

Proposed changes to the Temporary Communications Hub Ordering and Delivery Rules

DCC Conclusions on its consultation
proposals to extend the TCHODR

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1. Introduction and Context

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.

Section F5.1A of the Smart Energy Code (SEC) allows for the existence of Temporary CH Ordering and Delivery Rules (TCHODR). 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 have 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. Version 5 of the TCHODR will expire from delivery month March 2024 with final forecasts against those rules due March 2023.

In January 2023 DCC consulted¹ and proposed that a form of continued TCHODR for delivery months April 2024 and beyond are required to secure supply. This document is DCC's response to that consultation.

DCC presented the two options and respondents were requested to consider each and respond with comments.

1. Option One presented 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 would 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.

DCC presented details of the TCHODR proposal and customer feedback to the 14th of February SEC Operations Sub-committee to gather additional feedback. The SEC Operations group endorsed the DCC approach in extending the TCHODR.

DCC presented the proposal to the 28th of March SEC Panel and asked Panel to consider approval of TCHODR. Panel approved the implementation of the TCHODR to extend the rules up to and including delivery month September 2024.

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. TCHODR Consultation Feedback and Responses.

DCC presented two options in the consultation with regards to the active TCHODR. The first option was to do nothing and revert to SEC standard rules from delivery month April 2024. The

¹ <https://www.smartdcc.co.uk/consultations/consultation-on-proposed-changes-to-the-temporary-communications-hub-ordering-and-delivery-rules-1/>

second option was to implement an extension to the TCHODR V5.0, which amends the forecasting and ordering requirements, up to and including delivery month September 2024. DCC also proposed removing rules that are no longer valid as of December 2022.

Question One

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

This question asked respondents if they preferred to revert to SEC standard rules from delivery month April 2024 onwards.

DCC received four responses to the consultation, all from large Suppliers. None of the responses supported moving back to the current SEC standard rules from delivery month April 2024. Responses also highlighted that SEC standard rules would not allow for supply chain risks to be managed. One respondent noted that SEC standard rules do not drive the accuracy in CH forecasting that is required to provide certainty to the supply chain and reduce the risk of under supply.

DCC welcomes the feedback that standard SEC rules should not be reverted to.

Question Two

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

This question related to the proposal to extend the current TCHODR that expire from delivery month April 2024 up to and including delivery month September 2024.

DCC received four responses to this question. Four respondents agreed with a six-month extension to the TCHODR, noting that the rules help to manage the supply chain risk and therefore the risk of under supply.

One respondent detailed that they could work well with the current TCHODR and that they have not caused any major issues. One respondent considers that the variance also drives improved forecasting of future installation volume. One respondent noted that they would like to see the TCHODR implemented as permanent changes to the SEC, which is under consideration under SEC MP215.

One respondent notes that the 20% variability is limiting and may not allow for changes to CH volume if they see a large swing in customer demand, the same respondent noted that there are multiple factors that may drive customer demand for smart meters and CH including higher energy bills and the end of Government support schemes.

DCC considers that a smaller variance provides the supply chain with more certainty than a larger variance, and so reduces the risk of CH under supply. DCC also notes that an industry wide view is taken when considering order changes from forecast to order, and so a party may request a change greater than 20% which will be accommodated so long as industry totals are within the 20% tolerance. While these rules have been in place the industry wide variance has been between forecasts and order volume has been 5-6%.

One respondent would like to see information on the monitoring of the supply chain completed by DCC, and an early move to SEC standard rules where the supply chain issues have abated. DCC have worked regularly with the Supply Chain Working Group to provide details of any ongoing supply chain risks. The TCHODR have provided increased certainty to the supply chain which has resulted in an improved ability for CSPs to deliver against the ordered volume.

DCC does not consider that the supply chain will revert to conditions seen before 2020, lead times of components remain extended and standard SEC rules present a risk to CH supply in the future. SEC MP215 was raised to consider what requirements for CH forecasting and ordering should be required under standard SEC rules to ensure continuity of supply.

Question Three

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

This question related to the removal of sections from the TCHODR that related to CH orders and delivery up to December 2022.

There were four responses to this question, and all agreed with the removal of these sections.

3. Next Steps

TCHODR V6.0 is published alongside this consultation response and available on the DCC website and these rules now apply. DCC will work to ensure all CH Ordering Parties are aware of the implementation of TCHODR.

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

In addition, on 29th of March the Change Board voted to approve SEC MP215. That modification will see amendments made in SEC Section F5 with updated requirements on CH forecasting and ordering that will match the TCHODR V6.0. The modification is due for implementation on the 29th of June 2023. Following the implementation of SEC MP215 the TCHODR will become redundant and DCC will engage with parties on ceasing those rules early.