

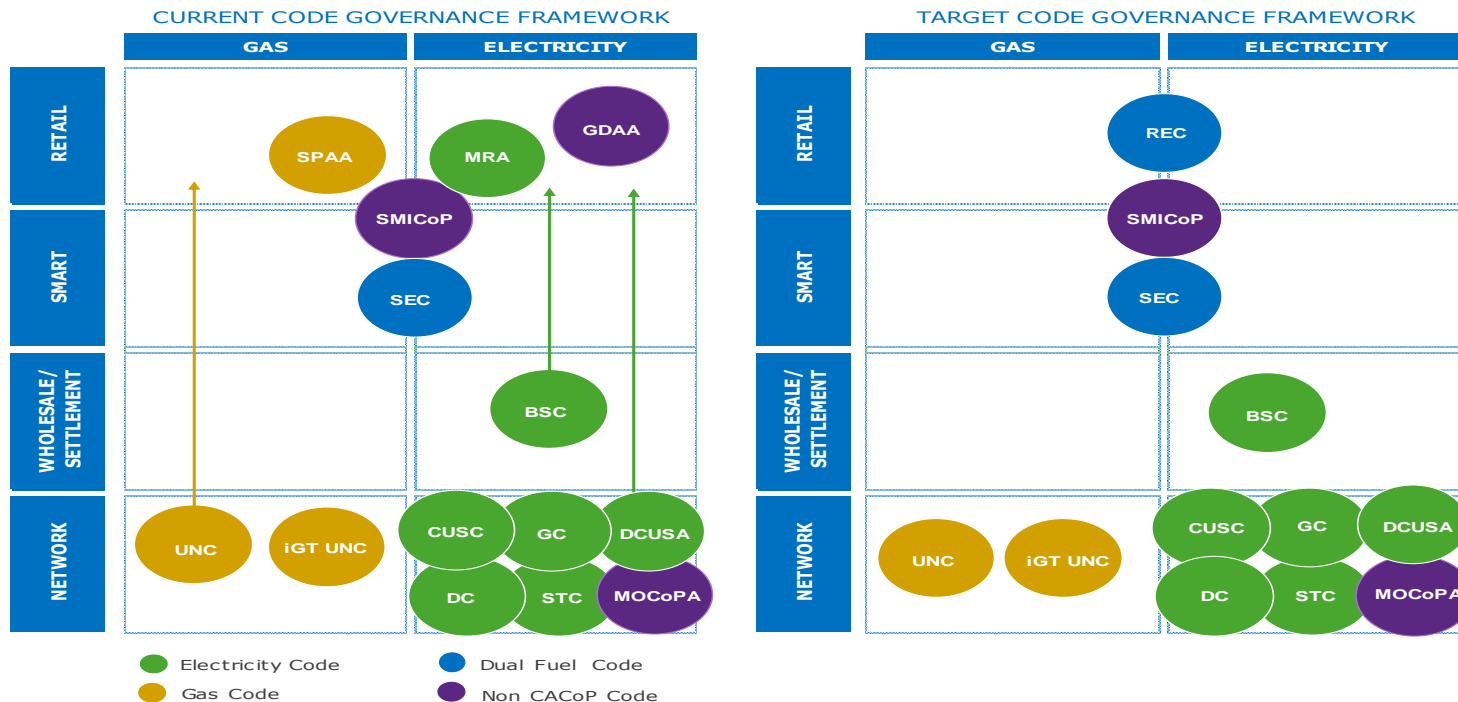
Switching Programme: development of the REC and SCR process

BSC Panel update – 13 Sept 2018

ofgem

Recap: What is the Retail Energy Code?

- REC was necessitated by the need to provide governance around the new CSS market role;
- This provides opportunity to simplify retail governance more generally:
 - replacing SPAA and MRA in their entirety;
 - elements of other codes to be determined on the basis of primary relevance;
 - simplified and accessible modification process;
 - proportionate, facilitating innovation and disruptive models;
 - future versions to be digitalised



V1.0

- Interim constitution
- Transitional requirements
- Interpretation
- **Baselined schedules** (not at this time in effect):
 - Address management
 - Change management
 - Data management
 - Registration services
 - Interpretation

Ofgem designates new code:

- working from a blank page, there is nothing to 'modify' – consultation on draft text is bespoke and informal;
- Statutory consultation applies to the modification of the licence only – code drafting to be published alongside for sake of transparency and certainty;
- designation gives REC v1.0 formal effect – changes to drafting thereafter subject to formal change control programme-led for transitional phase

V2.0

- Enduring constitution
- CoS Meter Readings
- Exceptions
- Enquiry Services
- Performance assurance
- DAP
- PPM provisions (smart and legacy)?
- Entry and re-assessment

Ofgem leads an end-to-end process:

- working with relevant stakeholders and code bodies, we develop code the modification(s);
- the standard industry process for modification proposals would not apply;
- we would lead consultation and engagement.

V3.0

- Residual non-switching activities, i.e:
 - Prepayment
 - Green Deal
 - Theft
 - Retail Data Catalogue
 - Settlement Data Catalogue?
 - Market Participant MDD?
 - Other MDD?
 - Agent Appointment and Meter Data Updates?
 - Metering Codes of Practice?
 - Meter Point Administration / Registration?

Progressed through normal modification process:

- non-switching related consolidation falls outside of scope of current SCR;
- Further consolidation could be achieved through normal modifications being raised to REC and other codes. However:
 - Possibility of a further SCR specifically focused on code simplification and consolidation.

Context

- We have committed that the REC should be a 'modern' code, which will utilise technology wherever possible – rather than being paper based.
- The REC is being developed against a backdrop of significant change across the industry; the current regulatory framework (particularly codes) is considered to be hampering that change. Regulatory reporting and compliance places a high burden on industry.

Objectives

- Web-enabled: the REC should be a fully integrated code, with traceability from policy decisions and licence conditions down through the code itself to the technical documents and processes that discharge them, and vice versa. The REC should be query driven rather than assume a high level of knowledge.
- Digitisation of compliance: The Data Services Project is looking at improving regulatory reporting across Ofgem. There is an opportunity for the REC to embed similar digital reporting and compliance for code level obligations. This could link directly into the performance assurance regime and possibly the systemised payment of liabilities/liquidated damages. Where possible, the code should be written in such a way that facilitates future automation. This could be achieved through collaboration with technical experts, Ofgem's data services team and learning from FCA and other organisations.

Dependencies and timeline

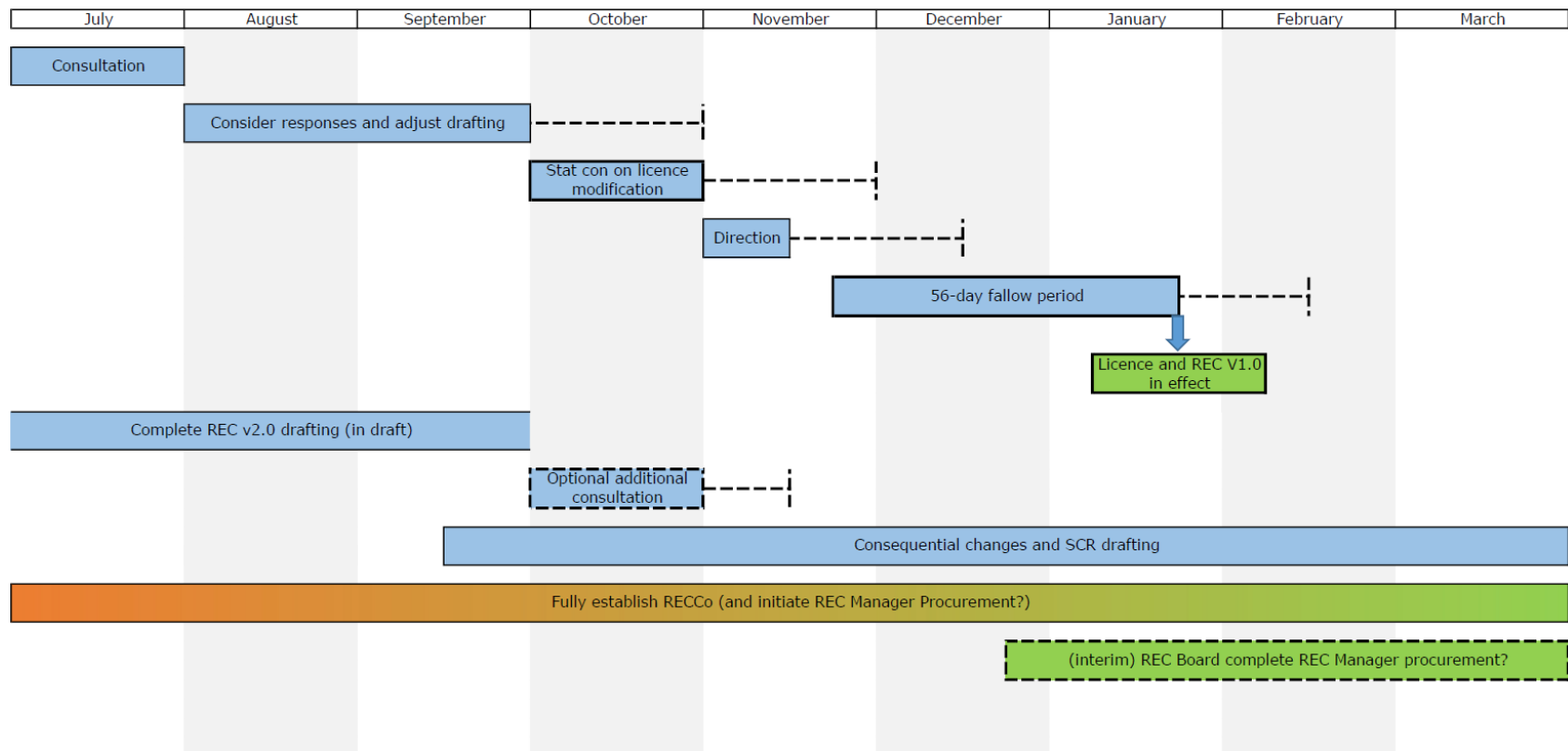
- Full product need not be delivered until RECV2.0 goes live circa summer 2021 – though there is likely to be a need to signal direction of travel much earlier – particularly if there are dependencies upon CSS reporting

Next steps

- Publish statutory consultation;
- Modify licenses;
- Designate REC v1.0
- Complete SCR drafting
- Establish RECCo

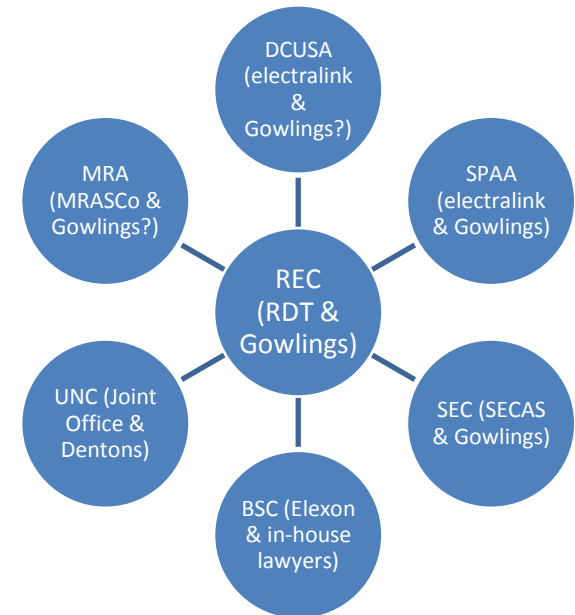
When will the REC drafting be completed?

- Timelines remain subject to progress on development of REC v2.0 – only designation of REC v1.0 considered to be on the critical path at this stage.
- Developing detailed joint industry plan (JIP) to be published alongside statutory consultation:
 - now seeking to validate feasibility of the proposed timelines and process as part of the JIP.



Approach:

- Prior approval for review to be sought from, and timeline agreed with relevant Panels/ECs;
- Work to begin in earnest once stat con and accompanying REC text is published (schedule for 4 Oct);
- Consequential changes to others codes to be developed alongside iterations to REC during Oct - March (changes can be prompted in either direction);
- Initial (consequential) impact assessment to be undertaken by CA/SME and relevant lawyer(s);
- Initial findings (anticipated scope of changes) and draft instructions to be discussed and sense checked at workgroup (< Xmas);
- Individual code drafting to be undertaken by relevant lawyers in collaboration with Gowlings (hub and spoke model) – QA to be dual key;
- **Q: to what extent do we consult/seek sign-off before 'baselining';**
- Workgroups (and CAs/lawyers) to report back to respective Panels.



Approach:

- Complete package of text to be published and baselined (end of FY), including:
 - REC v2.0 & (as far as possible) v3.0;
 - Consequential changes to other industry codes;
 - Anticipated future (2021/go-live) licence modifications.
- SCR still live – any modifications to codes will be assessed for impact on the programme:
 - Those which are contrary to direction of travel will be stopped;
 - Any which do not impact switching may proceed;
 - Those which impact affected code areas but consistent with aims and may be beneficial to implement ahead of go-live may proceed to development:
 - Impacts on switching programme to form part of ToR;
 - Parallel development of legal text (collaborative approach, as per initial development);
 - In addition to RO's, proposal assessed against impact on switching design (TDA):
 - Those with an impact will form a change request
 - TDA assessment may feed into draft report and be consulted upon
 - Combined decision to be taken on code modification, change to baselined text and any CRs;
 - Periodic baseline re-release (i.e. REC v2.01) capturing any changes resulting from CRs and or wider modifications.

Approach:

- Programme Board agree E2E test milestone passed and confirms go-live date [need to confirm expected lead time];
- Ofgem raises necessary SCR modifications (incorporating baselined text by reference);
 - Proposed implementation date will be directed go-live date;
 - Each CA to follow relevant procedure in their code for producing FMR (currently differ slightly across code) – no development required/no alternatives sought/permitted;
 - **Q: would it be feasible to have a joined up approach rather than duplicate across several codes? Eg if consultation is to be undertaken (to the extent permitted under any code)**
 - **Q: would it be appropriate to have a combined FMR, with individual sections tailored to relevant codes and relevant objectives (expect all changes to be assessed against promoting competition and efficiency)?**
 - Each Panel to make a recommendation based on assessment of modification against relevant objective:
 - No duty or obligation to approve – SCR still provides avenue for appeal of Ofgem decision;
- Ofgem make decision, ensuring each element furthers RO's and in aggregate consistent with statutory duties and Directs changes be made, if appropriate;
 - Decision letter to include statement formally closing the SCR.

Q&A

Our core purpose is to ensure that all consumers can get good value and service from the energy market. In support of this we favour market solutions where practical, incentive regulation for monopolies and an approach that seeks to enable innovation and beneficial change whilst protecting consumers.

We will ensure that Ofgem will operate as an efficient organisation, driven by skilled and empowered staff, that will act quickly, predictably and effectively in the consumer interest, based on independent and transparent insight into consumers' experiences and the operation of energy systems and markets.