, SMKI PMA and the TABASC.

There was no drawdown against SMKI PMA legal advice, however a similar provision has been included for 2017/18 as a prudent measure as we continue into live operations.

Within this budget line, prudent provisions for specific software and tools to aid the Panel activities were also included within the 2016/17 Approved Budget. Drawdown against the Casewise budget is in relation to the Memorandum of Understanding (MoU) with MRASCo regarding the Shared Casewise platform.

Overspend against the SSC Independent Chair line item is due to costs for the SMKI PMA Independent Chair being included within the SSC budget line. The SSC have also been meeting up to twice a month, which was not envisaged at the time of setting the budget.

Budget Category	Budget Line	Budget	Actual	Variance
SECCo and Panel Operations	Panel Members	£150,000	£141,949	£8,051
	SECCo	£25,000	£26,387	(£1,387)
	Legal	£100,000	£12,044	£87,956
	Website Maintenance	£10,500	£10,125	£375
	SEC Party Engagement Day	£7,500	£5,465	£2,035
	Customer Satisfaction Survey	£6,000	£9,869	(£3,869)
Sub-Committees	Change Board	£24,000	£0	£24,000
	SMKI PMA	£7,200	£0	£7,200
	SSC	£20,000	£0	£20,000
	TABASC	£14,500	£2,132	£12,368
	TAG	£4,800	£0	£4,800
Specialist Resource	SMKI Specialist	£50,000	£39,800	£10,200
	SMKI Legal	£12,000	£0	£12,000
	SSC Independent Chair	£87,500	£137,400	(£49,900)
	SMKI PMA Independent Chair	£58,000	£5,590	£52,410
	TABASC Independent Chair and Technical Advisor	£150,000	£52,800	£97,200
	Casewise	£45,000	£21,862	£23,138
	File Sharing Solution	£4,000	£2,210	£1,790

Table 1: Budget Line Variances for SECCo and Panel Operations

4. SECAS Services

SECAS Services are split into two categories; SECAS Core Functions and Accommodation Costs.

Out-turn against each of the budget lines is provided in Table 2 below:

	Budget	Actual	Variance
Core Functions	£2,630,000	£2,866,915	(£236,915)
Accommodation Costs	£235,000	£139,997	£75,003
Total	£2,865,000	£3,026,912	(£161,912)

Table 2: SECAS Services Actual Out-turn against Budget

4.1 Core Functions

The SECAS Services - Core Functions budget line relates to the Core Resource deployed to the contract to provide the code administration and secretariat services for the SEC and charged in accordance with the rate card appended to the SECAS contract.

The activities undertaken by the SECAS Core Team are reported to the SEC Panel on a monthly basis via the Operations Report. There is an accompanying monthly paper for the SECCo Board which details the costs for approval. Figure 4 provides a breakdown of the annual costs against the agreed reporting categories.

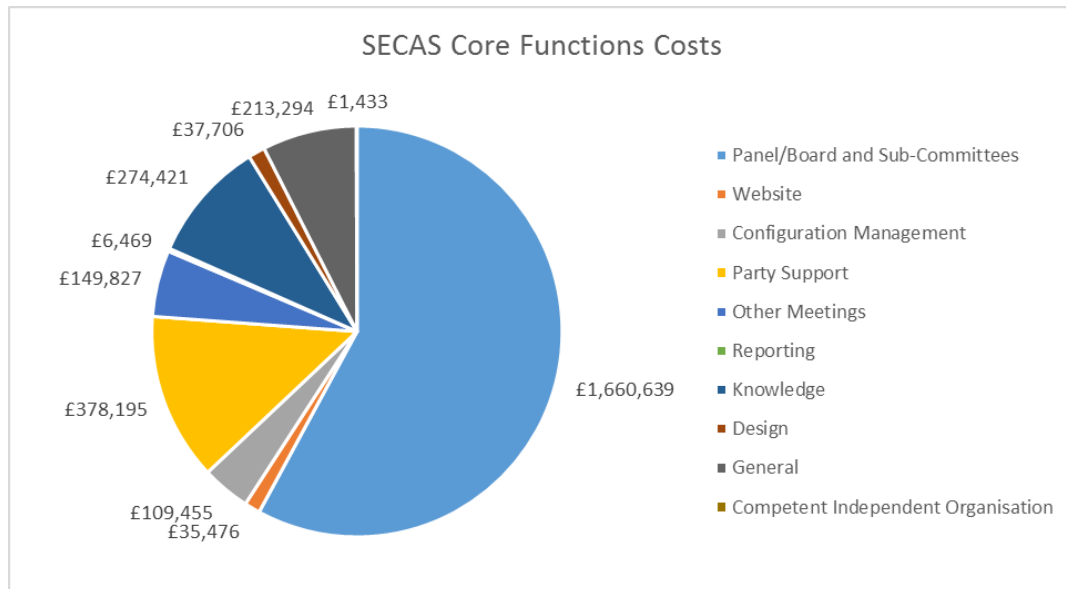


Figure 3: Analysis of SECAS Core Resource Costs against agreed categories

Overspend against the budget line has been reported to the Board on a monthly basis via the Management Report. This has largely been due to the volume of Modification Proposals that have been raised since the switch on of Modification Pathways in February 2016. The budget provision was based on an assumption of 10-12 modifications being raised throughout the year. However, from February 2016 to 31st March 2017, 33 modifications have been raised that have needed support from the SECAS Modifications Team.

There has also been additional work in support of the User Security Assessment Process that was not envisaged at the time of setting the budget. This has included supporting additional SSC meetings, holding engagement and education events with Parties and liaising with the User Competent Independent Organisation (CIO).

4.2 Accommodation Costs

The Accommodation Costs relate to costs incurred for the Panel Chair office, meetings held at the registered office and also space rental whereby a SECCo contractor, e.g. SMKI Specialist, utilises a desk within the registered office. The actual costs against the budgeted amounts are shown below in Table 3.

	Budget	Actual	Variance
Meeting Room Hire	£148,000	£119,497	£28,503
Panel Chair Office	£24,000	£24,000	£0
Contractor Space Rental	£63,000	£16,500	£46,500
Total	£235,000	£159,997	£75,003

Table 3: Breakdown of Accommodations Costs

5. Projects

The projects category is used for emerging requirements or areas that have been signposted as future requirements and, as a result, there are undefined service or resource requirements. These projects are under the control of the SEC Panel who authorise when costs may be incurred against them. The funds for the projects are requested in advance on a quarterly basis from the SECCo Board with input from the relevant Sub-Committees. An out-turn against each project is also reported on a quarterly basis.

Total project cost for 2016/17 totalled £1,878,878 against a budget provision of £2,467,000. Further detail on each of the project categories is available below.

5.1 TABASC Technical Experts

The TABASC was established in November 2015 following agreement by the Panel. Throughout 2016/17, the TABASC has been meeting on a monthly basis and SECAS Core Resource has been providing secretariat services and meeting support to the group. In addition to the Core Resource, technical experts have been supporting the TABASC with their duties, specifically in relation to the development of the Business Architecture Document (BAD). This project was initiated in June 2016 and the TABASC have been receiving monthly updates on project progress and costs against budget.

This budget line has also covered the technical expert resource required to support the Modification Process. Since the switch on of Modification Pathways in February 2016, 32 Modification Proposals have been raised, the majority of which are highly technical in nature. Technical experts have supported the SECAS Core Resource in developing the modification solutions and input into the Working Groups. This will continue into the 2017/18 Regulatory Year.

Budget Line	Budget	Actual	Variance
TABASC Technical Experts	£970,000	£914,762	£55,238

Table 4: Budget line variance for TABASC Technical Experts

5.2 SSC Security Experts

Throughout 2016/17, the SSC has been supported by security experts primarily in relation to supporting the Security Assessment process that Parties are required to go through as part of the DCC User Entry Process. Individuals have been involved directly with the process by undertaking validation on the Management Responses provided as part of the User Security Assessment Report. Experts have also attended SSC meetings and provided ad hoc support which has included undertaking risk assessments and assessing the security impact of Modification Proposals.

The variance is due to the budget being based on an assumption of 2 Full Time Equivalents, however support has been at a lower level throughout most of the year.

Budget Line	Budget	Actual	Variance
SSC Security Experts	£421,000	£238,171	£182,829

Table 5: Budget line variance for SSC Security Experts

5.3 User CIO Costs

The designation of SEC version 4.0 included the requirement on the Panel to appoint a CIO to undertake security and privacy assessments of organisations before becoming DCC Users. The Panel appointed Deloitte MCS Limited to undertake this role. In 2016/17, the User CIO has undertaken assessments which are charged directly to the Party.

This project budget line has covered additional work that the User CIO has undertaken in support of the Security Assessment process. This includes attendance at SSC meetings, holding engagement sessions, liaison with SECAS and maintenance of the related processes and procedures.

Overspend against this project line is mainly due to the volume of activities in relation to educating Parties on the process and the security requirements; there have also been a high volume of SSC meetings, up to two a month, which have been attended by the User CIO. This has been reported on a monthly basis to the Board.

Budget Line	Budget	Actual	Variance
User CIO Costs	£75,000	£183,054	(£108,054)

Table 6: Budget line variance for User CIO costs

5.4 Centralisation Projects/Smarter Markets

Work in support of the Ofgem Smarter Markets Programme commenced in June/July 2015 with resource from the SECAS Community of Experts primarily through design leads and process modellers. The outputs from this work is presented directly to Ofgem and the Smarter Markets groups. Progress is reported to the Panel every month via the Smarter Markets Update paper.

Budget Line	Budget	Actual	Variance
Centralisation Projects/Smarter Markets	£455,000	£420,795	£34,205

Table 7: Budget line variance for Centralisation Projects / Smarter Markets

5.5 Education and Knowledge Sharing

A provision was included for quarterly engagement sessions with Parties in line with previous years. These sessions have taken the form of Spotlight on the SEC days to which all Parties are invited. Each session was tailored to specific areas of interest such as Security, CIO assessments and testing. All sessions were well attended across all Party Categories with good feedback. A number

had to be re-run due to over-subscription. Additionally, Party Category specific training days have been held for Small Suppliers.

Budget Line	Budget	Actual	Variance
Education and Knowledge Sharing	£26,000	£20,246	£5,754

Table 8: Budget line variance for Education and Knowledge Sharing

5.6 Testing

The Approved Budget included a provision for testing requirements in the event that the Panel or SECAS may be required to become involved in any testing related activities or disputes that may arise across the year. Activities in support of testing have included support to the Testing Advisory Group (TAG), however the majority of this effort has been included within the DCC Live Support budget category.

Budget Line	Budget	Actual	Variance
Testing	£50,000	£6,345	£43,655

Table 9: Budget line variance for Testing

5.7 Website Enhancements

Version 2.0 of the website went live in January 2016. A project provision was included in the Approved Budget to cover any additional enhancements that would be required throughout the year. Enhancements throughout the year have included updates to the Modification Register based on industry feedback.

Budget Line	Budget	Actual	Variance
Website Enhancements	£20,000	£6,404	£13,596

Table 10: Budget line variance for Website Enhancements

5.8 Enrolment and Adoption

A provision was included in the Approved Budget for any Panel or SECAS activities that may have been required in support of the Enrolment and Adoption of SMETS1 meters. Requirements have not materialised throughout the year and therefore, there has been no drawdown against this budget line.

Budget Line	Budget	Actual	Variance
Enrolment and Adoption	£25,000	£0	£25,000

Table 11: Budget line variance for Enrolment and Adoption

5.9 Release 2 Activities

A provision was included in the Approved Budget for any supplementary activities to help co-ordinate and support the implementation of Release 2. Throughout the year, a requirement for SECAS to maintain the Technical Specifications was identified with handover from BEIS expected in support of Release 2. A project was established in January 2017 to undertake this work and will continue to June 2017. A slight overspend has been reported against the budget line within this financial year, however current budget for the project as a whole is expected to be adequate.

Budget Line	Budget	Actual	Variance
Release 2 Activities	£25,000	£30,067	(£5,067)

Table 12: Budget line variance for Release 2 Activities

5.10 DCC Live Support

Initially, this budget provision was to support any activities arising following DCC Live. Due to the re-planning activities that were undertaken throughout the year in relation to DCC Live, this project provision has been utilised to support the governance and decision-making processes that have been required in relation to Release 1.2 and Release 1.3.

Budget Line	Budget	Actual	Variance
DCC Live Support	£50,000	£59,033	(£9,033)

Table 13: Budget line variance for DCC Live Support

5.11 Annual Security Risk Assessment

A provision was included in the Approved Budget for undertaking the Security Risk Assessment in accordance with SEC Section G7.16. Due to the previous Annual Security Risk Assessment being undertaken by BEIS and not being completed until August 2016, there has been no drawdown against this budget line.

Budget Line	Budget	Actual	Variance
Annual Security Risk Assessment	£250,000	£0	£250,000

Table 14: Budget line variance for Annual Security Risk Assessment

5.12 Alternate HAN

A provision was included in the Approved Budget for any Panel or SECAS activities that may be required in support of the Alternate HAN arrangements. Requirements have not materialised throughout the year and therefore, there has been no drawdown against this budget line.

Budget Line	Budget	Actual	Variance
Alternate HAN	£100,000	£0	£100,000

Table 15: Budget line variance for Alternate HAN

6. Contingency

The Panel included a 10% contingency budget category within the Approved Budget in line with previous years. There was no draw-down against this budget category.

Budget Line	Budget	Actual	Variance
Contingency	£595,000	£0	£595,000

Table 16: Budget line variance for Contingency



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