

# ELEXON

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By e-mail to: [switchingprogramme@ofgem.gov.uk](mailto:switchingprogramme@ofgem.gov.uk)

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Dear Rachel,

## **Retail Energy Code v2.0 and Retail Code Consolidation – Elexon response**

Thank you for the opportunity to comment on the proposed modifications to regulation and governance arrangements around Ofgem's Switching Programme and Retail Code Consolidation (RCC).

As you are aware, Elexon is the not for profit Code Manager for the Balancing and Settlement Code (BSC). We are responsible for managing and delivering the end-to-end services set out in the BSC and accompanying systems that support the BSC. This includes responsibility for the delivery of balancing and imbalance settlement and the provision of assurance services to the BSC Panel and BSC Parties. We manage not just the assessment, but also the development, implementation and operation of changes to central systems and processes.

In addition, through our subsidiary, EMR Settlement Ltd, we are the Electricity Market Reform (EMR) settlement services provider, acting as settlement agent to the Low Carbon Contracts Company (LCCC), for the Contract for Difference (CfD) and Capacity Market (CM). EMR services are provided to the LCCC through a contract and on a non-for-profit basis.

Elexon welcomes the proposals to simplify and consolidate the current energy codes for the wider industry benefit. We therefore support the proposal to make Meter Operator parties direct signatories to the REC hence moving the qualification of such parties from the BSC to the REC but still having both suppliers and their agents participate and comply with the relevant parts of the BSC. Similarly, there will need to be a transition plan for Meter Operator Agent (MOA)/Metering Equipment Manager (MEM) parties who are part way through their BSC qualification at the point when the relevant schedules move from the BSC to the REC.

However, as we already highlighted in our responses to previous REC consultations, the proposed transfer of any metering provisions to the REC from the BSC that Ofgem has consulted on should ensure practicality and avoid difficulties for participants and the industry in general. For example, the BSC remains the correct place for ensuring the integrity of metering data used for Settlement and thus processes and assurance provisions that impact actual data from metering systems for settlement purposes, such as correctly commissioning a meter and providing accurate meter technical details, should not be transferred to the REC. Below are some key arguments of why we believe this:

- Looking forward, the advent of Market-wide Half Hourly Settlement (MHHS) and other initiatives to create a more flexible energy system such as 'behind-the-meter' generation will see massive changes in the way Settlement data is derived and processed. As these future initiatives evolve, Elexon aims to develop and enhance its own Performance Assurance Framework (PAF) and techniques to ensure the best quality data is entering its Settlement systems. This could be hampered if one source of Settlement data i.e. Supplier Volume Allocation (SVA) metering was governed by REC that is primarily focused on the performance of metering agents and not the quality of the data derived from meters they maintain
- We would also like to note that this level of data complexity is unlikely to apply to the gas or heat market where settlement and billing data are likely to continue to be synonymous i.e. calculated using cumulative register reads rather than interval data
- Regarding the proposal for the BSC Performance Assurance Board (PAB) to assist the REC PAB in its work at a PAB level is something we would support. However, we feel there could be some significant issues should the BSC PAB continue to carry on assuring areas/provisions transferred to the REC. Ofgem would need to direct an enabling change to the BSC if it wishes to provide the vires for Elexon as BSCCo to perform this work.. There would also need to be discussions about the role and contract for the Technical Assurance Agent (TAA) if this transfers to the REC. This is mainly because the BSC PAF is operating on the basis of the Supplier Hub<sup>1</sup> and not directly on agents. The BSC PAB will also be developing its own assurance function to deal with the move to MHHS and other metering usage which is likely to be the priority
- If Ofgem considers that this issue is best resolved via the two PABs working together then the responsibility must be ultimately with the REC PAB, with the BSC PAB or Elexon providing a commercial service to the REC PAB or its performance assurance agent. In such a case, it will be of great importance that the REC PAB and its performance assurance function agree how the two bodies should work together and have everything in place by September 2021.

If you would like to discuss any areas of our response, please contact Chris Welby, on 020 7380 4369, or by email at [chris.welby@elexon.co.uk](mailto:chris.welby@elexon.co.uk).

Kindest regards,

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<sup>1</sup> Under the supplier hub principle the balancing parties are held to account as any data discrepancy affects their settlement position.

Angela Love  
Director of Future Markets and Engagement

## **1. Retail Code Consolidation: REC v2.0 Schedules**

**Q2.1: Do you agree with our proposed approach to information security and data protection assessment under the REC? In particular, do you agree with the requirement for all REC Service Users to notify the Code Manager of a security breach?**

- 1.1 We believe that the proposed approach is reasonable, although it is important that parties are regularly reviewed as is the case for SEC parties. The retail market is interconnected in the way it shares data or accesses centrally held data and thus the system as a whole could be at risk even when a minor issue is detected.
- 1.2 We support the proposal that parties should report security breaches, although this needs to be defined as relevant security breaches otherwise there is a risk of the REC Code Manager being inundated with insignificant incidences.

**Q2.2: Do you agree with our proposal to extend entry qualification to new gas MEMs?**

N/A

**Q2.3: Do you agree that the change effected by MAP CP 0338 should apply equally to gas?**

N/A

**Q2.4: Do you agree that the clarification on the applicability of the schedule to non-domestic suppliers sufficiently gives regard to non-domestic who do not serve prepayment customers?**

N/A

**Q2.5: Do you agree that the approach and processes for gas unregistered sites should be standardised, as set out in the Unbilled Energy Code of Practice?**

N/A

**Q2.6: Do you agree that the REC should make provision for the PAB to consider the case for reconciliation of data held by PPMIPs and CDSP for the purpose of identifying unregistered sites? If so, do you agree that this process should sit in the Unbilled Energy Code of Practice?**

N/A

**Q2.7: Do you agree with the principle that a consumer should be no worse off by virtue of a theft investigation being undertaken by a network company rather than a supplier?**

N/A

**Q2.8: Do you agree that the requirements relating to provision of customer**

**contact details should apply equally to non-domestic suppliers, as set out in the transfer of Consumer Data Schedule?**

N/A

**Q2.9: Do you agree with our proposal to extend ‘Gas Use case 5: Payment of Guaranteed Standard of Performance payments’ to cover voluntary payments?**

N/A

**Q2.10: What risks (if any) do you foresee in the transfer of processes associated with the commissioning, Complex Sites, Proving and Faults from BSCP514 to the REC Metering Operations schedule?**

- 1.3 We foresee significant issues with transferring these processes out of the BSC and into the REC. All of these processes are an integral part of ensuring that the data entering settlements is accurate and provided in a timely manner. Whilst we agree that the REC should oversee the fitness of a MEM to operate, these processes relate to the requirements at each individual site to deliver accurate settlement data.
- 1.4 The REC quite rightly focuses on the customer relationship with the energy market and thus seeks to ensure that customers are well served by meter operators and that meters correctly record customers’ consumption in line with the requirements of the Electricity Act and the Measuring Instruments Directive (MID). Currently, the data used to bill customers is predominantly the same data used to settle a suppliers position, e.g. meter reads<sup>2</sup>. Elexon considers that going forward there will be an increase in the use of Half Hourly (HH) interval data for settlement (given the MHHS programme), not just from boundary metering, but other meters or measurement devices such as sub meters, EV charging point data and the calculations for differencing<sup>3</sup>. Complex sites will also increase as more community energy projects develop and the increasing use of peer to peer trading and flexibility aggregators. All of these will require the BSC to develop its performance regime to ensure the data (as opposed to the agent’s performance) covers such devices and complex metering arrangements. This would be hampered if SVA metering data are under a different regime to CVA metering, sub meters and other measurement devices used for settlements. Hence why assurance of SVA metering data should remain in the BSC
- 1.5 We agree that the qualification (Including re-qualification and removal of qualification) of MEMs should pass to the REC. Although, a transition plan will be needed for those parties where qualification is inflight. The BSC should then continue to hold Settlement parties responsible for the data quality including meter technical details (MTD) provided by their MEMs on which they are settled and where appropriate to ensure that their agents are providing accurate and timely settlement data.

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<sup>2</sup> In terms of GWh volume 47% of energy is already settled using HH data rather than register reads.

<sup>3</sup> Differencing is where a supplier’s liability is derived from several meters some of which are sub-meters which require netting off one supplier’s take and adding to another supplier’s take.

It is worth noting that Elexon's focus is not on metering points, but on MWhs settled. Where settlement data is incorrect, then the BSC holds the settling party accountable via the Supplier Hub principle for resolution as it is their financial liability that is affected and not their agents. This is because 55% of energy volume is handled by just 4% of meters.

- 1.6 If these processes were transferred to the REC Metering Operation Schedules, then the REC would become responsible for integrity of data in the Settlement market most of which would not be used for customer billing, as we expect most customers to be billed on register reads. In addition, with the introduction of MHHS and in the case of complex sites, Settlement will be derived via difference metering which may not be within the REC's scope, but still within the BSC.
- 1.7 One solution may be to consider following the example of the MHHS TOM design and distinguish between smart and advanced meters. The vast majority of energy used by complex sites passes through advance meters and thus have a greater impact on Settlement than individual smart meters. It may be worth considering splitting certain aspects of the code with the REC covering Smart and traditional meters and advanced metering remaining with the BSC. This would alleviate the concerns that we have noted and is a proposal that we have been discussing with RECCo.

**Q2.11: Do you agree that requirements to comply with the BSC CoPs should be placed directly on MEMs in the REC? If not, please explain your reasons.**

- 1.8 The BSC CoPs are to a large extent technical documents for the metering systems that are used to measure Settlement data and contain requirements above and beyond the MID, which is primarily about data for billing customers. They are more akin to the Smart Metering Equipment Technical Specifications (SMETS), which are maintained and managed by the Smart Energy Code (SEC). They do not set out how a metering agent should operate, although they do set out how a MEM should configure and commission a meter. To this end we believe that any requirement in the REC to comply with BSC CoPs should mirror any requirement on MEMs to comply with the SMETS in the SEC. However, at the same time, performance assurance against the CoPs should stay with the BSC.

**Q2.12: Do you agree that metering operations rules in the REC could be assured by the BSC, particularly with regards to PARMS reporting and technical assurance audits, until the assurance function can transition to the REC? If not, please explain your reasons.**

- 1.9 As mentioned above, we consider that metering operations rules that relate to Settlement data should remain in the BSC, and rules related to the performance of a metering agent not linked to settlement data should move to the REC.
- 1.10 We believe that each code panel must take ownership and responsibility for the assurance of parties that are signatories to its code. The BSC holds BSC parties responsible for the actions of their metering agents under the Supplier Hub, whereas the REC will hold MEMs accountable directly, so the BSC would not have the vires to hold MEM REC parties to account.
- 1.11 We are concerned that the REC does not confer any automatic right of attendance of a BSC representative to either the REC PAB or its Metering

Committee and this is dependent on the permission of the REC Board. Given the importance of metering to the integrity of settlements we believe the BSC should have a right of attendance on both committees and that this should be set out in the REC.

- 1.12 That said, Elexon as the BSC Code Manager could explore providing an interim service to the REC PAB on a contractual basis, (which may require a modification to the BSC to facilitate). This may also include training for the REC PAB. It is however important that the RECCo are in a position to negotiate any contractual arrangements with Elexon at the earliest possible moment before September 2021.
- 1.13 We also note that there will need to be an agreed transition plan in place for any MEM in the process of qualifying when responsibility shifts from the BSC to the REC. We consider that it would not be fair on parties to have to re-start qualification under the REC when they have made progress under the BSC.
- 1.14 Finally, Elexon is currently processing a change to remove the SVA agent PARMS serials from the BSC Performance Assurance regime so we would not envisage these PARMS serials passing to the REC Performance Assurance regime.

**Q2.13: Do you agree that the information in the RGMA Baseline relating to exceptions should be out of scope of the mandatory Schedule?**

N/A

## **2. Consequential changes to other Codes**

**Q3.1: Do you agree that the proposed text to embed the Cross Code Steering Group will enable the intended improvements to cross code change? If not, please suggest alternative or additional drafting.**

- 1.15 We concur with the views expressed that allowing all Code Managers to raise changes on other code documents could lead to poorly drafted changes with unintended consequences. However, we also consider that allowing the REC Code Manager to raise changes does not necessarily mitigate this risk, especially being a new body with limited knowledge of other codes. In our view, the best solution would be for each Code Manager (or its respective Panel) to be given the right to raise changes when it has been agreed at the Cross Code Steering Group (CCSG). This will ensure the change proposal is drafted by the experts in the relevant code.
- 1.16 We propose that there is an independent Chair of the CCSG who could be given authority to formally raise changes which have been drafted by the relevant Code Manager(s). Under the BSC, the Panel has the powers to designate non-BSC parties authority to raise changes to the BSC and thus the proposed paragraph is not required. It is also worth noting that Elexon already has powers to raise changes to the MRA, and has done so previously.

## **3. REC Technical Specification**

**Q4.1: Do you agree with the assignment of Code Manager Ownership (Metadata**

**Owner) of each Energy Market Message within the “Annex D – Message Scenario Variant Catalogue”?**

- 1.17 Whilst we support the principle we are concerned that a number of Energy Market Messages serve a purpose in more than one code and as such assigning them to the ownership of one Code Manager could lead to changes which, whilst suiting the “owning code” could have a detrimental impact on a process in another code. To this end we believe Annex-D should include a list of all the codes that have a process that is dependent on a Market Message even if one code is designated the Owner.

**Q4.2: Do you agree with the classification of existing flow notes (Including DTC Annex C) to either one of, a rule within the Data Specification, a Guidance Note (managed under the respective code, e.g a REC level 3 document) or a process obligation (e.g. a rule within a REC schedule/BSCP)?**

- 1.18 As stated above many Market Messages may serve a purpose in more than one guidance note specification or process in different codes. Unless all incidences are recorded, this would increase the risk of one code making changes to a data item to the detriment of another industry process that uses the same data flow for a different process.

**Q4.3: Do you agree that the data items identified in ‘Redundant Data Items for Review’ spreadsheet should no longer be represented in the Data Specification as they are not associated to any Market Message?**

- 1.19 No. There are several items listed that we believe are in use and essential to the Settlement process. We think now is not the right time to remove potentially redundant items given parties do not have the bandwidth to consider each item separately. Once everything is settled then removing redundant data items can be considered by the CCSG.