



Communications Hubs Consultation

Consultation on proposed
changes to the Temporary
Communications Hub Ordering
& Delivery Rules for Mid-Term
Central & South Region and
other amendments

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1. Introduction

The purpose of this consultation is to invite views on proposed amendments to the Temporary Communications Hub Ordering and Delivery Rules (TCHODR) required under SEC Section F5.1A.

The amendments focus on changes to

- the TCHODR Mid-Term (January 2021 to and including December 2021) Minimum Communications Hub Orders for Central and South Regions;
- the Short-Term delivery requirements for the North Region; and
- the Mid-Term increasing of Communications Hub Orders for both Regions.

1.1. Background

As a result of UK Government social distancing guidance issued to help reduce the spread of the coronavirus (COVID-19) there was a drastic reduction in Smart Meter installations, which resulted in a decrease in SEC Party requirements for Communications Hubs. DCC worked with industry to reduce the negative impact of UK Government social distancing rules and this resulted in an Urgent SEC Modification Proposal and the development of the TCHODR.

MP130 “CH order and delivery changes due to COVID-19” was implemented on 27 May 2020. This SEC Modification Proposal introduced amendments to SEC Section F5 to enable DCC to produce and maintain the TCHODR, which defines the temporary rights and obligations of DCC and SEC Parties in the ordering and delivery of Communications Hubs for both Regions.

DCC may only make amendments to the document where it has undertaken reasonable consultation with SEC Parties and received approval from the SEC Panel to implement those amendments. Following an urgent consultation commencing 22 May 2020, on 27 May 2020 SEC Panel approved V1.0 of the TCHODR and it was published on the DCC Website.

As part of the urgent consultation, DCC committed to further review and to consult on amendments to the Mid-Term Central and South (C&S) Region ordering requirements. This commitment was in response to concerns raised during the SEC Modification Process in relation to the C&S Mid-Term Minimum Communications Hub Order calculation. Parties highlighted that the calculation for January 2021 up to and including December 2021 could potentially disadvantage Large Supplier Parties with greater Market Share since it may result in Small Supplier Parties’ Minimum Communication Orders being zero for each of these Delivery Months. It was also noted that Meter Asset Providers (MAPs)/Meter Operators (MOPs) may also order on behalf of Supplier Parties but they do not have a Market Share and so therefore they will not be included in the calculation.

DCC has engaged with industry through the DCC Supply Chain Working Group where potential options have been evaluated. DCC also engaged at the BEIS Independent Supplier Forum to provide details of the TCHODR and Independent Suppliers were invited to contact DCC and encouraged to engage with this consultation.

The Supply Chain Working Group agreed that the calculation used to establish a Party’s Minimum Communications Hub Order volume should meet the following criteria:

1. There should be no commercial disadvantage to any SEC Party (aligns with DCC's Licence Objective).
2. It should meet the needs of all installing Parties.
3. It should be simple to understand and execute.

1.2. Structure of this document

This document comprises of the following sections:

- Supply Chain Working Group considerations and options for amendments to the C&S Region Mid-Term Minimum Communications Hub Ordering rules.
- Additional changes proposed to the TCHODR:
 - Extension to North Region Short Term Delivery timelines.
 - Changes to requirements where Parties want to increase Communications Hub Orders.
- Summary of the questions asked in this consultation.
- Consultation Process.
- Next steps.

2. C&S Region Mid-Term Minimum Communications Hub Ordering Amendments

2.1. Options Considered

The Supply Chain Working Group evaluated various options against the agreed principles. DCC proposed three final options to the Supply Chain Working Group. These options were:

1. SEC Parties to provide Mid-Term forecasts. This would require Parties to provide actual forecast data for Mid-Term Delivery Months and Minimum Communications Hub Orders would be calculated using those figures on a pro rata basis.
2. Continue with the existing Mid-Term (based on Market Share) calculation plus forecasted volumes provided by MAPs/MOPs. This would require MAPs/MOPs to provide forecast data for Mid-Term Delivery Months.
3. Continue with the existing Mid-Term (based on Market Share) calculation plus calculation for the total Market Share of MAPs/MOPs. This would look to combine supplier Market Share where they are serviced by a single MAP/MOP and use these combined Market Share values in the existing Market Share calculation.

Both options 2 and 3 were rejected by the Supply Chain Working Group due to the following drawbacks:

- MAPs/MOPs may only service a small proportion of a Supplier Party's Market Share, e.g. for one Region only;

- Multiple MAPs/MOPs may service a Supplier Party and therefore their Market Share will be duplicated, or it presents complexity to establish the Market Share allocated to each MAP/MOP;
- MAPs/MOPs will be responsible for allocating Communications Hub Orders between their Supplier Party portfolio which may not be contractually viable;
- Supplier Parties may (if they are able to) cancel commercial agreements with MAPs/MOPs in order to reduce their Minimum Communications Hub Order volume; and
- Initial calculation suggests these options would have a minimal impact on Minimum Communication Hub Order volume.

The Supply Chain Working Group therefore agreed to proceed with option 1.

2.2. Proposed Solution

DCC requested all SEC Parties to provide a forecast for all Mid-Term Delivery Months in 2021 (January 2021 until and including December 2021). These forecasts were provided bilaterally to DCC by 26 June 2020. The forecasts received from SEC Parties accounted for approximately 95% of Market Share and those who did not provide forecasts have been deemed as zero. The sum of all forecasts received is above the total minimum order volume for C&S Region (62 pallets) for each Mid-Term Delivery Month.

DCC proposes to use these forecasts, which represent actual Communications Hub volume requested by Parties, for the calculation of SEC Parties Minimum Communications Hub Orders. The same calculation for earlier Mid-Term Delivery Months (from September 2020 until and including December 2020) will be used to pro-rata Minimum Communications Hub Orders. This means each SEC Party's submitted Communications Hub Forecast for each Mid-Term Delivery Month will be divided by the sum of all SEC Parties Communications Hub Forecasts for each Mid-Term Delivery Month. This value will then be multiplied by the minimum required number of pallets required to be delivered to all SEC Parties collectively (62 pallets). The resulting value will then be rounded up or down to the nearest whole number and the Communications Hub Order for each SEC Party for each Mid-Term Delivery Month will be equal to that value multiplied by 896 (the number of Communications Hubs on each pallet).

DCC has inputted these forecasts into the Communications Hub Order Management System (OMS) and each Party was asked to confirm these forecasts by 24 July 2020. Following this date any amendments to forecasts will not be taken into consideration and will therefore not impact Minimum Communications Hub Orders. DCC ensured each Party was contacted prior to the confirmation date and will continue to engage with all Parties throughout the consultation process to advise this. These confirmed forecasts will be used to calculate Parties Minimum Communications Hub Orders for January 2021 to December 2021 and cannot be reduced.

For the avoidance of doubt, this solution applies only to Single Band Communications Hubs (SBCH). Dual Band Communications Hubs (DBCH) shall be ordered in accordance with SEC Section F5.

This option should not commercially disadvantage any SEC Party as it is based on actual demand forecasts where minimum volume is calculated on a pro-rata basis for each Mid-Term Delivery Month.

This option would meet the needs of installing Parties by allowing all Parties to request the volume of Communications Hubs (above their minimum) they require to meet their installation plans. It also allows for MAPs/MOPs to submit a forecast.

This option is also easy to understand and operate, whereby it is similar to the calculation used for Mid-Term Delivery Months from September 2020 until and including December 2020.

DCC did not receive a bilateral forecast from Supplier Parties who together represent approximately 5% of the total Market Share. DCC have therefore assumed zero forecast for these Supplier Parties. This means that where these Supplier Parties require Communication Hubs, they will be required to request an increased order in accordance with the non-standard delivery option as set out in section 3.2 of this document and may therefore be subject to charges. However, DCC will endeavour to use buffer stock and broker reductions in Communications Hub Order with other SEC Parties to endeavour to provide increased volumes free of charge.

Q1: Do you agree with the proposed solution? Please provide rationale for your views.

Q2: Do you consider there to be any additional benefits or issues with the proposed solution? Please provide rationale for your views.

3. Other Amendments

3.1. North Region Short-Term Delivery

The TCHODR (Section 2.2.) currently states that all Consignments arising from Communications Hub Orders for all Short-Term Delivery Months (from 1 May 2020 until and including 31 August 2020) for North Region will be delivered by 31 October 2020. DCC now propose, in agreement with CSP North, that all Consignments will be delivered by 31 December 2020.

This will align the requirements with those for the C&S Region and will also increase the period of which SEC Parties will not have to pay Communications Hub stock level charges (SEC Section K7.5(l)) as these shall commence upon completion of delivery to SEC Parties. There will also be no additional storage charges for held Consignments up until 31 December 2020. Where Parties require early delivery, they should request this with DCC.

DCC believes this alignment and reduction in costs will present a benefit to Parties.

Q3: Do you agree with the proposed extension to CSP North Short-Term Deliveries timeline? Please provide rationale for your views.

3.2. Increasing Communications Hub Orders (North and C&S Regions)

The TCHODR currently states (Section 2.3 and Section 3.3) for both Regions that SEC Parties may request an increase Communications Hub Orders within their tolerances set out in SEC Section F5.10(b) no later than 6 Working Days prior to the start of the Mid-Term Delivery Month.

DCC and CSPs worked collaboratively with Parties at their request to reduce Communications Hub Orders, which also resulted in a reduction in manufacturing volume in the immediate future. Due to supply chain concerns whereby CSPs require sufficient notice to increase Communications Hubs manufacturing volume, DCC propose that Communications Hubs Orders can be increased within similar tolerances to those as set out in SEC Section F5.10(b) providing they are submitted to DCC five months prior to the Mid-Term Delivery Month. This means tolerances can be up to a 20% increase if submitted 5 months and 50% increase if submitted 8 months prior to the Delivery Month. The tolerances shall be based on the original Communications Hub Order that results from the calculations in the TCHODR. For the avoidance of doubt, where increases are submitted 11 months in advance of the Mid-Term Delivery Month, no tolerance shall apply.

Parties may request an increase to Communications Hubs Orders within five months and prior to 30 days of the delivery month, DCC propose using the current non-standard delivery options in accordance with SEC Section F6.17. DCC shall then provide a non-binding estimate for any applicable charges within 5 Working Days of receipt of request. SEC Parties are then able to accept or reject the applicable non-standard delivery charges. This is in accordance with SEC Appendix H (Communications Hub Handover Support Materials) Section 3.

DCC notes that it will endeavour to accommodate an increase to Communications Hub Orders at short notice by using buffer stock and also brokering reductions in Communications Hub Orders with other SEC Parties where possible. However, DCC recommends SEC Parties provide as much notice as possible when requesting an increase to Communications Hub Orders.

DCC will also raise a SEC Modification Proposal to enable the transferring of stock between Parties. This is expected to be considered at the August Change Sub-Committee.

DCC worked at pace to engage with industry and CSPs in order to accommodate the decrease in demand for Communications Hubs as a result of the Coronavirus pandemic and UK lockdown restrictions and produce the TCHODR. DCC notes that these changes are substantial but believe they are required to ensure that a Parties requirement for increased Communications Hubs above the minimum volume can be met. DCC also notes that these changes align ordering requirements to standard SEC requirements.

Q4: Do you agree that Parties should provide increased order volume no later than 5 months before delivery to ensure sufficient Communications Hubs can be made available through the supply chain? Please provide rationale for your views.

Q5: Do you agree that where Parties request an increase in Communications Hub volume within five months and 30 days prior to the delivery month that non-standard charges should apply? Please provide rationale for your views.

4. Summary of Consultation Questions

| Number | Consultation Questions |
|--------|--|
| Q1 | Do you agree with the proposed solution? Please provide rationale for your views. |
| Q2 | Do you consider there to be any additional benefits or issues with the proposed solution? Please provide rationale for your views. |
| Q3 | Do you agree with the proposed extension to CSP North Short-Term Deliveries timeline? Please provide rationale for your views. |
| Q4 | Do you agree that Parties should provide increased order volume no later than 5 months before delivery to ensure sufficient Communications Hubs can be made available through the supply chain? Please provide rationale for your views. |
| Q5 | Do you agree that where Parties request an increase in Communications Hub volume within five months and 30 days prior to the delivery month that non-standard charges should apply? Please provide rationale for your views. |

Table 1 – Summary of Consultation Questions

5. Consultation Process

This consultation closes at 17:00 on Friday 28 August 2020. Please email your response to consultations@smartdcc.co.uk.

Contents of responses may be (where not marked confidential) shared with other stakeholders. Please state whether all or any part of your response is confidential. Please note that responses in their entirety (including any text marked confidential) will be shared with the Department for Business, Energy and Industrial Strategy (BEIS) and may be made available to the Gas and Electricity Markets Authority (the Authority).

If you have any questions in relation to this consultation, please contact regulation@smartdcc.co.uk.

6. Next Steps

Following the closure of this consultation, DCC will consider respondent's views and, subject to the consultation responses received, submit to the SEC Panel the TCHODR that it considers suitable for re-designation.