Data Communications Company

# Consultation on proposed changes to the Temporary Communications Hub Ordering and Delivery Rules

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# 1. Background

Issues with global supply chain have been well documented through 2021 and 2022. There have been numerous causes for the supply chain issues including the limited availability of component parts, issues with transportation, and increased competition for increasingly rare components.

These issues have, on occasion, impacted on the ability for the Data Communication Company (DCC) to deliver the ordered volume of Communication Hubs (CHs) in the month requested.

DCC engaged with customers throughout 2021 and 2022 at the Supply Chain Working Group, SEC Operations Group (SEC OPSG) and the Smart Meter Delivery Group (SMDG) to position the ongoing challenges faced and actions being taken to address them. DCC has also engaged with customers bilaterally in order to review their individual positions and ensure the forecasts they have submitted meet their requirements for installation plans in 2022 and 2023.

To help ease the issue in August 2020, DCC raised Smart Energy Code (SEC) MP140[1] Intra Stock Transfer, which was implemented in November 2022. This will allow optimisation of existing, not yet installed CH stock.

SEC F5.1A allows for the existence of Temporary CH Ordering and Delivery Rules (TCHODR), where reasonably required, that DCC must develop in consultation with industry and with Panel approval. TCHODR override standard SEC forecasting and ordering requirements. Due to the global supply chain issues, DCC considered that TCHODR were appropriate to secure supply and a form of TCHODR has been in place for this purpose covering delivery months June 2022 up to and including March 2023. More recent versions of the TCHODR have applied to a six month period, with DCC committing to reviewing if an extension is necessary to continue providing more certainty to the supply chain.

DCC has continued to engage with customers and Communications Service Providers (CSPs) to consider what potential requirements for CH forecasting and ordering would be required to secure supply while also offering customers sufficient flexibility and stability in their forecasting and ordering requirements.

The TCHODR currently in place allow parties to amend their forecasted figure by +/- 20% when confirming their order volume. To date Parties have worked well with the TCHODR, managing their forecasting and ordering within the tolerance level set. To date Parties have only requested between 5-6% forecast to order variance. This indicates that the current TCHODR are workable for Parties. DCC also confirms that aggregate order variance is considered when Parties confirm order volume, and so a Party may exceed the tolerance and DCC will accommodate that where industry aggregate change is within the tolerance range. DCC consider that Parties are able to successfully calculate their forecast and order volume for each delivery month using the tolerances set out in the TCHODR. Therefore, extending the TCHODR would seem to be workable by Parties and any extension will continue to provide the certainty in volume that the supply chain requires.

The current TCHODR expire for delivery month March 2024, but DCC proposes that a form of continued TCHODR for delivery months April 2024 and beyond are required to secure supply. This consultation proposes an extension to the TCHODR and seeks feedback from Parties. Due to continued constraint in the supply chain, which show no signs of abating, DCC has also proposed SEC MP215[2] to consider changes to SEC standard rules covering forecasting and ordering. This modification is targeting implementation for June 2023.

[1] https://smartenergycodecompany.co.uk/modifications/ch-stock-transfer/
[2] https://smartenergycodecompany.co.uk/modifications/communications-hub-ordering-and-forecasting/

Once responses to this consultation have been received, DCC will consider if stakeholders support the extension of the TCHODR. Where the TCHODR receive support, DCC plans to present details to the February SEC Operations Sub-committee and request any additional feedback, before presenting to February SEC Panel to seek approval to implement amended TCHODR.

None of the options presented include any additional cost to industry. DCC presents two options below and respondents are requested to consider each and respond with comments.

1. Option One presents a do-nothing approach with regards to SEC obligations and would not see the extension of TCHODR post delivery month March 2024. Under this option, arrangements will revert to standard SEC requirements.

2. Option Two would see an extension to the current TCHODR agreed and implemented. TCHODR would continue to override standard SEC obligations. This would provide the supply chain with increased certainty on CH volume required and reduce the risk of under supply or order deferral.

Published with this consultation are the proposed TCHODR to implement Option Two.

DCC will continue to actively manage the risks and issues with the supply chain under both options and will monitor changes in the global supply chain which may impact CH availability. DCC will continue to work closely with CSPs to ensure appropriate mitigating actions are taken and to understand risks.

# 2. Options for amendments to the TCHODR

Two options are presented below for consideration by respondents. DCC asks that detailed responses to each question are provided, including the option supported by the respondent and their rationale, and the option not supported by respondents and their rationale.

## 2.1. Option One – do nothing

Option One would move to the standard SEC requirements for forecasting and ordering for delivery months April 2024 and beyond, and not implement any new TCHODR. DCC, however, considers the current global supply chain issues to be creating a scenario where standard SEC requirements on CH forecasting and ordering do not address the risks to allow for the efficient and timely production and delivery of CHs.

This option would not provide the supply chain with the increased certainty required to obtain components for CH production and would not reduce the risk that CH delivery would fall below the volume ordered by Parties. The variance from a 10 month binding forecast is a potential swing between +50% increase down to -50% decrease which DCC believes is unsustainable in the current climate.

DCC would continue to keep Parties informed of ongoing issues but may not be able to deliver CHs at the time and volume requested. DCC may need to consider order rejection or partial acceptance as allowed under SEC F5.17 or order deferral under SEC Appendix H Delivery Changes.

This option would not remove or reduce the supply chain risk. It also does not therefore remove the risk that deliveries may be made at lower quantities than ordered or see delivery dates deferred to a reasonable alternative.

**Question One**

Do you support / prefer Option One, the do nothing option? Please provide a rationale for your response.

## 2.2. Option Two – commit to early forecast volumes with 20% tolerance

Option Two would see the current TCHODR extended to cover delivery months April 2024 to September 2024.

For delivery months April 2024 to September 2024, volume would be based on each Party's submitted CH forecast volume, submitted to the DCC via the Order Management System, 12 months in advance of the delivery month. These submitted volumes will be used for calculating allowable variance when Parties submit final Orders.

The standard SEC tolerance variances applied at ten, seven and five months would not apply.

At five months from the delivery month the order volume can be confirmed, and the forecasted volume submitted 12 months in advance can be amended 20% up or down in all CSP regions.

DCC would take an industry-wide perspective on managing order variances to apply the tolerances. This would allow an individual Party to request a volume change by greater than 20%, subject to balancing across industry. The balancing approach is best efforts subject to the collective position across industry. However, this represents an important additional level of flexibility where it can be supported.

This option does not remove all risks of CH delivery disruption during 2024, however it takes steps to provide the CSPs with the additional ordering information which seeks to minimise the risk of order disruption.

While this option reduces the risk of under supply, it does not fully remove it. Where CH volume cannot match the ordered volume, DCC may still need to defer orders or deliver at a lower volume.

SEC requires the TCHODR to include an expiry date. TCHODR V4.0 were developed in such a way that would allow them to end at a given expiry date and for that expiry date to be extended through consultation if required, while keeping the detail static and maintaining the 12 month rolling forecast requirement.

DCC considers that an extension of the current rules by a further six months is appropriate. This would see the rules extended to cover delivery months up to and including delivery month September 2024 and allow the consideration and development of SEC MP215 to consider SEC standard rules amendments.

**Question Two**

Do you support / prefer Option Two, a six month extension to the current rules? Please provide a rationale for your response.

# 3. Removal of expired rules

Section 2 and 3 of TCHODR V5.0 covers the CSPN and CSPC&S orders for delivery months June 2022 to December 2022. Since these sections cover time periods now passed both sections will be removed from the next version of the TCHODR.

| Question Three |
|---|
| Do you support the removal of expired rules from the TCHODR? Please provide a rationale for your response. |

# 4. Next Steps

This consultation closes 02 February 2023. Responses should be sent to consultations@smartdcc.co.uk. If you have any questions regarding this consultation document or detail within, please contact consultations@smartdcc.co.uk

Full and detailed responses are requested so that progression of any new TCHODR can be fully informed. Once consultation responses have been received DCC will consider if stakeholders support the extension of the TCHODR and whether any amendments to the rules proposed in the TCHODR are required. Where the TCHODR receive support, DCC will present details at the February SEC Operations Sub-committee for any additional feedback, before presenting to the SEC Panel in February to seek approval to implement additional TCHODR.

DCC will issue a consultation conclusion document and mass communications to confirm whether the TCHODR have been extended or whether arrangements will revert to the standard SEC requirements. DCC will also engage parties through the Supply Chain Working Group.

# 5. How to respond

Please provide responses, using the response template published with this consultation, by 17:00 on 02 February 2023 to DCC at: consultations@smartdcc.co.uk

DCC will complete a summary of questions, comments and responses to be shared with SEC Panel and be added to the documentation of the consultation. DCC may also share responses with SECAS to inform the SEC Modification linked to the proposals contained in this consultation.

Consultation responses may be published on our website www.smartdcc.co.uk. Please state clearly in writing whether you want all or any part, of your consultation response to be treated as confidential. It would be helpful if you could explain to us why you regard the information you have provided as confidential. Please note that responses in their entirety (including any text marked confidential) may be made available to the Department of Business, Energy and Industrial Strategy (BEIS) and the Gas and Electricity Markets Authority (the Authority). Information provided to BEIS or the Authority, including personal information, may be subject to publication or disclosure in accordance with the access to information legislation (primarily the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004). If BEIS or the Authority receive a request for disclosure of the information we/they will take full account of your explanation (to the extent provided to them), but we/they cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded by us as a confidentiality request.