

This document is classified as **White** in accordance with the Panel Information Policy. Information can be shared with the public, and any members may publish the information, subject to copyright.



SEC End of Regulatory Year Report 2016 - 2017

Version 1.0

Contents

1. Objective	3
2. Executive Summary	3
3. Implementation of the Code and Panel Activities for the Regulatory Year 2016-17	4
3.1 Introduction.....	4
3.2 SEC Objectives	5
3.3 Key Panel Activities.....	5
3.3.1 Evolution of the SEC Content	6
3.3.2 SEC Sub-Committees	8
3.3.3 Legal Activity	11
3.3.4 Party Status.....	11
3.3.5 SECAS	12
3.3.5.1 Customer Satisfaction	12
3.3.6 SEC Budget.....	13
3.3.7 Stakeholder Engagement.....	13
4. Conclusions	15
Annex 1: Glossary.....	22

Document Status

Version	Description	Approval
0.1	Initial draft	SEC Panel
1.0	Final	SEC Panel

1. Objective

This report is provided to discharge the Panel's duty under SEC C2.3(h) to provide an End of Regulatory Year Report in respect of the operation of the Smart Energy Code (SEC). This report covers the Regulatory Year which commenced on 1st April 2016 and ended on 31st March 2017.

The SEC activities included in this report are those that underpin the strategic aims of the Panel to manage the operation of the SEC and support the Smart Metering Implementation Programme (SMIP) Transition phase and the Joint Industry Plan.

Structure of this Report

This report has been divided into the following sections for ease of navigation:

- Section 2 provides an executive summary of the report;
- Section 3 outlines the activities undertaken to underpin the strategic aims of the Panel to support the implementation of the SEC;
- Section 4 provides the Panel's evaluation of how the Code meets the SEC Objectives; and
- Annex 1 provides a glossary of the terms and acronyms used in this report.

2. Executive Summary

The SEC is the first dual fuel energy code, established under the DCC Licence and designated by the Secretary of State, for the efficient operation of smart metering in the GB market. Parties include those mandated by their Licence to sign up to the SEC, such as energy Suppliers and Gas and Electricity Network Operators, and the DCC. Other organisations who wish to use the DCC's services as part of the end-to-end management of smart metering required in GB are required to sign up to the Code and abide by the rights and obligations set out in the Code.

This End of Regulatory Year Report covers the period from 1st April 2016 to 31st March 2017 which has seen significant development in the Code itself, with a number of services being ramped up over the period as we move further towards live operations, and the commencement of the rollout of DCC installed and commission smart metering systems.

The activities of the Panel over this year have focussed on its oversight of several key areas and processes set out within the Code, one of which being the Modifications Process. Over 30 Modification Proposals have been raised since Modification Pathways were switched on in February 2016, with the majority being technical in nature. This has presented the Panel with a number of challenges, including working with the DCC to ensure Modification Proposals are managed and progressed effectively through the process.

Industry engagement with the SEC has increased significantly over this Regulatory Year due to the DCC Release activity and key policy decisions setting DCC User Mandates. SECAS have been on the forefront of this support, and have worked closely with the DCC, BEIS and Ofgem to ensure a joined-up approach in supporting Parties through this intense period of activity. With over 200 Parties to the SEC, with varying levels of experience in the market, the Party Support Analysts within SECAS will continue to provide this vital support throughout the coming Regulatory Year.

Although a number of provisions have been live within the SEC for potentially up to a number of years, this year has seen an increase in the take up of those services, as we have seen the initial releases of DCC Systems, as well as Parties gearing up to becoming DCC Users. This year has seen the establishment of the Certified Products List and maintenance thereof, as well as the initial Parties

Administered by

undertaking their first Full User Security Assessments as part of the wider User Entry Process. As with all new processes and procedures, these will take a while to bed in and the Panel have been closely supporting these activities to ensure effective operation and process improvements can be made where possible.

In July 2016, a new Section Z was designated including the Alt HAN provisions. The new content also introduced an additional General SEC Objective to ensure that the SEC supports these arrangements. A specific section of this report relates to the activities that have been undertaken through the Alt HAN Forum throughout the year.

Finally, this End of Regulatory Year Report is also required to evaluate whether the SEC continues to meet its Objectives. An overview of the General SEC, Transition and Charging Objectives is provided and it is concluded that the SEC continues to meet its Objectives albeit some are still reliant on the development of the Code content.

3. Implementation of the Code and Panel Activities for the Regulatory Year 2016-17

3.1 Introduction

The SEC was designated on 23rd September 2013, coming into force under the Data and Communications Company (DCC) Licence, to bring in the GB code governance arrangements for smart metering systems. SEC Parties include energy Supply and Network licensees, who are obliged by their licence to become Parties to the Code, as well as organisations who wish to become users of the DCC's services. Section 3.3.4 sets out the total number of Parties, including a breakdown by Party Category.

Since the initial designation of the Code, BEIS have continued to build up the content of the SEC, adding to the scope and complexity of the Code. Within the Regulatory Year, 15 versions of the Code have been designated, including the significant uplift to Version 5.0 to support Release 1.2 of the DCC Systems. Within 2016/17, we also saw the first releases of the SEC implementing industry-raised SEC Modification Proposals. The figure below outlines the key SEC developments from 2013.



Figure 1: Iterations of the SEC

The SEC sets out the duties of the Panel as well as its Sub-Committees, and this Regulatory Year has seen a ramp of activity as responsibilities have been handed over from transitional governance to the enduring governance arrangements as set out within the SEC. Although the industry can now propose changes to the Code, throughout the Regulatory Year, BEIS have continued to shape the content of the SEC through consultation and designation letters. This will continue throughout the forthcoming Regulatory Year, in order to support the DCC Release activity and to incorporate further functionality including Dual Band Communications Hubs. During this continued transition period, the Panel are bound by the Transition Objective (detailed in Section 3.2 below) in managing the operation of the SEC.

The following sub-sections report activities undertaken by the Panel during the Regulatory Year, having regard to the extent to which any such duties are currently wholly within the Panel’s power, for instance due to the application of any restrictions under Section X (Transition) of the SEC.

3.2 SEC Objectives

SEC Section C2.2(b) describes that the Panel shall always act in a manner designed to ensure that the Code is given effect in such a manner as will facilitate achievement of the SEC Objectives. These Objectives are depicted as General SEC Objectives, the Transition Objective and Charging Objectives (detailed in Appendix 1). Section 4 of this report sets out the Panel’s view on how the SEC continues to meet the SEC Objectives.

3.3 Key Panel Activities

Figure 2 below outlines the key activities undertaken by the Panel during this Regulatory Year. Further details relating to specific focus areas for the Regulatory Year are provided in the sub-sections below.

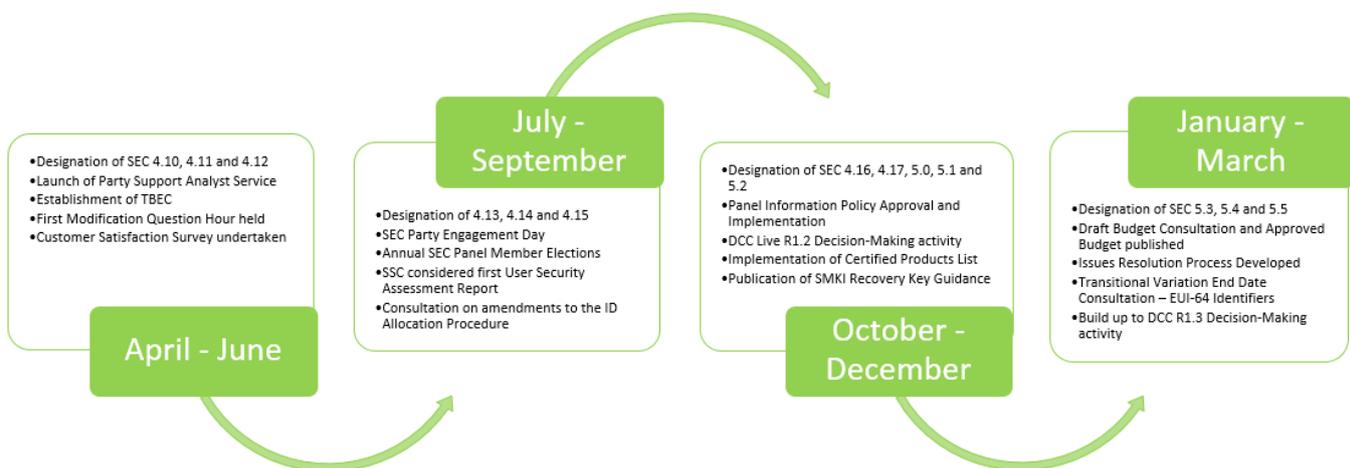


Figure 2: Key Activities of the Panel 2016/17

3.3.1 Evolution of the SEC Content

3.3.1.1 Modification Pathways

SEC Section C2.3(d) requires the Panel to oversee the process for Modifications to the SEC. In February 2016, the following two non-urgent Modification Proposal pathways were made active:

- Path 2 ‘Authority Determination’ Modifications. These are modifications that have a material impact on the SEC and which must be approved by the Authority, following a recommendation from the Change Board, a SEC Panel Sub-Committee; and
- Path 3 ‘Self-Governance’ Modifications. These are modifications that do not have a material impact and are approved by the Change Board.

Modification Proposals

A monthly status report on open modifications is provided to the Panel and Parties giving provides an update on the Modification Proposals that are in the process. The figure below provides an overview of the Modification Proposals raised and how they have been processed throughout the Regulatory Year.

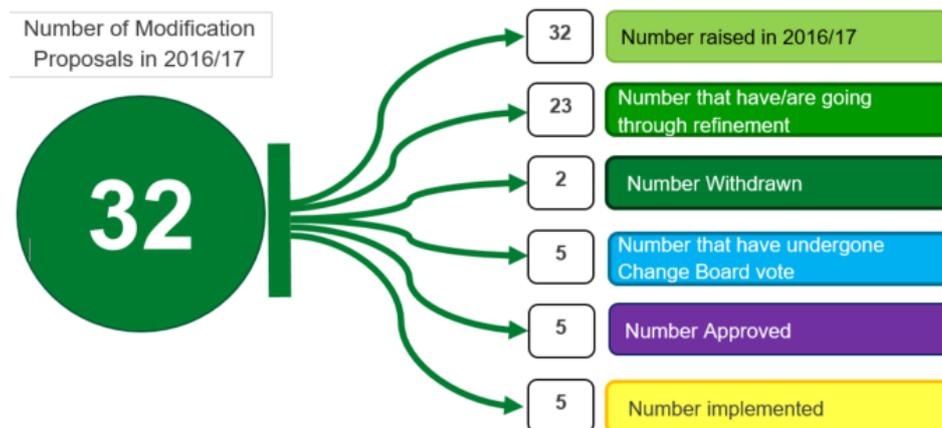


Figure 3: Overview of Modification Proposals raised in 2016/17

Modification Process

The volume of Modification Proposals raised throughout the year far exceeded expectations, resulting in increased SECAS and industry effort to support the Modification Process and particularly the Refinement Process, involving Working group meetings comprising of interested and impact SEC Parties and other interested parties. Since the start of the year, the Panel have had a focus on supporting the Modifications Process and have had frequent discussions on process improvements, such as through the Modification and Release Thought Piece and subsequent activities, that could be implemented to ensure efficient and economical change to the Code.

SECAS, the DCC, BEIS and the SEC Panel are all continuously working to ensure the efficient processing of Modification Proposals throughout the Refinement Process. This has included applying pressure on the DCC analysis aspect of the Refinement Process which has taken longer than anticipated and has led to progression timetables being extended for a number of modifications.

Progression timetables have also been frustrated by the sheer complexity of a number of the modifications that have been raised, requiring several industry workshops to identify the best solutions prior to requesting input from the DCC, its Service Providers and wider industry.

SECAS and the Panel will continue throughout the forthcoming Regulatory Year to facilitate industry change to the Code as efficiently and effectively as possible, while recognising that the volume of changes raised is unlikely to decrease in the short to medium term.

3.3.1.2 Transitional Governance

Other variations to the SEC arise from the Programme through the ongoing SEC development under Transition Governance. Throughout 2016/17, a number of SEC designations were led by BEIS, with configuration management support from SECAS.

These designations included Secretary of State Variations which alter the timings of obligations laid out in the SEC. The following directions were published throughout the Regulatory Year:

- Variation to Section H14.31 regarding End-to-End Testing was cancelled on 14th April 2016;
- Sections H1, H2 and H3.22 were activated on 6th June 2016 with transitional variations applying to H1.5, H1.6 and H3.22;
- Transitional variation in relation to Section X2.4 (f) was cancelled on 6th July 2016;
- Section H13 was varied with effect from 6th July 2016;
- Variations that were applied to Appendix A and Appendix C were cancelled on 11th July 2016;
- Variations were directed in respect of Section L13 on 12th July 2016;
- Transitional Variations in relation to Section E2.1, E2.2 and Section K were cancelled on 29th September 2016;
- New Transitional Variation in respect of Section E1 and E2 was introduced on 29th September 2016;
- Addition and removal of a number of Transitional Variations in support of DCC Release 1.2 on 8th November 2016
- Removal of Transitional Variations in relation to the R1.2 Services in the North Region on 25th November 2016.

BEIS have also continued to issue consultations on a range of policy, technical and design documents which the Panel and its Sub-Committees have reviewed and responded to throughout the year.

3.3.1.3 Release Management

In the latter stages of the Regulatory Year, and in light of lessons learnt from the transitional releases, the Panel started to look at the requirements for enduring Release Management.

The Panel have identified a need for a clear, structured approach with an appropriate consistent format going forwards. The Panel maintain a Release Management Policy which was initially approved in December 2015. The ongoing discussions regarding enduring release management will likely require updates to the policy which will be consulted on with industry prior to implementation. SECAS and the DCC have been working closely to develop initial proposals which are to be discussed with the Panel in the forthcoming Regulatory Year.

3.3.2 SEC Sub-Committees

The SEC prescribes that a number of specific Sub-Committees are constituted to assist the Panel in the operation of Code matters. The Panel are also enabled to constitute Sub-Committees to support its role as it deems necessary. The current status of the SEC governance entities is set out below:

Change Board

The purpose of the Change Board is to review and vote on SEC Modifications Proposals. More specifically:

- to consider each Path 1 and Path 2 Modification Proposal and provide a recommendation to the Authority on its approval or rejection; and
- to consider each Path 3 Modification Proposal and provide a determination as to whether it should be approved or rejected.

The Change Board met five times over the course of 2016/17. The Change Board considered and approved the following Path 3 Modification Proposals:

- SECMP0017 - CGR Phase 3 outcomes
- SECMP0020 - Removal of the confidential classification of the unique identifiers listed in SEC Schedule 5
- SECMP0022 - Expanding SMKI PMA membership and removing Alternate restrictions
- SECMP0026 - Changes to the Security Sub-Committee Nomination Process

The Change Board also considered the following Modification Proposal and recommended approval to the Authority:

- SECMP0016 - Consideration of “Maximum Credit” value in credit cover calculation

The Change Board did not reject any Modification Proposals, nor did it recommend rejection to the Authority for any Modification Proposals.

Current Status: Established

SMKI Policy Management Authority (PMA)

The SMKI PMA was established in July 2014 following the designation of SEC 3.0 and the introduction of SEC Section L: Smart Metering Key Infrastructure.

The SMKI PMA have continued to oversee the effectiveness of the SMKI Document Set and the SMKI Services, holding monthly meetings and an additional two-day SMKI Recovery Workshop to ‘role-play’ the processes associated with a Recovery Event. In addition, the membership of the SMKI PMA has remained unchanged during 2016/17, with Gordon Hextall remaining the SMKI PMA Chair.

With the activation of modifications on 10th February 2016, Modifications Proposals and amendments to the SEC have followed. SECMP0022 (*Expanding SMKI PMA membership and removing Alternate restrictions*) is the first SMKI PMA-proposed modification to the Code since the activation of additional Modification Paths. This modification has increased the number of Large Supplier seats from two to three, and has split the Networks Member Seat into two Seats: a Gas Networks Member and Electricity Networks Member respectfully. This will ensure that quorum can

be held at all times as the SMKI PMA evolve into an operations-led group as and when the Sub-Committee needs to convene in order to use the SMKI Recovery Key Guidance.

As we continue towards Live Operations, the SMKI PMA will continue to support the SEC Panel in the operational elements of SMKI, including monitoring of various performance measures and issues in relation to the SMKI arrangements.

The DCC continue to support the SMKI PMA by attending the meetings and providing relevant update information.

Current Status: Established

Security Sub-Committee

The Security Sub-Committee (SSC) was established in August 2015, developing and managing the associated User Security Assessment documentation that SEC Parties and DCC Users would require, as well as the wider requirements associated with SEC Section G: Security.

The SSC has maintained a core Membership over the last year, with Gordon Hextall remaining the SSC Chair and only two new individuals becoming SSC Members (for a Large Supplier Seat and a Small Seat). This has ensured consistency with the work undertaken by the Sub-Committee, whose role is to oversee, review and advise on SEC security arrangements.

During 2016/17, the SSC has undertaken Full User Security Assessment reviews for a number of SEC Parties. These reviews have been driven by a number of aspects, specifically the DCC User Mandate as set out within Licence Conditions. As required by the Code, the SSC has subsequently provided a number of recommendations to the SEC Panel, who are required to set an assurance status as part of the wider User Entry Process to becoming a DCC User.

Over this time, lessons learned have been recorded and the User Security Assessment Review process refined. A number of Security Controls Framework (SCF) amendments and updates have occurred, as well as the Agreed Interpretations (AIs) being introduced and updated to provide further clarity to SEC Parties. The SSC continue to have regular engagement with the User CIO who continues to provide support and assistance to the SSC when updating the associated security documentation.

As the DCC User Mandates draw closer, the SSC and the SEC Panel remain committed to ensuring that SEC Parties are reviewed and have an assurance status set in order to achieve the User Entry Process. Over the next six months, the emphasis will shift to Small Suppliers, whose DCC User Mandate is set to November 2017. Over the coming weeks and months, supporting documentation will be provided in order to assist SEC Parties as they prepare for their User Security Assessment and beyond.

Current Status: Established

Technical Architecture and Business Architecture Sub-Committee

The TABASC was established in November 2015 with initial meetings in 2016 spent clarifying their remit and understanding their duties. Throughout the 2016/17 Regulatory Year, the TABASC have focussed on the development of the Business Architecture Document (BAD) due to their expanded remit which was designated in July 2016. This expanded remit also includes having oversight of the Home Area Network (HAN) requirements. The Technical and Business Expert Community (TBEC) was established to provide expert support to specific work packages, as required by the TABASC, and has been involved in the reviewing of the BAD model which is being developed using Casewise.

Since the activation of Modification Paths 2 and 3 in February 2016, the TABASC have also been providing input and support to Modification Proposals going through the Modification Process. To assist in undertaking this activity, they developed a set of Principles to assess each Modification Proposal against.

Towards the end of this year, TABASC's focus has been on devising a risk-based approach to their duty to undertake reviews of the effectiveness of the End-to-End Technical Architecture, the Business Architecture and the Home Area Network (HAN) requirements. This review is planned commence with a questionnaire phase in September 2017.

Current Status: Established

Testing Advisory Group

As per the SEC capabilities the Panel established a Testing Advisory Group (TAG) to support them in their approval of testing documentation. Throughout the Regulatory Year, the TAG's remit has continued in an expanded capacity to provide a review forum of the various testing documentation, including approach documentation and exit reports, for SMKI and Repository Testing (SRT), Systems Integration Testing (SIT), Interface Testing (IT), End to End (E2E) and the Enduring testing phases.

Specifically, efforts of the TAG were concentrated on the DCC Release 1.2 Live, where they held several sessions to review and reach recommendations to submit to the Panel on:

- DCC Live (Release 1.2) Interim SIT Exit – October 2016;
- DCC Live (Release 1.2) Interim IT Exit – October 2016;
- DCC Live (Release 1.2) Full SIT Exit – November 2016; and
- DCC Live (Release 1.2) Full IT Exit – November 2016.

Towards the end of the Regulatory Year, the TAG have been focussed on activity in relation to DCC Release 1.3 (R1.3). The Panel's role in this release was directed by the Secretary of State as approving SIT Exit and validating the start date of entry into End-to-End Testing. The TAG have been supporting the activities in relation to these decisions which has continued into the forthcoming Regulatory Year.

Current Status: Established

3.3.3 Legal Activity

The Panel have a provision within their Approved Budget for legal advice and support. The Panel undertook a procurement activity in 2014 – 2015 and appointed Gowling WLG (formally Wragge Lawrence Graham & Co) to the legal role.

During this Regulatory Year, there has been an increase in legal support requests from the Panel and its Sub-Committees in relation to:

- Drafting and reviewing legal text for Modification Proposals; and
- Ad-hoc advice on SEC requirements, including the User Entry Process requirements and SMKI Recovery Liabilities.

3.3.4 Party Status

3.3.4.1 Accession

The SEC Panel are required under SEC C2.3(a) to oversee applications to become a SEC Party and SEC C2.3(g) to manage the exit of Parties. At the time that the SEC was designated, some 76 Original Parties had signed up to the SEC, representing 38 organisations (Voting Groups).

At the end of the Regulatory Year the Party count stood at 233, representing 189 Voting Groups. The list of Parties as at the end of the 2016/17 Regulatory Year stood as follows:

- 233 Parties to the SEC representing 189 Voting Groups. The organisations can be broken down by category as follows:

Electricity Networks	22
Gas Networks	18
Large Suppliers	22
Others	71
Small Suppliers	100
Grand Total	233

- During the period, there were 3 withdrawals, due to licence revocation and 1 expulsion from the Code due to licence revocation.

3.3.4.2 User Entry Process

Section H1 sets out the User Entry Process that must be completed by Parties prior to them being able to access DCC Services as a DCC User. This Regulatory Year has seen Parties commence the User Entry Process in order to meet the DCC User mandates set out within Licence Conditions.

The Panel, its Sub-Committees and SECAS have had a particular focus on the Security Assessment requirement of the User Entry Process to ensure appropriate arrangements are in place to enable Parties to undertake their assessments in a timely manner.

As the Security Assessment process has bedded in, lessons have been learnt and working with the User CIO and the SSC, the Panel and SECAS have been able to make process improvements and ensure Parties are engaged and understand what is expected throughout the process. This work will continue throughout the 2017/18 Regulatory Year, as the User mandates approach and Parties start to go through the cycle for Year 2 assessments.

3.3.5 SECAS

SEC Section C2.3(b) requires the Panel to be responsible for overseeing the performance of SECAS. It does this through a combination of the SEC provisions as well as the SECAS contract, to which SECCo, as the corporate vehicle for the Panel, is the counter-party.

Throughout this Regulatory Year, SECAS have been continuing with business-as-usual activities, and incorporating and bedding in additional services, such as supporting the Modification Process and managing Security and Privacy Assessments.

SECAS have continued to support the Transition Governance arrangements, attending transition workgroups and continuing to report key discussion topics and outputs in the monthly Transition Governance Update paper to Panel. The update paper incorporates an overview of publications and consultations across the programme, and is a collated view of the developing design and policy leading up to future iterations of the SEC and its Subsidiary Documents. SECAS have continued to work alongside BEIS to ensure smooth transition of activities from the Transitional Groups to the Enduring Groups, with Sub-Committee activity ramping up significantly over this Regulatory Year, as outlined within Section 3.3.2.

SECAS continues to provide a monthly Operations Report for the Panel to ensure that the Panel are kept informed of the SECAS activities taking place throughout the month and the resource effort for each activity category. An overview of the SECAS activities and associated resource costs estimates for each quarter were provided to the Board via Work Packages for approval, to allow the Board closer management of the costs and budget throughout the Regulatory Year.

SECAS have also used this Regulatory Year to focus on supporting Parties in understanding their requirements and obligations in the lead up to DCC Live and beyond. This has been achieved through training days, production of guidance material and continued bedding in of the Party Support Analyst function (further detail in Section 3.3.7).

In order to support cross-code engagement, SECAS have also provided regular updates to other Code Panels and continue to attend DCUSA¹ Panel and MDB² meetings on a monthly basis. Further engagement with other Code Administrators has also taken place through the CACoP annual review process and through workshops as part of Ofgem's Code Governance Review 3. This engagement will continue throughout the forthcoming Regulatory Year in support of the CMA and CGR3 outcomes.

SECAS were also requested by the industry to develop and maintain the Critical Alerts Supplier Contact list, which provides a manual avenue through which non-DCC Users can be forwarded Critical Alerts if their customers meters send alerts to their previous Supplier. This will particularly support Small Suppliers, due to the 6-month gap between the DCC User mandate for Large and Small Parties.

3.3.5.1 Customer Satisfaction

SECAS services were originally subject to six monthly customer satisfaction surveys as set out within the SECAS contract. Due to not wishing to place a burden on industry, the Board agreed for a variation to the contract to require an annual survey.

The survey undertaken in 2016/17 was carried out in June 2016 by an external research company via telephone interviews; the approach that had been previously taken for the survey in May 2015. The survey was undertaken in accordance with the SECAS contract, to ensure measurement against the

¹ Distribution Connection and Use of System Agreement

² Master Registration Agreement (MRA) Development Board (MDB)

Administered by

Key Performance Indicators (KPIs). SECAS exceeded the KPIs set out in the contract which required scores of no less than 3 out of 5 (60%) in each Capability Area and across all Capability Areas.

The results from the survey were set out in the Customer Satisfaction Survey Report published in June 2016. Within the report, SECAS set out its response to each of the areas covered and implemented a Quality Improvement Plan with agreement from the Board.

As part of Ofgem's CGR3 Final Proposals, Ofgem commissioned an independent third party to undertake a cross-code survey to assess the performance of each of the Code Administrators in a number of areas. The results of the survey will be published in the first quarter of 2017/18 Regulatory Year. SECAS will work with the Panel to ensure any feedback is actioned to ensure a high-quality service is provided to the industry.

3.3.6 SEC Budget

The process that the Panel follows to set its budget for each Regulatory Year is detailed in Section C8.11 – C8.15. The Panel Finance and Contracts Sub-Group (PFCG) reviews the progress against the budget on a quarterly basis and the SECCo Board receives a detailed management report on a monthly basis.

The budget setting process for the 2017 – 2020 SEC Panel budget commenced in September 2016, with the PFCG providing initial input prior to discussions with the SECCo Board, the Panel and wider industry.

In January 2017, a Draft Budget for the next three Regulatory Years was issued for consultation with Parties, with two responses submitted. The final Approved Budget took effect from 1st April 2017. No appeals to the Approved Budget were received and therefore the sum of £6.995 million is the operating budget for the Year 2017/18, with the budgets for 2018/19 and 2019/20 being subject to further review and consultation in January 2018.

3.3.7 Stakeholder Engagement

During the reporting period, a number of stakeholder events were held including the general meeting as required by SEC Section C2.3 (k). This involved the third SEC Party Engagement Day held in July 2016, at which speakers including BEIS, DCC, Ofgem, Smart Energy GB, Citizens Advice and SECAS, were invited to discuss progress and what the future holds from their viewpoint. With over 60 attendees this was a success for the Panel, who are currently preparing for a similar event in July 2017.

SECAS have continued to provide Spotlight on the SEC Seminars, providing stakeholders with an overview of key areas of SEC content as it evolves, including SEC Modifications and Security and Privacy Assessments. The events were well attended with a number of sessions being repeated and scheduled to meet the high demand from stakeholders.

Since the Party Support Analyst (PSA) function of SECAS was formed in March 2016, the PSAs have increased the amount of support available to SEC Parties. A particular focus for the PSAs has been preparing Small Supplier Parties for the DCC User mandate. During the regulatory year, the PSAs hosted two Small Supplier seminars aimed at covering specific Small Supplier matters. These were followed up by three Small Supplier User Entry Process (UEP) workshops, which provided a more interactive round table format for SEC Parties to discuss the UEP in more detail and share their experiences.

SECAS has also continued to support events hosted by the DCC and BEIS and working closely with the industry partnership teams to ensure a joined-up approach to supporting Parties.

3.4 Alt HAN Activities

The Eighth General SEC Objective relates to activities of the Alternative HAN Forum (the “Forum”) on the establishment and operation of alternative HAN arrangements. Section Z 1.3 sets out the objectives of the Forum and provides the framework within which all Alt HAN activities must operate. The 2016/17 Regulatory Year saw the implementation of the Alt HAN regulatory framework. This provided for the establishment of Alt HAN arrangements and recognised transitional arrangements in place before the regulatory framework was formalised. The transitional arrangements facilitated and recognised early activities put in place to allow preliminary Alt HAN project work to start early. Fig xx below outlines the key activities taken during this Regulatory Year:



4. Conclusions

Having regard to the foregoing activities and achievements for the Regulatory Year 2016/17, the SEC continues to meet the SEC Objectives as outlined in the table below.

Objective	Status	Notes
<p>First General SEC Objective - to facilitate the efficient provision, installation, and operation, as well as interoperability, of Smart Metering Systems at Energy Consumers' premises within Great Britain.</p>		<p>This General SEC Objective continues to be met through activities that the Panel and the Sub-Committees undertake, including:</p> <ul style="list-style-type: none"> • Supporting DCC Release activities through the Panel and the TAG decision-making activities; • Supporting Modification Proposals through the process, with oversight from the Panel and continuous process improvement; and • SECAS and the Panel Chair attend the Transition Work Groups and keep the Panel and Parties apprised of the developments through the monthly Transition Governance Update paper. Consultation responses have also been submitted where appropriate from the SEC Panel or Sub-Committees.
<p>Second General SEC Objective - to enable the DCC to comply at all times with the General Objectives of the DCC (as defined in the DCC Licence), and to efficiently discharge the other obligations imposed upon it by the DCC Licence.</p>		<p>Where there is a dependency on the SEC operations for the DCC to comply with its Licence, the Panel has acted promptly and proactively to ensure that it achieves its responsibilities in a consultative manner whilst not frustrating the process for the DCC to meet its obligations. Examples include the development of the SEC budget to meet the timescales in the DCC Licence and the review process undertaken by the Testing Advisory Group to support the Panel's review and approval of the Testing Approach Documents and Testing Decisions.</p> <p>DCC progress in delivering its solution is monitored through an update from the DCC Panel Member provided at SEC Panel meetings, regular</p>

		meetings with the DCC and monitoring of consultations, activities and updates at transition working groups.
Third General SEC Objective - to facilitate Energy Consumers management of their use of electricity and gas through the provision to them of appropriate information by means of Smart Metering Systems.		The ongoing design, development and release activities are facilitating this Objective so that Energy Consumers will have access to the appropriate information during initial live operations and mass rollout.
Fourth General SEC Objective - to facilitate effective competition between persons engaged in, or in Commercial Activities connected with, the Supply of Energy.		<p>The development of the overall market design and DCC Services under the SEC, together with the technical and security framework support the aim to facilitate effective competition under this objective.</p> <p>The SEC Website provides interested participants with access to the SEC as well as SEC Subsidiary Documents and supporting information.</p> <p>The number of SEC Parties has seen a steady growth within the period, in a range of categories (and this trend is continuing).</p>
Fifth General SEC Objective - to facilitate such innovation in the design and operation of Energy Networks (as defined in the DCC Licence) as will best contribute to the delivery of a secure and sustainable Supply of Energy.		<p>Network Operators' participation is integrated into the SEC governance entities as well as their rights as SEC Parties.</p> <p>Continued involvement of Network Operators in the achievement of the Transition Objective and the evolution of the SEC ensures the SEC, alongside liaison with other Industry Codes, supports this objective.</p> <p>SECAS continue to engage with the Network Operators ensuring that they are fully appraised of new SEC content and their implications.</p> <p>Modification Pathways now enable Network Parties to raise Modification Proposals in support of this SEC Objective.</p>
Sixth General SEC Objective - to ensure the protection of Data and the security of Data and Systems in the operation of this Code.		<p>This SEC Objective continues to be met, with the SEC security requirements and architecture ensuring appropriate protections, responses and remediations are in place.</p> <p>The majority of the responsibilities within the SEC in relation to maintaining the Security Architecture have now transitioned across from</p>

Administered by



		<p>the transitional governance arrangements to the enduring Security Sub-Committee (SSC). The SSC have continued to develop relevant processes and procedures throughout the year to support the requirements set out within the SEC.</p> <p>User Security Assessments have been undertaken throughout this year to ensure Parties meet the relevant security requirements prior to being able to access DCC Services.</p> <p>SECAS have built a relationship with and will work alongside the Information Commissioner for data protection activities. The Panel have retained the obligation for data protection rather than delegating to a Sub-Committee and have set up a Memorandum of Understanding with the Information Commissioner to enable information sharing.</p>
<p>Seventh General SEC Objective - to facilitate the efficient and transparent administration and implementation of this Code.</p>		<p>The SEC Panel, SECCo Board, as the principal SEC governance entities, have been established and demonstrated their commitment to this objective through undertaking the Panel Duties in accordance with the Panel Objectives as laid out in the SEC. Examples include:</p> <ul style="list-style-type: none"> ▪ admitting new SEC Parties; ▪ managing the SECAS services, including the maintenance of the SEC Website; ▪ developing SEC budgets in consultation with SEC Parties; ▪ supporting the SEC Sub-Committees; and ▪ the production of this report. <p>SECAS support this General Objective through issuing communications to SEC Parties, including providing updates on Sub-Committee activities and Modification Proposals going through the process.</p>
<p>Eighth General SEC Objective – to facilitate the establishment and operation of the Alt HAN Arrangements</p>		<p>The Forum and Alt HAN Co were formally established in July 2016 through modifications to SEC, gas and electricity licence conditions and the DCC licence.</p>

	<p>Chair appointments (and alternates) for the Forum and Alt HAN Co Board were completed by BEIS and transferred into Alt HAN governance arrangements.</p> <p>The Forum oversees the development and establishment of Alt HAN Capability and Services through formal periodic meetings attended by Forum members. Meeting and associated governance arrangements are now in place. BEIS and Ofgem are invited to Forum, Board and other meetings that support the establishment of Alt HAN Capability and Services.</p> <p>The Forum and Board have noted that not all energy suppliers required to install smart metering are Forum members. Efforts have been made to influence those suppliers to become involved in Alt HAN Capability and Services development. This has included dialogue with BEIS, Ofgem, the Independent Suppliers Forum and groups representing smaller suppliers. Arrangements have been put in place to allow Forum information to be disseminated to smaller suppliers through a representative group.</p> <p>The Forum has established a project team to support and facilitate the delivery of Alt HAN Capability and Services. The Forum has established Contract, Procurement and Operational Services Sub-groups. The Forum directs the project and all sub-group activity. No approval or decision making is delegated with all proposals submitted for review and determination at Forum meetings. The approach to proposal approvals is structured to ensure decisions support the economic and efficient obligation</p> <p>The Alt HAN Co expedites Forum decisions through formal Board governance arrangements. Appointed Board members are establishing policies to support the governance oversight and fiduciary necessary for Alt HAN Co operation.</p> <p>It should be noted that Alt HAN operational arrangements are at the design and development stage. Governance arrangements are evolving as the work progresses. These shall support compliance of Forum Objectives when Alt HAN technologies and service are available to energy</p>
--	--

Administered by



		<p>suppliers for installation and use in the future. The Target Operating Model for Alt HAN Service delivery was designed to provide the foundation of efficient, economic, contestable and incentivised service provision that will support competition in the gas and electricity supply market.</p> <p>There is ongoing activity to ensure that proportionate business support is in place to ensure those Forum objectives, that become relevant when Alt HAN Services are operational, are appropriately satisfied.</p>
Transition Objective - the efficient, economical, co-ordinated, timely, and secure process of transition to the Completion of Implementation.		Section X of the SEC outlines the transitional arrangements. Progress and outputs of the Transition Working Groups are monitored on a monthly basis and Panel/SECAS operations have been fully prepared to receive updated Code content and SEC Subsidiary Documents upon designation.
Charging Objectives - First Relevant Policy Objective.		The first Charging Methodology in Section K meets the aim of the objective by applying uniform charges to Domestic Premises.
Charging Objectives - Second Relevant Policy Objective.		The Charging Methodology has been implemented within the SEC and the Charges applicable within the reporting period facilitate the implementation of the DCC Services reflective to the DCC costs.
Charging Objectives – Third Relevant Policy Objective.		The first Charging Methodology has been implemented within the SEC and the Charges applicable within this reporting period facilitate the implementation of the DCC Services reflective to the DCC costs.



Continues to meet Objective



Will be met subject to services becoming available

Appendix 1: SEC Objectives

General SEC 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.
- The second General SEC Objective is to enable the DCC to comply at all times with the General Objectives of the DCC (as defined in the DCC Licence), and to efficiently discharge the other obligations imposed upon it by the DCC Licence.
- The third General SEC Objective is to facilitate Energy Consumers' management of their use of electricity and gas through the provision to them of appropriate information by means of Smart Metering Systems.
- The fourth General SEC Objective is to facilitate effective competition between persons engaged in, or in Commercial Activities connected with, the Supply of Energy.
- The fifth General SEC Objective is to facilitate such innovation in the design and operation of Energy Networks (as defined in the DCC Licence) as will best contribute to the delivery of a secure and sustainable Supply of Energy.
- The sixth General SEC Objective is to ensure the protection of Data and the security of Data and Systems in the operation of this Code.
- The seventh General SEC Objective is to facilitate the efficient and transparent administration and implementation of this Code.

Transition Objective

- The Transition Objective is the efficient, economical, co-ordinated, timely, and secure process of transition to the Completion of Implementation.

Charging Objectives

- The First Relevant Policy Objective:
 - (a) applies in relation to Smart Metering Systems installed (or to be installed) at Domestic Premises; and
 - (b) requires the Charging Methodology to ensure that Charges (other than Charges for Elective Communication Services) in respect of such Smart Metering Systems do not distinguish (whether directly or indirectly) between Energy Consumers at Domestic Premises in different parts of Great Britain.
- The Second Relevant Policy Objective applies in relation to SMETS1 Meters. The Second Relevant Policy Objective is that, subject to compliance with the First Relevant Policy Objective, the Charging Methodology must (other than in respect of Elective Communication Services) (in each of the following cases, as far as is reasonably practicable in all of the circumstances of the case, having regard to the costs of implementing the Charging Methodology):
 - (a) result in Charges that are the same for SMETS1 Meters as they are for Smart Metering Systems, save that no Charges for Communications Hub Services will apply to SMETS1 Meters;
 - (b) notwithstanding (a) above (where the Costs of Communications for a SMETS1 Meter exceeds the Costs of Communications for a Smart Metering System, and where an Original Supplier for the Energy Supplier Contract relating to that SMETS1 Meter is (and has at all times since the adoption of the Energy Supplier Contract been) a supplier of electricity and/or gas to the premises at which that SMETS1 Meter is installed), result in Charges that ensure that the excess Costs of Communications are

recovered from the Original Supplier from time to time (in addition to the Charges referred to in (a) above),
and, for the purposes of this Section C1.5, the terms “SMETS1 Meters”, “Costs of Communications”, “Original Supplier” and “Energy Supplier Contract” shall have the meaning given to those terms in the DCC Licence.

- The Third Relevant Policy Objective is that, subject to compliance with the First and Second Relevant Policy Objectives, the Charging Methodology must result in Charges that:
 - (a) facilitate effective competition in the Supply of Energy (or its use) under the Electricity Act and the Gas Act;
 - (b) do not restrict, distort, or prevent competition in Commercial Activities that are connected with the Supply of Energy under the Electricity Act and the Gas Act;
 - (c) do not deter the full and timely installation by Energy Suppliers of Smart Metering Systems at Energy Consumers’ premises in accordance with their obligations under the Energy Supply Licence; and
 - (d) do not unduly discriminate in their application and are reflective of the costs incurred by the DCC, as far as is reasonably practicable in all of the circumstances of the case, having regard to the costs of implementing the Charging Methodology.

Annex 1: Glossary

The following terms are used in this report. This glossary was correct at the time of publication of this report although it is acknowledged that definitions are subject to change. In the event of any discrepancy between the meanings set out in this glossary and those currently set out in the SEC, DCC Licence or other instrument, then those defined terms shall take precedence over this glossary. Any defined terms used in this report that are not found in this glossary can be found in the Definitions section of the SEC.

Term / acronym	Meaning
Approved Budget	The budget approved by the SEC Panel for the Regulatory Year following consultation with parties.
Charging Objectives	In respect of the Charging Methodology only, as set out in Condition 18 of the DCC Licence.
Competent Independent Organisation	Organisation procured to carry out the role of the UISASP and IPA.
DCC	The holder of the licences for the Data and Communications Company; currently Smart DCC, a division of Capita, the successful bidder in the competitive licence award process managed by DECC.
DCC Licence	The licences granted under section 6(1A) of the Electricity Act and section 7AB(2) of the Gas Act.
Draft Budget	The budget prepared and circulated to SEC Parties in January of each year for the next three Regulatory Years.
End of Regulatory Year Report	This report on the implementation of the Code and the activities of the Panel during the Regulatory Year, including so as to evaluate whether the Code continues to meet the SEC Objectives (SEC C2.3(h))
Fast-Track Modification	A modification to correct typographical or other minor errors or inconsistencies with the Code.
Independent Privacy Auditor (IPA)	Organisation procured to carry out the privacy audit services in accordance with I2.3.
Independent SMKI Assurance Service Provider Scheme	Scheme used to provide the assurance services of the scope in the SMKI Compliance Policy.
Joint Industry Plan	DECC Programme plan highlighting key milestones and activities
Mass Rollout	The phase of the Programme following Initial Live Operations when the installation of Smart Metering Systems commences
Operations Report	Monthly report outlining the activities undertaken by SECAS throughout the reporting month

Original Party	Means a Party that is a Party pursuant to the Framework Agreement.
Programme	The Smart Metering Implementation Programme
Regulatory Year	Means a period of twelve months beginning at the start of 1 April in any calendar year and ending at the end of 31 March in the next following calendar year.
SECAS	The Smart Energy Code Administrator and Secretariat services, provided under contract to SECCo by Gemserv, the successful bidder in the competitive contract award undertaken by DECC.
SEC Objectives	Means, in respect of the Charging Methodology only, the Charging Objectives and, in all other cases, the General SEC Objectives.
SMIP	Smart Metering Implementation Programme – led by DECC.
Smart Metering Key Infrastructure (SMKI)	The public key infrastructure being put in place for the smart metering arrangements, used for the means of establishing trust and secured communications across the DCC network.
Smart Metering System	For the purposes of this report, the equipment that comprises the smart metering system for a premises, including a gas and electricity meter (as applicable) the communications hub and any other associated equipment that falls within the technical specifications incorporated into the SEC.
Test Approach Documents	Means the System Integration Testing, Interface Testing and the SMKI Repository Testing (SRT) Approach Documents.
Transition	The period up until the Completion of Implementation on a date set by the Secretary of State in accordance with Section X1.3 of the SEC.
Transition Governance	The governance arrangements under the SMIP to support the Transition period.
Transition Objective	As provided for in Condition 22 of the DCC Licence and as defined in Section X1.2 of the SEC.
Transition Workgroups	The governance entities in place under the Programme in order to support Transition Governance
Urgent Modification	Means, a modification that the Authority directs the Panel to treat as urgent.
User Independent Security Assurance Service Provider (UISASP)	Organisation procured to carry out security assurance services specified in G8.3.

Voting Group	Means, in respect of each party Category, each Party that falls into that Party Category collectively with that Party's Affiliates (if any) who also fall into that Party Category.
SEC Website	Means a dedicated website established at the direction of the Panel for the purposes of this Code.