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RECCo response to Ofgem consultation

DCC Review Phase 2: Governance and Centralised Registration Service arrangements

We welcome the opportunity to respond to this consultation, DCC Review Phase 2: Governance and Centralised Registration Service. Our non-confidential response represents the views of the Retail Energy Code Company Ltd (RECCo) and is based on our role as operator of the Retail Energy Code (REC) and potential recipient of the Centralised Registration Service (CRS).

RECCo is a not-for-profit, corporate vehicle ensuring the proper, effective, and efficient implementation and ongoing management of the REC arrangements. We seek to promote trust, innovation, and competition in the energy market whilst keeping positive consumer outcomes at our heart. Through the REC, the services we manage, and the programmes we run, we are dedicated to building a more effective and efficient energy market for the future. We are committed to ensuring that RECCo is an "intelligent customer", ensuring efficacy and value-for-money of the services we procure and manage on behalf of REC Parties, including those which constitute the REC Code Manager. We would bring all of these attributes to our delivery of the CRS.

As proposed in Section 6 of the Consultation document[1] we fully support Ofgem's view that there may be sufficient reason to transfer responsibility for the delivery of the CRS to RECCo for the following reasons.

The transfer of responsibility to RECCo will bring benefits including:

- Increased scrutiny of the service providers' delivery to drive service improvements;
- Streamlined governance to enable decision making for Switching under the REC to become more effective;
- Synergies with other retail market services delivered by RECCo to provide a platform for change and contribute to the energy industry's move to decarbonisation;
- Enhanced service delivery to enable benefits over and above those outlined in the Switching Outline Business Case to be realised, for example operational efficiencies in areas such as market entry; and
- Service improvements, by addressing operational issues with the Switching Operator role which currently cause difficulty and frustration for end users, for example, the incident management process and the delivery of change.

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1   Ofgem (2024), DCC Review Phase 2: Governance and Centralised Registration Service arrangements, Section 6, p. 69. https://www.ofgem.gov.uk/sites/default/files/2024-05/2024.05_Governance_and_switching_consultation_%28final%29.pdf

The transfer can be achieved with minimal, if any, impact on the service at the point of transfer. We have taken a risk-based and value chain analysis approach to defining how transition will work. This has enabled us to identify the most appropriate transition treatment for each component of the CRS and build key mitigations into the transition plan. We have already started to engage stakeholders in the transfer process through an Advisory Forum which we will run throughout the transition to enable users to engage in the development of the future Service Delivery Model and the transition plan and raise any concerns they may have.

Transferring the CRS in September 2025 will be optimal because it would take place before Market-wide Half Hourly Settlement goes live and de-risks the DCC Licence renewal process by allowing bidders to focus on their approach to delivering Smart Metering. The transfer also provides the best opportunity to separate the Switching service from Smart Metering and thus realise all that Ofgem and industry envisaged for the new faster, more reliable Switching service, including:

- Priority Services Register improvements through using better address data;
- An approach to address quality monitoring which focuses on the benefits to users arising from improved address quality;
- Reduction in the level of erroneous transfers;
- Better integration with Third Party Integrators;
- Data quality improvements through triangulation against an additional dataset; and
- Increased championing of Switching through supporting consumers to get the best deal by highlighting potential savings and publishing consumer focused information.

We have included a more detailed document providing supporting information on our approach to delivering the CRS and the transfer of the service from DCC to RECCo as an attachment to this letter.

We also support the review of DCC's governance arrangements. We have set out our detailed comments in the annex and note the potential for extending the approach to aligning governance with best practice for other licensees. While we support this in principle as it will lead to greater consistency and certainty, Ofgem should adhere to the principles of good regulation and consider the merits of each provision on a case-by-case basis, ensuring that each is necessary, proportionate and appropriately targeted while avoiding unintended consequences.

We are happy to discuss any of the points raised in this response.

Yours sincerely,

Sid Cox
Chief Executive Officer

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Appendix

RECCo response to consultation questions 1 to 17

16 July 2024

Q1: What are your views on the presented options for the future DCC board composition? Do you agree with our analysis that Option 4 (majority independent model) is the most appropriate to take forward? Please state your reasoning.

Yes, we agree with the proposal for a majority independent board.

As the DCC is the monopoly provider of the communications network for smart metering, the importance of an independent board should not be underestimated. However, we also note that the DCC, like other central systems providers, is fundamentally different to normal commercial organisations insofar as its activities are heavily prescribed by both the DCC licence and the Smart Energy Code. Simplistically, the regulatory framework sets out what the company is required to do, while the board would have discretion over how. In practice these distinctions can often be blurred, and the findings to date of the DCC review have shown that many industry participants are seeking greater influence over the operation of the company, leading to Ofgem's proposals around its board composition and governance.

To the extent that the DCC board must fulfil the requirements placed upon it by the Smart Energy Code, which will in due course be managed by a Code Manager licensee, it will be important to ensure that the features of the DCC board and its decision making are commensurate with its actual functions (present and future). The model for the board should not be unduly influenced by considerations that are duplicative of, and better targeted upon reforms to the management of its foundational governance, the Smart Energy Code, simply because of the sequencing of those in-flight reforms.

Taken in isolation, we agree that the board decisions should be made without the risk of conflicts of interest that could arise from a majority of industry appointments (Option 1). Whilst the balance of independent and industry board members (as set out in Option 2) would offer certain advantages, we also agree that the inherent conflicts of interest could stymie effective decision making, effectively transposing to the board room the sort of trade-offs between interests that would more appropriately be undertaken transparently through code governance.

We note that Alt Han (Option 3) is a very different organisation to DCC, designed to enable suppliers to work together to deliver solutions to a relatively narrow scope of smart metering issues. As a result, the separation of decision-making between a shareholder-controlled board and an industry forum appears to work relatively well. We recognise that the potential disadvantages of this model as cited in the consultation, including duplication or gaps in responsibility and loss of overall strategic direction, may mean that it is unlikely to work for the much broader and financially significant activities of the DCC. However, as set out above, we consider that with all central service providers there is inevitably a separation of powers that risks duplication and tension between the governance of the company and that of the relevant industry code. The key is therefore not so much in the number or make-up of those separate institutions, but that the separation of powers is clear, complementary and holistic, providing for both a delegation of authority, and for checks and balances as appropriate.

The RECCo board is unique in the current landscape, with a wholly independent board that has successfully retained its members, recruited from a range of backgrounds and skill sets. We also note that the Elexon board also has a majority of independent board members. These models demonstrate that independent board models can operate successfully in the energy market. We note that this does not preclude the opportunity to appoint industry members to the board which would manage some of the risks highlighted with Option 4 with regards to the board lacking relevant industry experience. More fundamentally, the composition of the board does not of itself negate the need to ensure transparency and that stakeholder views are appropriately considered. For instance, we note the recent implementation of UNC modification 841[1] which changes the Central Data Service Provider budgeting process. At RECCo, we have taken account of this modification in revising our future RECCo budgeting process to demonstrate that not only do the board directors act independently, with rigour, hold the company executive to account, but they must also be seen to do so.

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1   UNC841: 'Introduction of cost efficiency and transparency requirements for the CDSP Budget, and revisions to DSC change processes'

Q2: What are your views on the current and proposed Licence requirements on Sufficiently Independent Directors? Do you agree that one or more of the current Licence-imposed Independence Requirements may be relaxed in favour of more discretion afforded to the Board?

We support the proposals for the licence requirements on sufficiently independent directors to reflect the UK corporate governance code i.e. that they should not have been employed by the company or group in the last five years or have had a material business relationship with the company in the last three years, to provide assurance that the director is effectively independent. This would also appear to be consistent with and/or build upon the approach to sufficiently independent directors already set out in the DCC licence and for instance, the Electricity Distribution licence. We note that the code allows for the appointment of an independent director who does not meet the criteria where the board can provide a clear explanation for the appointment. We consider that this should be mirrored in the licence to allow some discretion for DCC to appoint board members and ensure that they are able to consider the most suitable candidates but to also demonstrate that they have considered the issue of independence.

We do not consider that it is appropriate for the Authority to be part of the appointment process beyond consenting to any reasonable exceptions to prescribed criteria, as this could potentially conflict with its judgement on issues that require the Authority's intervention. Oversight is best achieved when the regulator is sufficiently at arm's length to formulate opinions and judgements; providing input at selection may result in the blurring of these boundaries. The rules should be sufficiently clear for stakeholders to follow and where these are not followed, it will be for the Authority to review, and where necessary, issue a decision on whether the appointment is in breach of those requirements.

We note that the proposed energy code reform draft licence conditions for code managers include provisions similar to DCC's current requirements requiring that a sufficiently independent director must not have a material business relationship with the licensee, affiliate of the licensee or a party of the relevant code. We consider that for the reasons above the same requirements for sufficiently independent directors should also apply to the code manager licence.

Q3: Do you agree with our proposal that the Chair of the future DCC board should meet the requirements on 'Sufficiently Independent Directors' without exception?

Yes, we agree with Ofgem's proposal which again aligns better with the UK corporate governance code and builds confidence and trust in the Chair to be objective and to be a role model to other board members. However, we also consider that subject to the Chair meeting the criteria as a sufficiently independent director, their subsequent and technically separate appointment as Chair should be determined by the board, and ratified by stakeholders as appropriate, with no further direct involvement by Ofgem.

Under company law the Chair is appointed on the same basis as other directors. Ofgem's historic interest in the chair role, including the requirement that they be independent, arose from the governance of the Panel – i.e., the change control of the industry code, not of the associated company. This was blurred in part due to the chair of Elexon traditionally fulfilling both roles, but the distinction is perhaps best illustrated in respect of National Grid, which was required to relinquish chairmanship of codes such as the Connection and Use of System Code, whereas Ofgem plays no role in the Chairmanship of the National Grid company. Those distinctions should be preserved for all corporate entities, including those established as a special purpose vehicle for the management of a particular industry code.

Q4: What are your views on our analysis and proposal not to introduce additional requirements or restrictions on the size of the future Board and on the number of executive members and shareholder representatives?

We agree that the size of the board and the number of executive members and shareholder representatives should be at the discretion of the nomination committee of the DCC to determine, based on the skills and experience it needs. However, we also consider that diversity on the board is essential, both in context of Diversity, Equity & Inclusion (DEI) but also to ensure that the board is representative of the interests of all stakeholders.

Q5: Do you agree with a possible requirement on the Board to possess expertise in certain core areas? Do you agree with the areas we have identified? What are your views on the implementation options?

We agree with setting requirements for the Board to possess expertise in core areas associated with the DCC licensed activities. This ensures that across Board members DCC has the skill set to undertake its role and discharge its responsibilities effectively. We agree that the core areas proposed cover the key requirements for DCC and agree that the Board as a whole should meet the requirements rather than allocating a core area to each Board member. This ensures that if a Board member resigns the company still has the capability to cover the core areas until a replacement is appointed. We do not consider that this will necessarily result in one or two Board members covering more than one core area but recognise that members can have more than one competency. This approach has worked well for RECCo with board members bringing multiple areas of overlapping expertise with them. We understand that this diversity of expertise is also consistent with the composition of GEMA.

Q6: Do you agree with our proposal to represent consumer voice via a requirement on the appointment of a Sufficiently Independent Director with consumer advocacy experience?

We agree with the approach of having a consumer advocate on the board. We note the concerns raised that a board member acting as a direct consumer representative could risk a conflict of interest, however, we consider that having current knowledge of consumer issues and access to consumer data and analysis would be more useful to the DCC board than a member who had proven consumer advocacy experience. Moreover, including a consumer facing objective is likely to minimise the risk of a conflict and therefore we support Options 1 and 3.

In respect of the individual performing the consumer advocacy role, experience may be less pertinent than a current and detailed knowledge of relevant consumer issues. We also note that some other industries, such as those in the financial sector governed by the Financial Conduct Authority now have a Consumer Duty, and that companies subject to that duty generally have a consumer champion on their Board. Even in the absence of the wider adoption of a Consumer Duty, given the DCC's unique role in the market it may be appropriate to consider such a provision as part of its future licence.

Q7: What are your views on Ofgem's role in the Board appointment process? Do you agree with our proposal that the Authority could have a role in the appointment process of non-executive directors? Which option would provide the most appropriate and effective accountability framework, and why?

We do not agree that Ofgem should have a substantive role in the Board appointment process for the reasons set out in our response to question two. We consider that DCC should be able to assess the needs of the Board and appoint its members to meet that assessment. Moreover, we consider that board appointments should be made in accordance with company law.

We do not consider that Ofgem's involvement in the appointment of Board members would be consistent with principles-based regulation, and could in the extreme pose a risk to Ofgem's ability to take effective enforcement action, i.e. if it had any prior knowledge of directors' intent. Moreover, there a risk that board appointments could be delayed if Ofgem does not have the resources to undertake its role effectively. We note for instance that Ofgem has previously had a role in appointment of directors to the RECCo Board, which it stepped away from once RECCo was fully established. Similarly, we understand that Ofgem no longer has a role in appointing the Chair of Elexon.

We consider that the most appropriate and effective accountability framework would be for Ofgem and stakeholders to have a role in the removal of ineffective or conflicted directors from the board where appropriate.

Q8: What are your views on the role of DCC customers and other stakeholders in the Board appointment process? Do you agree with our proposal to provide representation for DCC customers on the Nomination Committee? What should be the role of an industry representative in such an arrangement?

We note Ofgem's concern that direct stakeholder representation on the board would carry a risk of conflicts of interest. We consider that having a majority of independent board directors will ensure that this risk is minimised while enabling the board to consider the implications on key stakeholders.

We support a role for stakeholders in the appointment process, though possibly limited to the closest proxy for typical shareholder approval of a board member. To that extent, we would support Option 3, whereby stakeholders vote to ratify the appointment of the board member. Option 3 is the approach currently used to select RECCo's independent Board members. It could also be complementary rather than mutually exclusive to the other options.

The Nominations Committee is typically a sub-committee of the Board. It may have access to commercially sensitive information, and certainly the personal information of candidates. We consider that the direct involvement of a stakeholder representative on the Nominations Committee may contradict the rationale for not having such a representative on the full Board and would introduce administrative hurdles that could hinder the effective and timely operation of the Nominations Committee. To the extent that the representative would be a minority voice, it is also possible that their involvement would be ineffectual. We consider that there would be much greater impact while avoiding these operational difficulties if the role of stakeholders was instead to shape the Terms of Reference of the Nominations Committee, for instance influencing the knowledge, skills and competencies that should be appointed. In exceptional circumstances, there may be a role for a stakeholder representative on an interviewing panel.

We do not support Option 2. Whilst this has some similarities with Option 3, requiring DCC to consult **stakeholders** on the Board's selection of a new member, with any concerns being raised to Ofgem, it seems unwieldy and time intensive. The decision should appropriately rest with the Board, albeit with the checks and balances usually afforded to shareholders such that if there is a majority against an appointment for whatever reason, the Board's recommendation may be blocked. This would seem to be a better balance of due process and leave the substantive decision with those who have the appropriate knowledge and access to relevant information. As set out in Q7, we do not consider that Ofgem should have a direct role in the board appointments and Option 3 would better facilitate its arms' length oversight and without prejudice.

We do not consider that the adoption of Option 3 would preclude the Nominations Committee from seeking external support if circumstances require it, e.g., assisting in the assessment of a candidates technical or otherwise specialised competencies and knowledge, with which the Nominations Committee may not be familiar.

Q9: What are your views on our proposals for an additional requirement on the Chair's experience and Ofgem's role in the initial appointment of the Chair? In what other way should the appointment process for the Chair be different to that of other DCC Board members?

We agree with the proposal that the Chair should satisfy the independence requirements to avoid any perception of a conflict of interest, particularly where the Chair has a deciding vote in the case of a tie. We agree that the Chair should also have proven board level experience to ensure the effective running of the board.

We disagree with Ofgem's recommendation that it should have a role in the initial appointment of the Chair. For the reasons set out in our response to Q7 we consider that this could give rise to concerns about Ofgem's ability to enforce the DCC licence where Ofgem had a role in appointing the Chair.

Q10: What are your views on changes to the term of appointment of non-executive directors? Do you agree with our proposals to limit the initial term of appointment for non-executive directors to 3 years, and to allow for up to two reappointments with the total term limited to a maximum of 9 years?

We agree with the proposals to change the term of appointment of non-executive directors from six years to nine years. We note the UK corporate governance code recommends a maximum term of nine years with a performance review every three years and Ofgem's proposal to limit the initial term to three years would seem consistent with that. We also note that the proposals in the UK corporate governance code applies only for independent non-executive directors and Ofgem is seeking to apply this to all non-executive directors which we would support.

The code operates on a comply or explain basis and leaves the opportunity for companies to explain if they intend to retain independent non-executive directors for more than nine years. It seems appropriate for this opportunity to be extended for DCC, it provides incentives for the non-executive board members to deliver in order to be reappointed and is consistent with our response to Q8 for stakeholders to have a say or ratify the reappointment.

Q11: What are your views on the identified reputational incentives and associated enhanced regulatory requirements? How effective do you believe these incentives can be?

We agree with Ofgem's proposal to retain the OPR incentives as a reputational incentive, noting that the not-for-profit requirement on DCC will mean that it will no longer have a financial incentive through revenue at risk. Although it is difficult to determine how effective the reputational incentive will be, the retention of the incentive will enable stakeholders to compare DCC performance before and after the changes to its governance arrangements.

On customer engagement, we note that Ofgem has proposed two options. The first is to continue with an annual self-assessment and scoring by customers and the second is to commission a broader satisfaction survey. These are potentially complementary rather than mutually exclusive options, though overall we support Option 2 which provides a wider evaluation from stakeholders on DCC's performance. We consider that it is important that the survey should not be too restrictive and risk a perverse incentive for the company to focus on a narrow range of performance measures, to the detriment of measuring wider stakeholder satisfaction and insights on areas for improvements.

We would support a reputational business planning incentive focused on DCC provision of good quality plans, clearly identifying and justifying costs and identifying additional services it could provide demonstrating how these could benefit stakeholders.

We also support a cost management incentive, including a requirement for the DCC to publish a quarterly report, to demonstrate how it is performing against the ex-ante allowance. The reputational incentive could be an assessment from Ofgem on how it has performed and any issues DCC needs to address.

As covered in Q12, we think the reputational incentives could be effective especially if they are linked to the financial incentives of executives and key staff as set out below.

Q12: What are your views on direct financial incentivisation of executive leadership and key staff? What would make those incentives effective? Please consider their interlink with the reputational incentives.

We consider that senior management and key staff bonuses should be linked to DCC's performance. The remuneration committee of independent directors should set bonus targets based on a balanced scorecard representing a range of performance metrics covering effective reputational, operational, programme, financial and stakeholder delivery based on the targets set for DCC on an annual (and longer term) basis.

We propose that the implementation of the scheme should not be prescriptive, but the remuneration committee should undertake an evaluation of the requirements of the reputational incentives and include any other performance metrics that the committee considers its senior management and key staff should deliver.

Q13: What are your views on the proposal to grant stakeholders the power to issue a (non-binding) motion of "no confidence", its objective and determining requirements? If implemented, what should be the methodology for a qualified majority and distribution of votes among stakeholders?

We note that Ofgem propose a mechanism to grant stakeholders powers to issue a motion of no confidence only if there is no industry representative on the board. While we would support industry representation on the board, we do not consider that this should of itself determine whether a motion of no confidence should also be allowed. As noted elsewhere, it is difficult to ensure that the interest of all stakeholders is aligned, and the relative satisfaction or otherwise of any representative on the board is not necessary indicative of stakeholders as a whole.

We support the proposal for the DCC to be accountable to its stakeholders by creating the opportunity for a no confidence vote. What is unclear from the proposal is whether stakeholders would issue a motion of no confidence in DCC as a whole or in specific members of the board including the chair. The latter option is potentially less destabilising but in practice it may be difficult for a stakeholder to attribute failure to a specific individual.

We would support Option 1 for a single vote for each DCC customer within a minimum threshold as the simplest option which gives smaller parties an equal say if they had concerns about DCC's performance. This is similar to the current arrangements for the RECCo board which requires the support of at least 75% of all parties who cast a vote.

Q14: Do you agree with the identified priority areas of interim changes? Are there other governance changes that should be implemented in the Licence extension period?

We agree that there may be benefits to appointing an independent chair and an independent director who can act as a consumer representative in order to effect good practice during the period of the extension of the current smart meter communication licence. We also see the merits of inviting stakeholders to attend board meetings as appropriate but acknowledging that the DCC board will need opportunities for confidential discussion as well.

We agree that Business Handover is critical and therefore support the rationale for Ofgem's proposals to temporarily maintain an observer role on the DCC Board. However, we also agree that such observer status is not a legally defined position, and that the involvement of Ofgem in board discussions could create a legal risk. Whilst these risks are not defined, we assume this could include the fettering of Ofgem's discretion, and potentially prejudicing any regulatory action that could appropriately stem from any determination of the board at which they were present. Whilst we do not agree that such an observer role is without precedent, for instance RECCo has benefited from an Ofgem observer at its board meetings from its inception, this does require a degree of discretion on both parts, with observers excusing themselves and otherwise being asked to leave for particular agenda items.

More specifically, in the absence of a clear role for the observer or indeed clear expectations of the Board in respect of Business Handover, we agree that the oversight of business handover planning and implementation would be more effectively undertaken by an appropriately constituted joint group, whose governance can stem from clear Terms of Reference underpinned by agreement or legal instruments such as transitional licence and/or code obligations. Such programme governance has worked effectively elsewhere, such as the implementation of the Switching Programme.

Q15: What are your views on the possible retention of current Sufficiently Independent Directors on the Board of DCC2? What provisions may need to apply to facilitate this?

We agree on the principle of potentially retaining current independent directors on the board of DCC2, but we consider that any such directors must be genuinely independent and, in line with the UK corporate governance code recommendation, that there should be an opportunity for an appraisal of their role including a report on 'the specific reasons why their contribution is, and continues to be, important to the company's long-term sustainable success".

Q16: Do you agree with our proposal that it would be appropriate to remove provision of Centralised Registration Service (CRS) from the DCC Licence and transfer the obligation to the Retail Energy Code (REC) to be delivered by RECCo?

We fully support this proposal. We believe that the transfer of the CRS to RECCo will deliver significant benefits to consumers, industry, and CRS users over time. The transfer will allow for the further alignment of the delivery of Switching with the strategic aims of Ofgem and the REC, and the delivery of other retail market services.

Rationale for the Transfer

There is a clear rationale for both separating the organisational delivery of Switching and Smart Metering by transferring the responsibility for Switching to RECCo, and for separating them at this time.

Switching would be a significant element of the retail market services delivered by RECCo whereas it is only a small element, approximately 5%, of the service required from DCC through its Licence. Placing responsibility for the CRS with RECCo, as a mature organisation with a demonstrated track record of successfully transferring and managing retail market services, would deliver significant benefits to industry and consumers.

The continuing link between Switching and Smart Metering increases the complexity associated with any future transfer of the Smart Meter Communication Licence ('the DCC Licence'). This raises a risk that the operation of the CRS may be impacted by any potential transfer of the the DCC Licence, with resulting potential negative outcomes for users and consumers arising from resource constraints as DCC responds to the re-procurement exercise and any potential transfer of responsibility, as well as the potential lack of understanding of Switching that a Successor Licencee might have.

Our Guiding Principle for Operating the CRS

Our guiding principle for operating the CRS is:

"To operate, maintain and improve a high-quality and reliable Switching service that consistently meets the evolving needs of the retail energy industry, delivering value for money for consumers and industry"

A key component of this is that the service consistently meets the needs of the retail energy industry. This will require both the service and the technology that underpins it to be flexible and able to respond to the demands placed on it as the industry continues to evolve. The foundation on which that flexibility is built must be a highly reliable service. While quantitative elements such as availability and successful switches are critical to the success of Switching, qualitative elements, including management of the service via the Switching Operator role, must also be delivered.

This principle recognises that a high-quality service delivers both financial and non-financial, direct and indirect benefits that are of critical importance to both consumers and industry.

The Benefits for Users, Industry and Consumers of RECCo Delivering the CRS

There are several key advantages of RECCo taking responsibility for the CRS, many of which were outlined in Ofgem's consultation document. These include:

Increased Scrutiny

The current delivery model does not allow RECCo to have any direct scrutiny over the CRS service providers. When the service provider contracts are novated to RECCo this situation will change. RECCo has demonstrated with other services that we take the opportunity to scrutinise in detail our service providers' delivery and drive service improvements.

Streamlined Governance

The current governance model is confusing with shared responsibilities between Ofgem and RECCo. The lack of commercial contracts does not allow the same level of control over service delivery that we have with our service providers. Separating Switching and Smart Metering will enable Switching to be governed under the same streamlined governance model and direct commercial controls that operate for RECCo's other retail services. This will enable decision-making for Switching under the REC to become more effective.

Synergies

Transfer of the responsibility for the CRS to RECCo will bring greater opportunities to realise synergies between the delivery of Switching and other retail market services under RECCo such as the unified control of data. It will also allow us to provide a consistent user experience and implement a service enhancement roadmap which is aligned across the entire retail market and a single technology roadmap and forward work plan to deliver cost efficient and unified digital and technological advancements across the entire service portfolio.

Enhanced Service Delivery

Transfer of the responsibility for the CRS to RECCo will enable benefits over and above those outlined in the Switching Outline Business Case to be realised, for example operational efficiencies in areas such as market entry.

Service Improvement

There are some well recognised operational issues with the Switching Operator role at present which cause difficulty and frustration for end users. These include the incident management process and the delivery of change. With RECCo taking responsibility for the delivery of the CRS these issues can be addressed through improved communications and a more streamlined change process. We will then make full use of the provisions in the service provider contracts to drive a formal process for the continuous improvement of service delivery.

The Transition from DCC to RECCo

We have developed a clear approach for the transition of the CRS from DCC to RECCo which will take place over a Transition Period of 9 to 12 months starting from Ofgem's decision and ending with completion of the handover. This will be followed by a period of enhanced service monitoring.

We have taken a risk-based and value chain analysis approach to understanding how transition will work. This approach has enabled us to gain a full understanding of the components which comprise the CRS, identify the most appropriate transition treatment for each component and build key mitigations into the transition plan.

Our transition plan has been developed using the following key principle:

"Users will experience minimal, if any, impact to the service at the point of transfer".

To achieve this, we will not make significant changes to the systems and processes that underpin the operation of the CRS during the Transition Period and will continue to use all the current CRS Service Providers to maintain continuity of service to industry and end consumers. Then, once we are certain a stable transition has been completed we will look to improve the service. To that end, we will work with REC Parties, CSS Users, existing CRS Service Providers, and the wider stakeholder community to create a Service Enhancement Roadmap that will ensure significant improvements to the CRS considering the views and feedback from industry.

The REC Board will monitor the progress and success of the transition plan against a set of Critical Success Factors which reflect the need to deliver a user-focused and efficient CRS.

The Service Delivery Model

We have given considerable thought to how the CRS will be governed, managed, enabled, and operated post transition. We have defined a proposed Service Delivery Model (SDM) and will consult with Ofgem and the industry over the coming months, prior to a formal decision being made.

The SDM defines the proposed structures and stakeholders involved in delivering the service across governance, management, delivery and support from across RECCo.

The development of the SDM is aligned with our key transition principle of ensuring users experience minimal, if any, impact to the service at the point of transfer. This supports de-risking transition and reducing the likelihood of any negative impacts on users, industry, and consumers at the point of transfer. Accordingly, we are considering a number of options for resourcing the operation of the CRS including:

- Transitioning relevant DCC staff under TUPE;
- Using current RECCo staff;

- Recruiting additional staff into RECCo; or
- Leveraging the skills and capabilities of the REC Code Manager.

In line with the transition principle, the resourcing options will be assessed based on complying with legislation, their ability to minimise the impact on users at the point of transfer, de-risking the delivery of the transition and delivering value for money for the industry.

To support a smooth transition and mitigate against the risk of negatively impacting users at the point of transfer, we will maintain the current CRS structure used by DCC to deliver the CSS which delineates the delivery into the CSS Provider, the Switching Operator Role and the Certificate Authority. The underlying technology and systems which underpin the operation of the CRS will also continue under RECCo. This will be achieved through the novation of the relevant CRS Service Provider contracts.

Q17: What are your views on the considerations we have identified under option 1?

We have taken all the considerations which Ofgem has identified in the consultation document into account in the development of the transition plan and the proposed SDM and we believe that they can all be satisfactorily addressed.

Assurance

The delivery of RECCo's existing services is assured under a governance model which provides independent oversight and assurance through the REC Board and the REC Performance Assurance Board, both of which have members who are independent of RECCo. Bringing the delivery of CRS by RECCo into this model will allow the same level of independent oversight and assurance that is proving satisfactory for industry and stakeholders.

Economies of scale and scope

Transferring the delivery of CRS to RECCo will provide opportunities to deliver economies of scale and scope through the leveraging of RECCo's own existing services and those of the REC Code Manager. For example, we will make use of the existing approach to REC Service Management and the current REC Change Management process to support the delivery of CRS. In addition, the REC Code Manager interacts with several key elements in the delivery of the CRS and these roles will potentially be expanded to take advantage of additional economies of scale and scope.

Contract transfer

We have a demonstrable track record of novating service contracts in the retail market, for example, for Retail Code Consolidation, the Electricity Enquiry Service, the Gas Enquiry Service, and Switching Go Live. We will leverage this experience when novating the CRS Service Provider contracts. When they were agreed, these contracts were required to be capable of being novated and, under the DCC Licence, DCC must make appropriate provision for the transfer or novation of all Relevant Business Assets in relation to the CRS. This will support the smooth transition of the service. We will also work with DCC to build on DCC's relationship with the CRS service providers to ensure a smooth handover of relationship and responsibility.

Contract procurement timeline

Except for the contract for the Systems Integrator (SI), which is currently being procured by DCC, none of the other CRS Service Provider contracts have a hard expiry date prior to 2027. RECCo has line of sight over the current SI contract procurement activities. The major contracts also have the provision for two separate 12-month extensions. This provides further contingency beyond 2027 and allows RECCo sufficient time to inherit a stable service at the point of transfer and then identify potential service improvements before future re-procurements need to commence.

Knowledge retention

Much of the activity associated with the delivery of the CRS is already documented in the REC and the lower level operational documentation and service designs. We will carry out a review of this information as part of the transition arrangements and use it to ensure that all staff involved in future delivery are fully trained. In addition, we have a dual approach to knowledge retention. Firstly, we have commenced discussions with the DCC to identify staff that would potentially transfer to RECCo under TUPE legislation and therefore carry over their institutional knowledge. Secondly, where TUPE is not an appropriate option, we have built provision for knowledge transfer into our transition plan. This will include shadowing three months in advance of the handover and the provision by DCC of in-depth handover documentation. It should also be recognised that the REC Code Manager is already engaged with several elements of the operation of the CRS, and we will leverage their knowledge and understanding in any future operation of the CRS under RECCo.

Impacts of transition

Our intention, reflected in our risk-based approach and transition planning, is to ensure that the impact on users, consumers, and industry is minimal, if any. The main services including hosting of the CSS, system and component integration, Switching Service Management System and Certificate Authority, will all be transferred via contract novation. To mitigate any required changes to the processes and personnel following transfer we have begun facilitating the Switching Stakeholder Advisory Forum (SSAF). The membership of the SSAF includes all categories of user. The SSAF will be used to advise on and review the detailed development of the proposed SDM and the transition plan. We will also produce regular communications to users throughout the transition period to ensure they are fully aware of any changes. Over time, the SSAF will migrate to a CRS Users Forum to provide industry with a voice and input into future enhancements to the CRS.

RECCo response to the Ofgem Consultation: DCC Review Phase 2: Governance and Centralised Registration Service arrangement

16 July 2024

Contents

Executive Summary

Introduction

RECCo has prepared its response to Ofgem's consultation, DCC Review Phase 2: Governance and Centralised Registration Service (CRS) Arrangements including formal answers to the two questions focused on the CRS arrangements, numbers 16 and 17.

We fully support the transfer of the responsibility for the delivery of CRS from DCC to RECCo because we believe this will deliver significant benefits to consumers, industry, and CRS users. The transfer will allow for the further alignment of the delivery of Switching with the strategic aims of Ofgem and the REC and the delivery of its retail market services. We also believe that now is the optimum time to make that transfer because it offers an opportunity to align with the DCC Licence renewal period and realise benefits as soon as possible. In short, there is an opportunity to improve service delivery and the speed of change, increase direct scrutiny of service providers, simplify and streamline governance, enhance service delivery and the potential to deliver synergies and savings.

The purpose of this document is to provide more detailed information in support of our answers to the two questions. It covers:

- Our vision for the CRS;
- The benefits of transferring the CRS to RECCo;
- The future governance model;
- The transition plan;
- The Service Delivery Model for CRS under RECCo.

Our vision for the CRS

Our guiding principle for operating the CRS is:

> *"To operate, maintain and improve a high-quality and reliable Switching service that consistently meets the evolving needs of the retail energy industry, delivering value for money for consumers and industry"*

Meeting this principle will require both the service and the technology that underpins it to be flexible in responding to the demands placed on it as the industry continues to evolve. The foundation on which that flexibility is built must be a highly reliable and transparent service. While quantitative elements such as availability and successful switches are critical to the success of Switching, qualitative elements, including management of the service via the Switching Operator role, must also be delivered. RECCo will deliver a complete end to end solution where 'system' and 'service' are given equal weighting to ensure all the needs of users are met and full benefit is delivered to consumers.

The benefits for users, industry and end consumers of RECCo delivering the CRS

The Benefits for Users, Industry and Consumers of RECCo Delivering the CRS

There are several key advantages of RECCo taking responsibility for the CRS, many of which were outlined in Ofgem's consultation document. These include:

Increased Scrutiny

The current delivery model does not allow RECCo to have any direct scrutiny over the CRS service providers. When the service provider contracts are novated to RECCo this situation will change. RECCo has demonstrated with other services that we take the opportunity to scrutinise in detail our service providers' delivery and drive service improvements.

Streamlined Governance

The current governance model is confusing with shared responsibilities between Ofgem and RECCo. The lack of commercial contracts does not allow the same level of control over service delivery that we have with our service providers. Separating Switching and Smart Metering will enable Switching to be governed under the same streamlined governance model and direct commercial controls that operate for RECCo's other retail services. This will enable decision-making for Switching under the REC to become more effective.

Synergies

Transfer of the responsibility for the CRS to RECCo will bring greater opportunities to realise synergies between the delivery of Switching and other retail market services under RECCo such as the unified control of data. It will also allow us to provide a consistent user experience and implement a service enhancement roadmap which is aligned across the entire retail market and a single technology roadmap and forward work plan to deliver cost efficient and unified digital and technological advancements across the entire service portfolio.

Enhanced Service Delivery

Transfer of the responsibility for the CRS to RECCo will enable benefits over and above those outlined in the Switching Outline Business Case to be realised, for example operational efficiencies in areas such as market entry.

Service Improvement

There are some well recognised operational issues with the Switching Operator role at present which cause difficulty and frustration for end users. These include the incident management process and the delivery of change. With RECCo taking responsibility for the delivery of the CRS these issues can be addressed through improved communications and a more streamlined change process. We will then make full use of the provisions in the service provider contracts to drive a formal process for the continuous improvement of service delivery.

The transition from DCC to RECCo

We have developed a clear approach, supplemented with a detailed plan, for the transition of the CRS from DCC to RECCo. We would commence transition, which will take place over a transition period of 9 to 12 months, starting from Ofgem's decision and ending with completion of the handover. This will be followed by a period of enhanced service monitoring.

We have taken a risk-based and value chain analysis approach to developing our plan and optimum Service Delivery Model (SDM). This approach has enabled us to gain a full understanding of the components which comprise the CRS, identify the most appropriate transition treatment for each component and build key mitigations into the transition plan.

Our transition plan has been developed using a key principle:

> *Users will experience minimal, if any, impact to the service at the point of transfer.*

We do not plan to make any significant changes to the systems and processes that underpin the operation of the CRS and will continue to use all the current CRS Service Providers to maintain continuity of service to industry and end consumers. The transition is effectively a novation of contracts and transfer of role. This minimises any risk and ensures continuity of service.

Assuming the obligation for the running of the CRS is, initially, focused on maintaining the current operation. Once established we will focus on improving it going forward. To that end, we will also work with REC Parties, CSS Users, existing CRS Service Providers, and the wider stakeholder community to create a Service Enhancement Roadmap that will ensure significant improvements to the CRS considering the views and feedback from industry.

The REC Board will monitor the progress and success of the transition plan against a set of Critical Success Factors which reflect the need to deliver a user-focused and efficient CRS.

RECCo's Service Delivery Model

We have developed our outline SDM for the delivery of the CRS under RECCo. We have carried out detailed analysis over the last few months to develop a model for how the CRS will be governed, managed, enabled, and operated under the REC. The SDM defines the proposed structures and stakeholders involved in delivering the service across governance, management, delivery and support from across RECCo.

The development of the SDM is aligned with RECCo's key transition principle of ensuring users experience minimal, if any, impact to the service at the point of transfer. We have assessed the options available to RECCo to resource the operation of the CRS under the SDM, including:

- Transitioning relevant DCC staff under TUPE;

- Using current RECCo staff;

- Recruiting additional staff into RECCo; and

- Leveraging the skills and capabilities of the REC Code Manager.

In line with the transition principle, the resourcing option chosen by RECCo will be assessed based on complying with legislation, its ability to minimise the impact on users at the point of transfer, along with de-risking the delivery of the transition and delivering value for money for the industry.

To support a smooth transition and mitigate any risk of negatively impacting users at the point of transfer we will maintain the current CRS structure operated by DCC which comprises the CSS Provider, the Switching Operator and the Certificate Authority. We will also continue to use the underlying technology and systems which underpin the operation of the CRS. This will be achieved through the novation of the relevant CRS Service Provider contracts.

Conclusion

In summary, this document demonstrates why there is a compelling reason to transfer responsibility for the CRS to RECCo and why now is the optimum time to make that change.

The transfer of responsibility to RECCo will bring benefits including:

- Increased scrutiny of the service providers' delivery to drive service improvements;

- Streamlined governance to enable decision making for Switching under the REC to become more effective;

- Synergies with other retail market services delivered by RECCo to provide a platform for change and contribute to the energy industry's move to decarbonisation;

- Enhanced service delivery to enable benefits over and above those outlined in the Switching Outline Business Case to be realised, for example operational efficiencies in areas such as market entry; and

- Service improvements, by addressing operational issues with the Switching Operator role which currently cause difficulty and frustration for end users, for example, the incident management process and the delivery of change.

The transfer can be achieved with minimal, if any, impact on the service at the point of transfer. We have taken a risk-based and value chain analysis approach to defining how transition will work. This has enabled us to identify the most appropriate transition treatment for each component of the CRS and build key mitigations into the transition plan. We have already started to engage stakeholders in the transfer process through an Advisory Forum which we will run throughout the transition to enable users to engage in the development of the future Service Delivery Model and the transition plan and raise any concerns they may have.

Transferring the CRS in September 2025 will be optimal because it would take place before Market-wide Half Hourly Settlement goes live and de-risks the DCC Licence renewal process by allowing bidders to focus on their approach to delivering Smart Metering. The transfer also provides the best opportunity to separate the Switching service from Smart Metering and thus realise all that Ofgem and industry envisaged for the new faster, more reliable Switching service, including:

- Priority Services Register improvements through using better address data;

- An approach to address quality monitoring which focuses on the benefits to users arising from improved address quality;

- Reduction in the level of erroneous transfers;

- Better integration with Third Party Integrators;

- Data quality improvements through triangulation against an additional dataset; and

- Increased championing of Switching through supporting consumers to get the best deal by highlighting potential savings and publishing consumer focused information.

RECCo's vision for the CRS

The importance of Switching

Effective competition, combined with price protection for those who need it most, is central to ensuring that energy markets work in the interest of consumers. Competition benefits consumers by incentivising energy Suppliers to be more efficient and find better ways of providing the services that customers want at lower prices. In its Switching OBC, Ofgem set out its belief that fast and reliable switching enabled by the CRS is a necessary condition for achieving effective competition in the retail market.[1]

Not only is Switching a key enabler of Market-wide Half-hourly Settlement (MHHS) but there are several key industry initiatives, such as improving address data quality for consumers, that enable the improvement of key services like the Priority Services Register (PSR). Additionally, better engagement in the competitive market is also likely to lead to improved smart meter adoption as consumers begin to see improved tariff offerings based on smart meter installation that they can switch quickly and reliably to.

Switching, as a key component of the pathway to the future energy market within Great Britain, should be considered as part of the market's infrastructure. Fast and reliable switching is also important in the context of achieving national Net Zero targets. If consumers cannot switch reliably to Time-of-Use (ToU) tariffs, there is a risk that they will not engage with and react to improved price signalling. This will delay or stall the demand side response required for Great Britain to achieve Net Zero.

As such, it is critical to both consumers and the wider industry that the Switching Arrangements are delivered in a way that is user focused, continuously improving, and successfully and consistently delivers excellent outcomes for the industry. We do not believe that this is the case currently. The current operation of the CRS has significant deficiencies, specifically in the role of the Switching Operator.

A later section outlines the benefits of RECCo ownership, but these benefits must be seen as improvements in the context of the current operation. Issues such as ineffective Incident Management, poor engagement with industry, and the slow and costly delivery of change are all indicative of the CRS not being a priority service for the incumbent provider. By transferring responsbility to RECCo, we can ensure that Switching is given the appropriate focus, attention, resources and expertise to properly realise the benefits of the service for users, industry, and consumers.

Alignment between RECCo and Ofgem

Making RECCo responsible for the delivery of the CRS will allow it to take strategic, future-focused decisions. We will work with Ofgem and end users on the enhancement roadmap and investment areas which will allow the CRS to achieve its intended consumer benefits. Management of the CRS will constitute a significant part of RECCo's responsibilities and be driven by RECCo's purpose, thus focusing Switching closely on the achievement of Ofgem's strategic aims of:

• Shaping a retail market that works for the consumer;

• Enabling infrastructure for Net Zero; and

• Establishing an efficient and flexible energy system.

RECCo's mission statement is:

> *"The REC will facilitate the efficient and effective running of the retail energy market, including its systems and processes. It will promote innovation, competition, and positive consumer outcomes."*

The focus on consumer outcomes is ensured through the objectives of the code, the makeup of the REC Board, and in the contracts for the Enquiry and Code Manager Services procured by RECCo.

Through its mission statement and strategic aims, values, and principles, RECCo promotes the following outcomes:

• Delivering consumer benefits;

• Proactively identifying efficiencies and innovations that will support competition;

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1   Ofgem (2018), Switching Programme: Outline Business Case, p. 6. https://www.ofgem.gov.uk/sites/default/files/docs/2018/02/switching_programme_ outline_business_case_and_blueprint_phase_decision.pdf

- Ensuring services are efficient and economic; and
- Promoting change, efficiencies and innovation that contribute to the energy industry's move to decarbonisation.

Consistent with delivering these outcomes and the position of Switching within the retail energy ecosystem, RECCo's operating principle for the CRS is:

> *"To operate, maintain and improve a high-quality service that consistently meets the needs of the retail energy industry, and achieves value for money for consumers and industry".*

This objective recognises that a high-quality service delivers both financial and experiential benefits that are important to both consumers and industry.

Furthermore, RECCo's operating model is already aligned to the core principles Ofgem has identified for the new DCC Licence[2], allowing the CRS to be delivered in line with these principles, as illustrated in the table below.

Focus of change in core principles	How RECCo aligns
Future role of the DCC	
• More stakeholder-led governance process for the evolution of DCC's Mandatory Business in response to future uncertainty. • Provision of future additional services assessed on a case-by-case basis subject to stakeholder views.	• The REC Change Process allows all stakeholders including consumers, not just REC Parties, to propose changes, which are assessed independently of RECCo. • New REC Services must go through the REC Change Process and are subject to full industry impact assessment. Changes are only progressed if they demonstrate a positive outcome.
Governance	
• Shift towards an independent DCC Board but with routes to accountability, e.g. appointment process. • Refocus in service delivery and performance for the benefit of customers and ultimately consumers.	• RECCo Board is wholly independent, with members appointed and removed through REC Party vote. • RECCo Board is accountable to the REC Parties, not REC shareholders. • REC ensures provision of service to the Service Recipients with service definitions enshrined within the REC.
Cost Control	
• Shift towards an upfront approval of costs. • Strong customer engagement element to ensure consultation and scrutiny. • Core Mandatory Business to be provided on a not-for-profit basis.	• RECCo is required to agree its budget in advance with REC Parties. • RECCo is a not-for-profit organisation. • REC Board required to consult on its strategy and budget and to consider all comments received. • REC Parties can appeal the budget to Ofgem.

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2 Ofgem (2023), DCC Review Phase 1 Decision, p. 14. https://www.ofgem.gov.uk/sites/default/files/2023-08/DCC_Phase_1_Review_decision.pdf

Our guiding principle for Operating the CRS

A key component of RECCo's objective for Switching is that the service consistently meets the needs of the retail energy industry. This will require both the service and the technology that underpins it to be flexible and able to respond to the demands placed on it as the industry continues to evolve.

The foundation on which that flexibility is built must be a highly reliable service. While quantitative elements such as availability and successful switches are critical to the success of Switching, qualitative elements must be delivered. This includes management of the service via the Switching Operator role; including management of incidents, delivery of fast and effective change to the system, and managing the relationships with and the performance of the CRS Service Providers. Improvement in the operation of the Switching Operator role will be RECCo's initial focus, seeking to ensure that the technology and systems which underpin effective switching are delivered in accordance with industry's expectations.

Engaging consumers in Switching

The introduction of faster, more reliable switching was expected to lead to increased consumer engagement in the market, as outlined in the Switching Full Business Case (FBC).[3] However, persistent volatility in the market and the supplier price caps have impacted on switching volumes. This has limited levels of consumer engagement with Switching to date.

However, emerging market stability and the greater availability of TOU tariffs enabled by the MHHS Programme should support an increase in Switching volumes and the emergence of new business models. As such, the ability to drive consumer engagement will be a key factor in the market in the coming years. Placing responsibility for CRS with RECCo will allow us to address operationl issues to ensure stability of service in preparation and for a more consumer-focused view to drive the continuity and improvement of the service when switching volumes increase.

Consumer analysis, conducted during the Switching Programme, noted that while saving money is a key driver for consumers to switch providers, it is often not enough to engage them in the process. Consumers who have never switched may not be aware of Switching, perceive it as too difficult, or do not believe that the benefits outweigh their natural inertia or loyalty to their current supplier, whilst consumers in debt may be prevented from switching by the losing supplier. Overall, it must be recognised that different engagement strategies will be required for different consumer groups.

There are several potential interventions to help address these barriers and underlying issues that prevent consumers from switching, all of which can help drive increased engagement. Some of these interventions are outlined below in Figure 1.

| INTERVENTION		DESCRIPTION
INDUSTRY-LED		
1	Education	Industry-wide campaign on the energy industry and the benefits of switching.
2	Language	Simplify the language used in the industry and focus on providing translations to reduce the language barrier.
3	Digital Channels	Make increased use of digital channels to involve the digitially literate.
4	Community Support	Use community partnerships and charities to support the vulnerable.
5	Accessible Switching	Improve accessibility of communications and switching process for vulnerable consumers.
6	Tailored Offerings	Develop offers tailored to specific consumer groups, such as the elderly.
REGULATORY SUPPORT		
7	Vulnerability	Define vulnerability in ways to trigger more tailored support.
8	Benefits Transfer	Consolidated service to facilitate the transfer of benefits
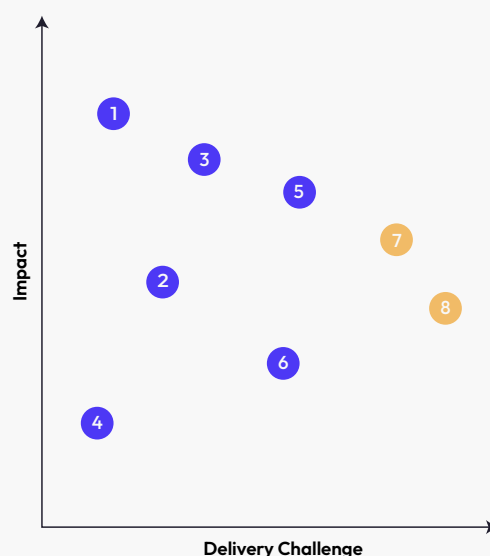
Figure 1: Potential interventions to increase consumer engagement

3 Ofgem (2019), Switching Programme: Full Business Case, p. 4. https://www.ofgem.gov.uk/sites/default/files/docs/2019/05/switching_programme_full_business_case.pdf

The greatest impact of the potential interventions will come from adjusting the consumer journey to focus on engagement, both through education and the use of tailored offerings and sales channels to specific consumer groups, such as the vulnerable or those in debt. With its dedicated consumer focus in retail energy, RECCo is ideally placed to drive increased consumer engagement in Switching.

Future Direction

The direction which Switching might take in the future is uncertain. To provide the level of clarity required to the industry, it is important for RECCo to have control of strategic decisions and future planning to be able to adapt to the changing nature of industry needs. A direct contract between RECCo and the CRS Service Providers, along with the ability to amend, review, monitor and enforce their performance will ensure a timely approach is taken to evolving industry and consumer-focused needs. With the correct level of control over CRS delivery and future change, RECCo will be best able to deliver service enhancements that not only keep pace with but also facilitate market developments and improve the CRS for users, industry, and consumers.

It is important to note that there are elements of the CRS which deliver a good and reliable service to the industry, specifically the operation of the CSS. However, as has been noted, the delivery of the Switching Operator role raises significant issues with industry. RECCo will prioritise enhancements to this role, before looking at the enhancements to the underlying CSS technology.

RECCo will maintain a Service Enhancement Roadmap that is integrated with a prioritised roadmap for the development of services across the entire retail market. This roadmap will cover both solution and technology developments and be focused on meeting Ofgem's strategic aims.

By reviewing, prioritising, and updating this roadmap regularly RECCo will be better able to respond to any future change in market conditions or technological developments that could impact the future development of Switching. Some of these possible developments are outlined below:

Electric vehicles

Electric vehicles are a major component of the decarbonisation agenda. Consumers charging their vehicles at home will potentially seek a different, cheaper off-peak tariff for charging. Consumers charging their vehicles at public charging points may want to have an account that allows them to pay for charging from their account rather than at the charging point. Therefore, the future CRS needs to be able to handle multiple tariffs to the same delivery point.

Service-based, low carbon energy systems

These are part of an efficient, flexible energy system that makes use of multiple suppliers, potentially being used concurrently and providing different tariffs to different, individual devices within one home using dynamic ToU tariffs. Like electric vehicles, this would require the CRS to be able to handle multiple tariffs to the same delivery point.

Automated switching providers

These services allow consumers to sign up and be switched automatically when the automated switching provider identifies a better tariff. This removes one of consumers' most common objections to switching, which is the time and effort required to switch. The benefit to consumers is regular savings on their energy bills from switching. Automated switching is a component of a retail market that works for consumers. Significant use of automated switching providers would increase the volume of switches that the CRS would be required to handle.

Intra-day switching

This was one of the scenarios that formed part of the future-proofing requirements in the procurement of the CSS Service Provider. This is again linked to the use of multiple tariffs and would enable the move towards a service-based energy system.

Benefits

The Switching OBC identified a range of direct and indirect benefits to both consumers and industry that would arise from the introduction of faster, more reliable switching.[4] It expected that the successful operation of Switching would enable the delivery of these benefits, irrespective of provider. However, RECCo is better placed to deliver the benefits to consumers as it is central to our mission statement. We will provide the relentless focus required to ensure that the benefits outlined in the Switching OBC are not only realised but go further to drive additional benefits to consumers and industry through cost savings and a stronger, faster drive to innovation.

In its consultation document, Ofgem identified the benefits that it expects to realise from transferring the CRS from DCC to RECCo, including:

> *"Governance and decision-making will be streamlined, allowing industry to have greater influence on the delivery of the service".[5]*

Transferring the CRS to RECCo will enable this benefit to be realised since:

- RECCo will be able to explore options for service enhancements and address them directly with the CRS Service Providers;

- RECCo will be able to speed up the delivery of change;

- Cost savings, such as removing potential duplication of effort and driving efficiencies within the Switching Operator role, can be realised; and

- More effective communication and management of incidents, should they occur, as noted in RECCo's Major Switching Incident Review Report.[6]

In addition to these benefits, RECCo anticipates the delivery of additional benefits across:

- Direct and indirect financial savings;

- Improvements to the Switching service; and

- Improvements to retail market services.

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4   Ofgem (2018), Switching Programme: Outline Business Case. https://www.ofgem.gov.uk/sites/default/files/docs/2018/02/switching_programme_outline_business_case_and_blueprint_phase_decision.pdf

5   Ofgem (2024), DCC Review Phase 2: Governance and Centralised Registration Service arrangements, 6.16, p. 73.. https://www.ofgem.gov.uk/sites/default/files/2024-05/2024.05_Governance_and_switching_consultation_final.pdf

6   RECCo (2023), RECCo Major Switching Incident, Review Report – Detailed Report. https://www.retailenergycode.co.uk/fs/wp-content/uploads/2024/01/P1-Review-Final.pdf
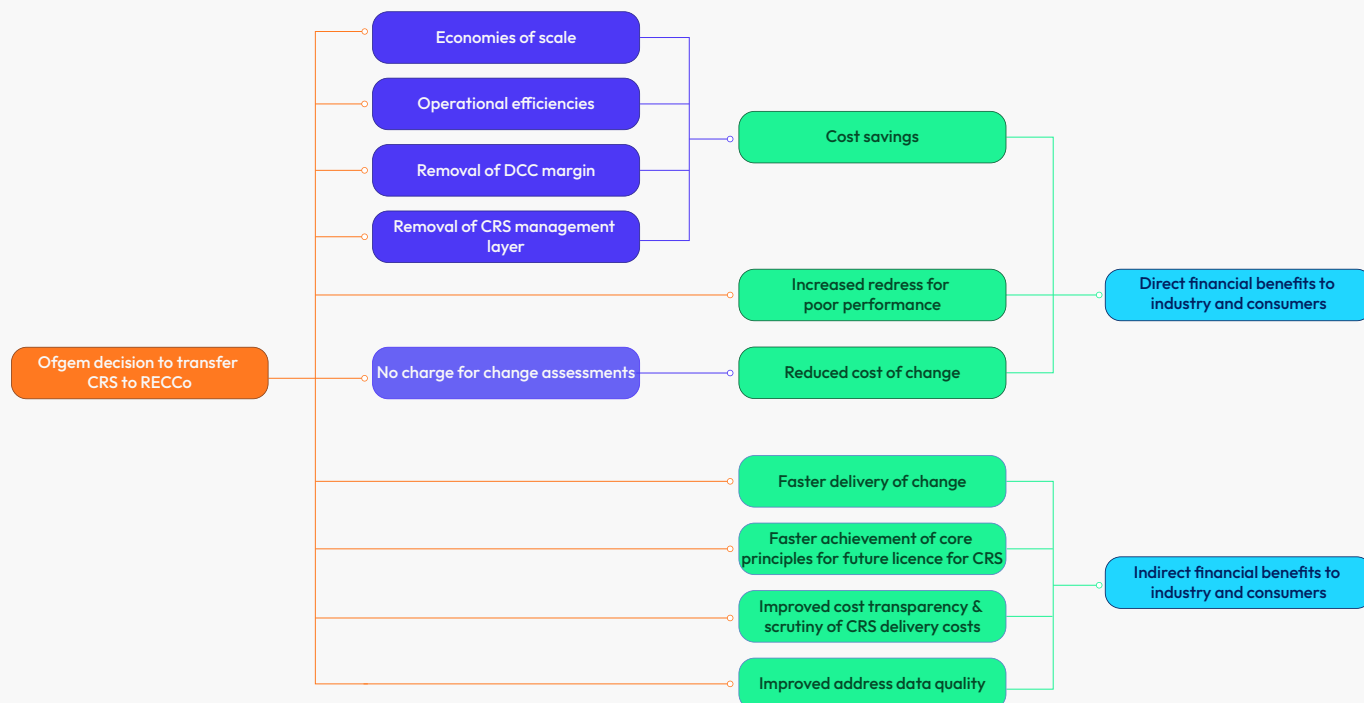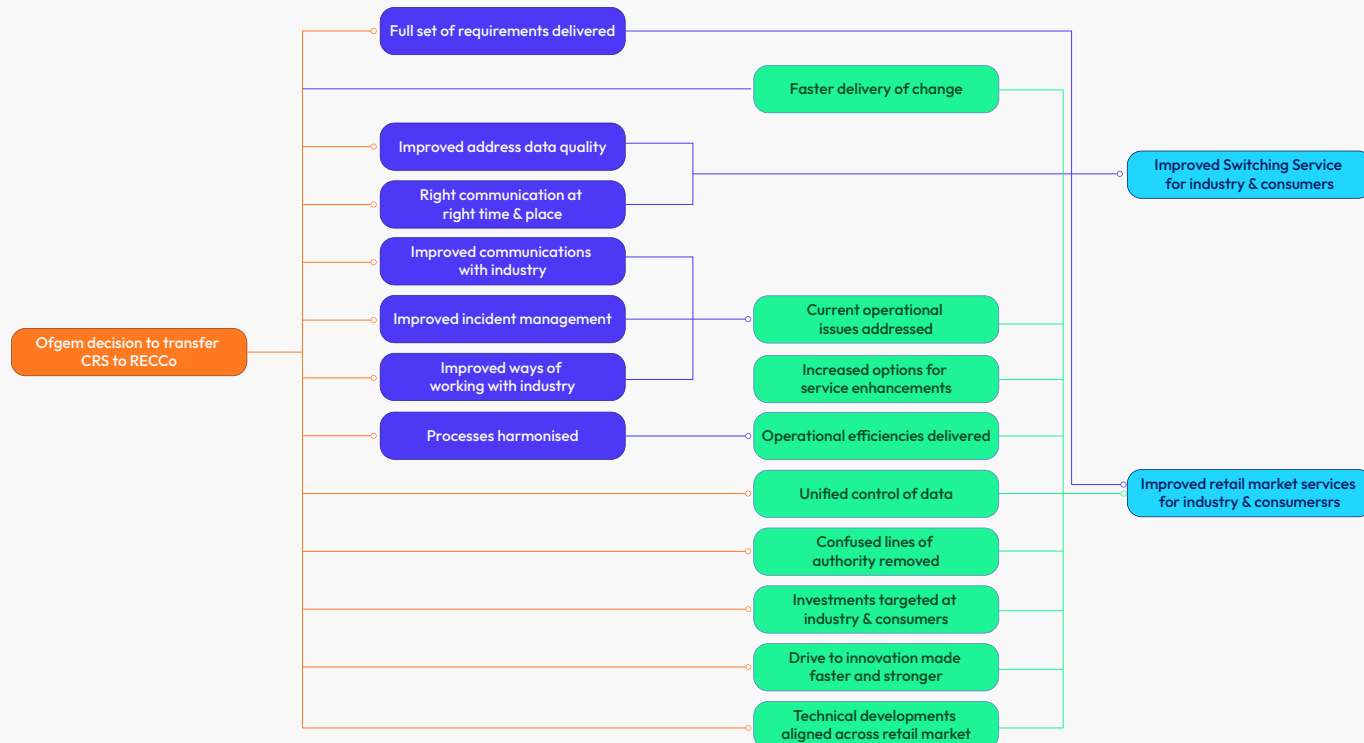
Figure 2: Direct and indirect financial savings

Figure 3: Benefits derived from improvements to the Switching Service

Financial savings

Cost savings

Economies of scale and scope: RECCo will deliver savings by leveraging the capabilities already present within RECCo to deliver its existing services and by unifying retail market services under one single management.

Operational efficiencies

Development of the SDM has identified several ways in which potential savings could be made through the removal of duplication of effort. Our value chain analysis has also allowed RECCo to understand which elements of the Switching Operator role deliver value based on the real-world operation of the service. This has developed our understanding of which elements are critical to delivery and maintenance, and which can be improved to deliver greater cost effectiveness.

Additional DCC management layer

For some components within the CRS value chain, DCC as the Switching Operator represents an additional management and triage layer, as seen in the REC Change Management process where DCC consolidates impact assessments from the CRS Service Providers before passing them into the change process managed by the REC Code Manager Technical Services (RTS). Under RECCo, impact assessments can be passed directly from the CRS Service Providers to RTS, removing the need for an additional, facilitative layer.

Increase redress for poor performance

In the Transition Plan Section we go into detail on the deficiencies with the current governance model and the impact this has on holding CRS Service Providers to account. Under the proposed governance model, RECCo and industry will have greater powers to hold the CRS Service Providers to account for performance through the contract management process. RECCo has demonstrated a track record of working and evolving our commercial relationships to improve performance, address operational issues, and deliver cost savings for industry. When we have taken responsibility for services, we have used our new commercial leverage with Service Providers to hold them to account.

We value our Service Providers' performance highly and want to develop a relationship and reward structure which incentivises them to deliver together with robust contract management. Where necessary, and where performance does not meet expectations, we will recover costs through service credits. This can be seen in the significant reduction in the level of service credits recovered from existing RECCo Service Providers in the current Regulatory Year over the £1m recovered in 2022/23 because of much improved performance.

Reduced cost of delivering change

A direct relationship with CRS Service Providers is expected to improve communication, reduce rework, and improve the quality and timeliness of impact assessments. Combined this is expected to deliver CRS change more quickly and efficiently, reducing costs yielding financial as well as operational benefits.

Indirect financial benefits

Faster delivery of change

The current speed of delivering change is slow and leads to negative outcomes for consumers and industry. It is impacted by both the existence of the DCC layer and the performance of the CRS Service Providers. Removal of the DCC layer will bring immediate benefits through enabling the faster delivery of change. If the CRS Service Providers are not delivering to the contract timescales for change delivery, RECCo will hold them to account – enabled through direct contractual control. However, if contracts do not align to the current REC Change Timescales, RECCo will seek to change the contracts through change control.

We will address this by engaging directly with the CRS Service Providers and using the REC Code Manager to provide insight and membership of a Solution Design Authority (SDA) for the CRS rather than having to work through a third party, DCC. This will remove several additional and time-consuming steps from the process thus speeding up change driven by industry or regulatory requirements. The revised process will be fully embedded before there is a potential increase in the level of change requests due to increased switching volumes.

Improved cost transparency and scrutiny over CRS delivery costs

We will leverage the existing capabilities used to deliver our current service portfolio, for example the REC Service Desk and the REC Change Management function, to realise improved, holistic, and consumer-focused efficiencies in cost control. Any such savings will be passed directly back to industry, in alignment with the REC and our not-for-profit model.

Improved address data quality

As identified in the OBC, there are significant benefits to be realised from improved address data quality. We recognise that both before and since Go Live DCC has been focusing on matching addresses to Ordnance Survey's AddressBase Premium database. Going forward we believe there are other components of address data quality which should be tackled, such as the age profile of mis-matched addresses. This additional focus will support the achievement of further financial benefits to industry.

An improved Switching Service

There are significant improvements which can be made in the Switching Operator role which does not operate as effectively as designed or required. As a result, when issues do arise with the CSS, they are not effectively managed, with incidents remaining unresolved for extended periods of time. The impact of these issues has, to some extent, been masked by a demand for switching that has been lower than expected due to market conditions.

Stakeholders have recognised this, highlighting historic issues that are still not resolved, for example, missing messages and registrations have been an ongoing and persistent issue since Go Live. Additionally, at Go Live DCC noted it had 42 missing registrations from the data transfer from Distribution Network Operators (DNO) to the CSS that took place in 2022. This issue was ongoing until Q3 of 2023, after DCC de-prioritised its resolution. In addition, in a recent survey, Stakeholders gave DCC an average rating of 2 on a scoring of 0-4 for incident management, meaning there are a few material and some minor areas of concern.

These issues need to be addressed with a clear focus on resolution of incidents, ensuring the accuracy of data held in central systems coupled with clear and transparent communication with market participants. In addition to improved communications, there are several significant ways in which transferring the ongoing operation of the CRS to RECCo will deliver operational improvements across Incident Management, improving ways of working with industry, enhancing the service, and improvements across all retails services. These are outlined in more detail below.

Incident Management

RECCo's priority will be to address issues which have the greatest impact on consumers and industry currently. The most significant of these issues is in incident management. The management of incidents under the current arrangements heightens the risk of negative impacts on consumers and industry, as demonstrated in the Major Switching Incident which occurred in July 2023.

A full account of this incident and the associated outcomes is presented in the Case Studies section. RECCo will take full responsibility for incident management and ensure that those managing any incident have a full understanding of the impact of such incidents on the end-to-end industry processes and give sufficient weight to external impacts when deciding on the solution to implement to fix the underlying issue, both of which were missing in the way the July 2023 incident was handled. We will also set up a Major Incident Management Resolution Group including representatives of the CRS and other retail services service providers and the REC Code Manager to manage such incidents and the resolution of all post-incident impacts.

As Switching Operator, DCC is responsible for all aspects of incident management, including identification, accurate classification, effective resolution, and communication to industry. The July 2023 incident had a direct impact on consumers whose switches had failed; they were confused over who to contact with any issues, including topping up prepayment meters, which could have led to loss of supply, and general billing issues. The lengthy delay in understanding the root cause and development of an effective solution led to energy suppliers feeling ill informed, affecting what they could do to help their customers, and unable to meet their Licence requirements. They also incurred resource, time, and financial costs. DCC failed to meet its obligations in terms of communication with industry and RECCo was required to step in and communicate directly with industry regarding the impacts of the incident and the steps towards resolution. Furthermore, the time it took to agree a resolution plan was 22 days and final resolution of the incident, when the final reconciliation process was complete, took 66 days compared to the SLA target resolution time of 4 hours for a P1 incident.

Since the P1 incident, RECCo has taken several key steps to improve its own processes regarding incident management. These include:

- Raising a Change Proposal to include a requirement for the DCC in its role as Switching Operator to provide end-consumer appropriate information for REC and non-REC Parties to use to determine communication and action for their consumers.

- Proposing a change to the REC to clarify the Switching Operator's broader obligations to assess incident impact on the wider Switching Arrangements.

- Proposing the development of a cross-code working group to consider the cross-code implications of a future Major Switching Incident.

- Reviewing the Terms of Reference and membership of the Switching Change Advisory Board (CAB) so that it might be convened to make decisions on similar incidents should they occur in the future.

All these steps highlight the seriousness with which RECCo takes its role with regard to incident management. This would continue under any situation where RECCo was the future owner for the CRS.

Furthermore, RECCo responsibility for Incident Management would bring the process for incident resolution into the wider retail services ecosystem. This would enable a single coordinated approach to resolution across retail service providers and leverage wider REC Code Manager communication channels.

Improved ways of working with industry

RECCo maintains direct and regular engagement with industry parties and has a demonstrable track record of getting industry to collaborate to deliver benefits and outcomes for consumers, including using the Operational Account Managers (OAM).

This ability to engage, listen to and influence industry to deliver action presents significant opportunities to drive operational enhancements of the CRS that will align with Switching requirements. For example, although DCC met the Go Live REL Address data quality threshold set by Ofgem, it has not met subsequent targets, with no clear, long-term plan to improve the REL Address data quality. The 2024/25 DCC Address Quality Plan focuses on engagement with industry to investigate and resolve potential issues. However, experience to date does not suggest that DCC will be able to effectively work with industry to drive performance improvements. Our direct link to the REC Performance Assurance Framework (PAF) will provide greater incentives on market participants to improve address data quality with increased engagement delivered via the REC OAM function.

As has been discussed in relation to change management and incident management, one of the root causes of the operational issues most impacting consumers and industry today is poor engagement and communication, both between DCC and its Service Providers, and between DCC and industry. After discussions following the July 2023 incident, multiple stakeholders have indicated that the engagement, communication, and relationship management are flawed. Stakeholders specifically mentioned the quality of communication to and from the Switching Service Desk, and the poor quality of information provided on the Service Management Portal. In contrast, the OAMs provide a clear point of contact and a route for stakeholder communication on key issues affecting the market.

The wider context of regulatory change in the industry must also be considered. RECCo has a demonstrated track record of working closely with regulatory change initiatives to deliver changes to its services to drive value for consumers.

RECCo was able to drive an equivalent change to the Electricity Enquiry Service (EES) to support the increased volume of messages to be processed during MHHS migration. As a directly contracted REC Service, the change to the EES was not subject to the REC change process, with changes agreed bilaterally between RECCo and the EES Service Provider as part of a contractual change, aligned to the industry approved MHHS design.

Increased opportunities for service enhancements

We will use the new commercial relationship with the CRS Service Providers to expand and streamline our ability to review, monitor, amend and enforce the Service Level Agreements (SLAs) required by industry to ensure a consistently reliable and continually improving service. We will review the current SLAs in place to understand why expected service standards are not being met by the incumbent providers. RECCo will transparently either ensure that service provider contracts are amended to meet SLA requirements or, where this is not economically feasible, look to amend these SLAs to drive an enhanced service for users and consumers.

Improved retail market services

Transferring responsibility for the delivery of the CRS to RECCo will allow for efficiencies and effective competition for consumers to be realised. This will provide RECCo with the ability to prioritise, control and incentivise the CRS delivery. Coupled with this, RECCo will also seek to leverage the efficiencies of the REC Service Desk and Change Management function, which will further minimise any differences in consumer experiences, enhance efficiencies and allow for improved service harmonisation under the REC. Benefits will be realised from many of the same sources as will deliver improvements to the CRS.

Bringing CRS more clearly into the end-to-end retail regulatory landscape will operate in the interests of consumers and industry, see Figures 4 and 5. Whilst there is a clear need for retail services to interact with both smart metering and electricity and gas settlements, this is managed through defined interfaces and clear governance lines of responsibility. Each area of energy market regulations has its own priorities and objectives supporting relevant industry systems and processes. For example, the Balancing and Settlement Code (BSC) and Uniform Network Code (UNC) focus on accuracy of settlement and therefore robust arrangements for allocating costs between market participants.

Similarly, the Smart Energy Code (SEC) focuses on collection of data from smart meters and is categorised as Critical National Infrastructure based on the need for robust, impenetrable security arrangements, the level of which is not applicable to the industry mechanism for exchanging data within the retail market. Transferring responsibility for the CRS to RECCo alongside other retail services will remove the current blurring of responsibilities and enable change to focus on better facilitation of REC objectives.
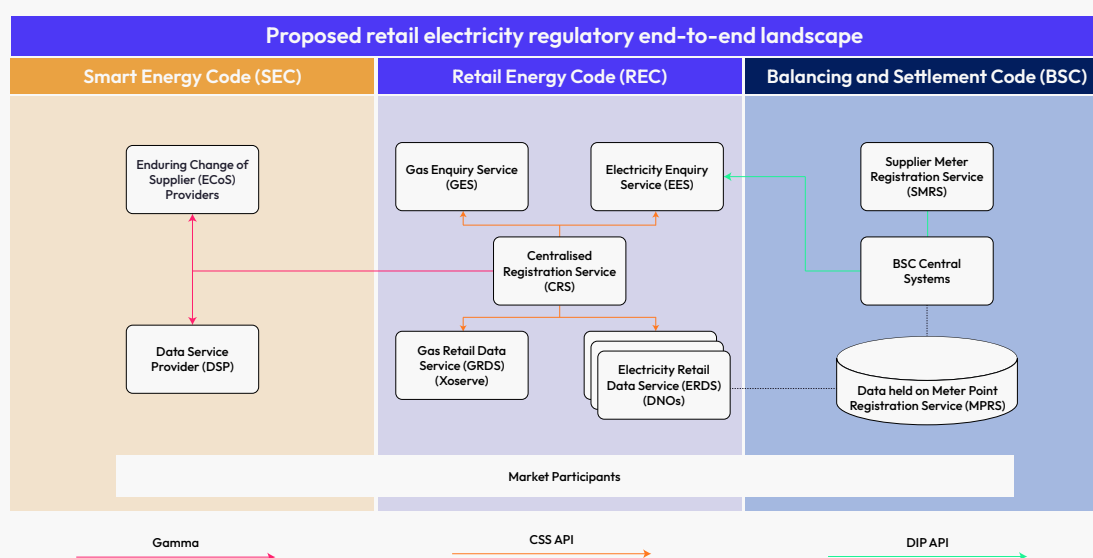

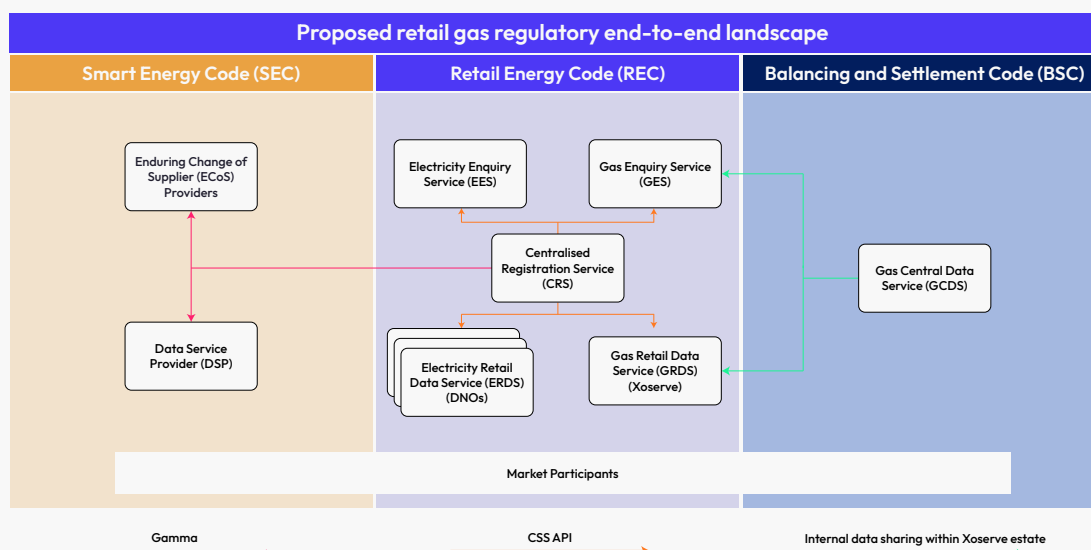*Figure 4: Proposed retail electricity end-to-end regulatory landscape*

Figure 5: Proposed retail gas end-to-end regulatory landscape

Other

Operational efficiencies

Value chain analysis has supported the understanding of which elements of the Switching Operator role are critical for improvements to the service. For example, by taking overall responsibility for CRS entry assessment, we will be able to bring together all elements of the REC market entry process under a single point of contact, delivering benefits to industry and promoting greater competition.

Unified control of data

Bringing the control of Switching data under one organisation will make it possible to make greater use of multiple, related data sets for wider consumer benefit. For example, the efficient, and combined, data management and utilisation of the CRS in combination with the EES and GES will provide a centralised viewpoint and the ability to create a central Registration Model which can avoid data fragmentation and improve validation and efficient use of the services.

This can also be further explored to improve consumer outcomes by using consumer profiles to support improvement to items such as demand side response and better supporting vulnerable consumers.

Improved lines of authority

As discussed in the section on Governance, the proposed future governance structure will enable improvements to the Switching service.

Investments targeted at industry and consumers

We have a single focus when deciding where to target investments in services to deliver benefits to industry and consumers. All future investments in the CRS will therefore have the objective of benefitting industry and, ultimately, consumers.

Drive to innovation made faster and stronger

We will develop a service enhancement roadmap which is aligned with that across the entire retail market which will result in an increased drive towards innovation due to the CRS being seen in the context of the whole retail market.

Technical development aligned across the retail market

We will be able to align the CRS technical services to the other technical services within the RECCo catalogue meaning that CRS will be included in the REC technology forward workplan and change roadmap. This will result in cost efficient and unified digital and technological advancements across the entire service portfolio.

Benefits realisation

Experience shows that benefits are generally only realised to their full extent if there is active management of a plan to achieve the benefits. Based on the benefits maps illustrated earlier (Figures 2 and 3), we have created an initial view of the actions that will be required to realise each of the potential benefits identified. We will refine this logic over the transition period to create a benefits realisation plan which will be put in place for action following completion of the handover.
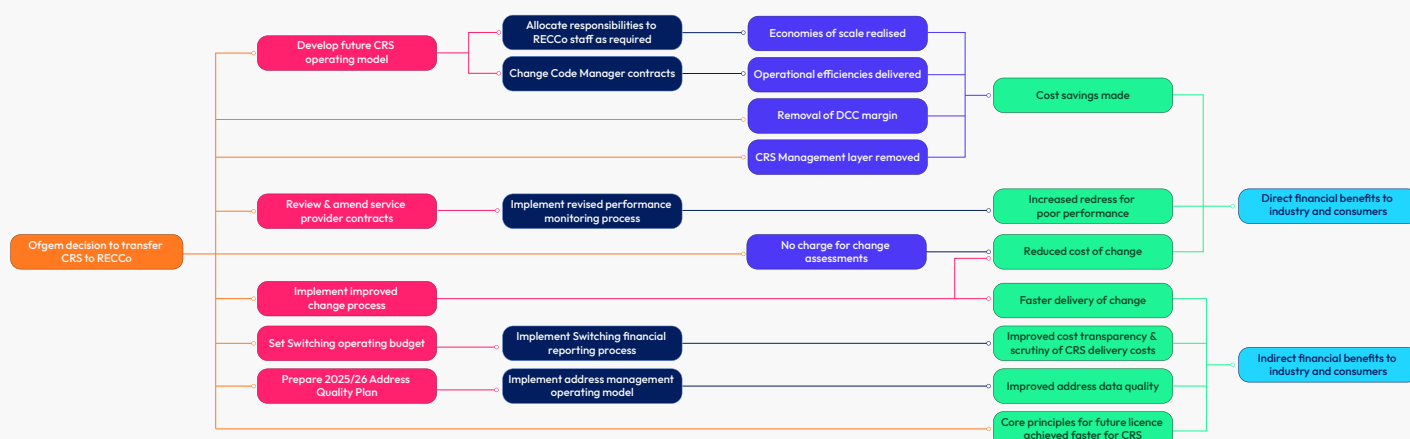

Figure 6: Benefits logic map

Future Governance

In the consultation document, Ofgem identified that a benefit of transferring ownership of the CRS from DCC to RECCo was that

> *"Governance and decision-making will be streamlined, allowing industry to have greater influence on the delivery of the service".[7]*

RECCo agrees with this statement, based on the unsatisfactory nature of the current arrangements which make for sub-optimal management of the service and confusion for REC Parties.

Current and proposed governance models

The current governance arrangements

The current CRS governance arrangements, developed before RECCo was established, result in unclear lines of authority for the delivery of CRS making for sub-optimal management of the service. As can be seen in the left-hand side of Figure 7, responsibility for the CRS sits with DCC.

As a result of this, DCC has code obligations to the REC. RECCo, through the REC PAF provides assurance through the REC Code Manager Performance Assurance function (RPA) for the service delivered by DCC as a REC Party. This leads to confusion amongst REC Parties because DCC delivers services as a Licenced Party which accedes to the REC and not as a directly contracted Service Provider to RECCo, which is the case for all other REC services.

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7   Ofgem (2024), DCC Review Phase 2: Governance and Centralised Registration Service arrangements, 6.16, p 73. https://www.ofgem.gov.uk/sites/default/files/2024-05/2024.05_Governance_and_switching_consultation_final.pdf

The lines of authority are further blurred as DCC owes its Licence duties to Ofgem which regulates DCC's overall performance through price control and Licence enforcement powers. This means that Licenced activity, and its owners, take precedence over other controlling powers. As a result, RECCo's powers to hold DCC to account are limited.

Were RECCo to have direct responsibility for operation of the CRS, governance would be simplified, and confusion removed. This is illustrated in the right hand side of figure 7.
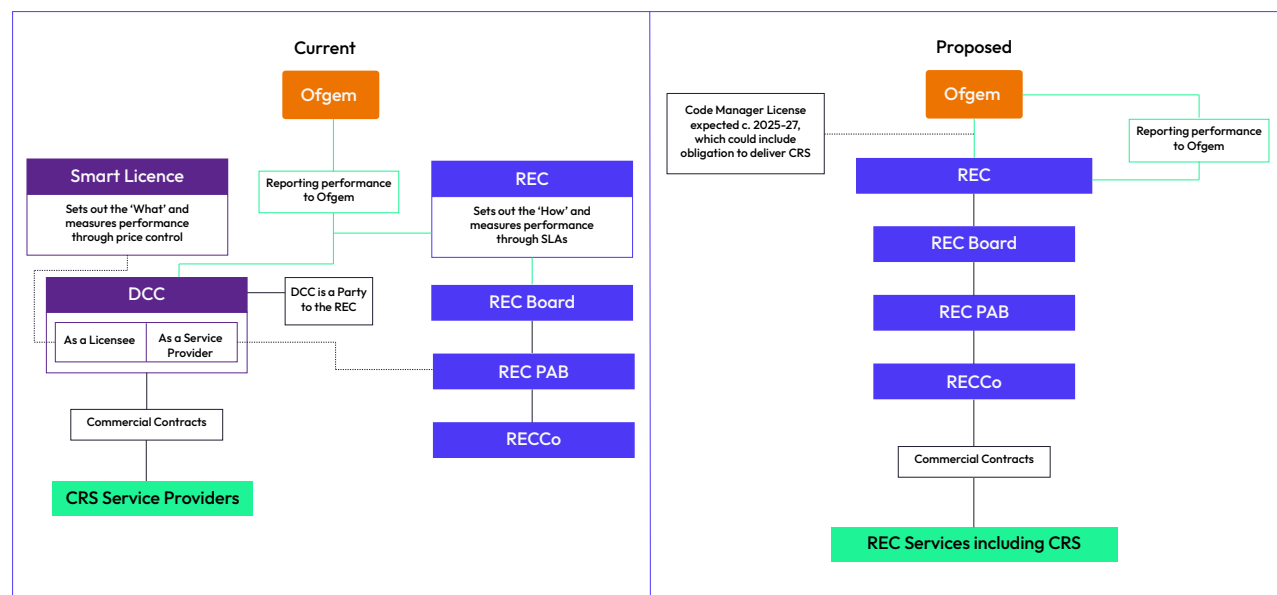

Figure 7: Current and proposed governance structure

The proposed future governance structure

The simplified arrangements under the proposed governance structure disentangle Switching from Smart. This will benefit both elements. These arrangements will replicate the current successful arrangements for all other REC Services requiring RECCo to contract with REC Service Providers to deliver services set out in the relevant Code-defined service definitions. In the proposed governance structure, RECCo would manage the performance of the CRS Service Providers and be accountable to the REC PAB for its own performance as well as that of its Service Providers. This replicates the current proven arrangements for all other REC Services. The delivery of these services is subject to independent oversight and assurance via the REC Board (as detailed earlier, an independent Board) and the REC PAB (also comprising independent industry experts).

The proposed Performance Assurance approach

Under the current arrangements, the performance of the CRS under DCC is assured through two routes, which can create conflicting objectives and outcomes:

1.   Its obligations to Ofgem via the Smart Licence, and

2.   The Switching Incentive Regime (SIR).

Through its obligations to Ofgem, DCC must report on service level performance as a REC Party under the REC PAF to the REC PAB. The REC Code Manager, specifically RPA executes the activities required to assure the DCC's performance.

As a regulated monopoly company, DCC is subject a Price Control mechanism under the terms of the Smart Licence. This enables DCC to recover the costs, and allowable margin, required to perform its role. This margin is regulated through the DCC's performance. This is known as the SIR.

The performance assurance, as outlined above, would change, RECCo believes for the better, at date of transfer. The change would not lessen the ability of industry to hold RECCo to account for the performance of the CRS.

RECCo would still be accountable to the REC PAB for the performance of the CRS, in the same way in which it is accountable for the performance of the other retail market services under its remit.

All decision-making members of the REC PAB are entirely independent of RECCo, with three being nominated by REC Parties and the others nominated by the BSC and UNC PAF Administrators, a consumer representative and three independent performance management experts.

In 2026, under Energy Code Reform, it is envisaged that RECCo will become a Code Manager under a specific Code Manager Licence. Under this proposed Licence, RECCo will be subject to specific performance incentives.

During the period between transfer of CRS and the implementation of the Code Manager Licence, RECCo would be willing to discuss with Ofgem whether any additional, temporary performance incentives would be required to provide additional assurance to the market.

Impacts on regulations

The new governance arrangements would not require extensive changes to either the Code or Licence framework. The REC already contains the principles of governance of REC Services and obligations for service provision.

Administrative changes would involve:

- The carve out of CRS obligations from the DCC Licence;

- Amendments to the REC stating the obligation of the CRS services to be provided by RECCo; and

- The inclusion of CRS services, as part of all REC services, to be Licenced by Ofgem under the proposed Code Reform changes.

As well as modifying the DCC's Licence conditions to remove the CRS responsibilities, RECCO recommends that Ofgem includes powers to direct the consequential modifications which are required to the REC and include a CRS handover planning and cooperation condition in the DCC Licence. In modifying the REC to remove the link between DCC and the CRS, the drafting and governance will be streamlined, allowing the CRS to be treated comparably with other REC Services.

We have established a regulatory and governance workstream as part of our Transition Plan to draft the necessary REC Change Proposals and will support the Code Reform team at Ofgem in drafting any Licence changes as required.

As part of our transition planning, we have completed an initial high-level review of the existing CRS provisions within the SEC and considered the governance impacts associated with the CRS transfer to RECCo.

Obligations to the SEC as CSS Provider

As part of the Switching Programme delivery, changes were implemented in the SEC which removed responsibility for provision of Registration Data from DNOs (as Registration Data Providers (RDP)) and introduced new provisions related to the CSS Provider. Whilst the definition of data provided to and from the CSS is governed by the REC, the security provisions associated with the interface between the CSS and Smart Data Service Provider (DSP) are governed under the SEC. This reflects the higher security risks associated with the smart arrangements.

In particular, Section E2 of the SEC ('Provision of Data') outlines the SEC obligations which the CSS Provider must comply with. These include:

- Complying with certain security obligations expressed to be placed on DCC Users in Section G of the SEC (the specific clauses that the CSS Provider is required to comply with are identified in Section E2.15);

- Ensuring that any Registration Data sent by the CSS Provider is digitally signed using a private key issued in accordance with the SEC.

If Ofgem decides to transfer the responsibility for CRS to RECCo, we would need to undertake further analysis during the transition period (in discussion with DCC and SECAS) to fully understand the governance impacts. This will include an assessment of whether there are any changes to CSS Provider provisions currently set out within the SEC, and whether there are any changes in assurance measures required to reflect the removal of the CSS solution from DCC's overall responsibilities.

DCC as a Party to the REC

At present DCC is a party to the REC and is required to meet various obligations. Should DCC's responsibilities associated with the CRS be removed, our initial analysis indicates that DCC should no longer need to be a REC Party. However, this will need more detailed analysis to ensure there are no gaps relating to Smart DSP activities. In particular, the Smart DSP is included within the definition of Switching DSPs in the REC and the REC sets out service management obligations that all Switching DSPs are required to comply with. Consideration should therefore be given to whether DCC should remain a REC Party to ensure it meets DSP requirements or whether an alternative mechanism should be agreed.

As part of RECCo's transition activity a full review of DCC's requirements within the REC will be carried out. This will include provisions within the Main Body covering several legal elements including indemnity, data protection and liabilities. Our initial analysis indicates that if DCC were to continue to be a REC Party, it would be treated equitably in a manner consistent with its revised obligations under the REC. We will also review each definition that references DCC and the specific clauses within the REC that use these definitions to see if changes are required.

Simplified DCC Licence renewal

The continued link between Switching and Smart Metering under the current arrangements through the current DCC Licence poses significant risk during the current period of Licence renewal. There is a risk that CRS may be impacted during any potential transfer of the Smart Licence to a successor Licensee with potential negative outcomes for consumers. Removing delivery of the CRS from the DCC Licence would allow for the Licence renewal activities to focus solely on the Smart Metering elements. This would mitigate any potential risk of transition to an unknown party, and effectively insulate CRS, industry, and consumers from any negative outcomes.

Transition plan

Our transition principle

Industry has been subject to a significant level of change, over recent years, and this continues with the development and implementation of MHHS. Accordingly, we are keen to limit the impact of any CRS transition on industry parties and stakeholders. Our key principle for transition is to ensure that users will experience minimum impact during the transition period and at the point of transfer.

Critical success factors

RECCo has defined a set of CSFs which reflect the needs to deliver a user-focused, efficient, and attainable CRS. These CSFs will be used by the REC Board to monitor the progress of any transition. These CSFs cover both the transfer of responsibility and the future operation of the CRS and are set out below.

Transition

Continuity of service

The CSS delivers a technical service to industry that enables consumers to switch provider within five working days. It has maintained a 99.99% service availability and success rate throughout its lifetime. It is imperative that the transfer arrangements maintain this baseline performance and continuity of service throughout the transition period and into Business as Usual (BAU). Ensuring this continuity of service is essential to consumers and industry.

Avoiding knowledge loss

Within DCC and its service providers there is institutional knowledge that must be maintained and, where appropriate, transferred to RECCo and its service providers. DCC must ensure that it maintains its institutional knowledge up to the point of handover and supports the effective transfer to RECCo; since the service providers are not changing, there is less of an issue for the CSS provider. However, we will engage with the CRS Service Providers throughout the transition period, leveraging DCC to deliver appropriate relationship handover. Successful transfer to RECCo is critical for service continuity, the support of users, maintenance, and future improvements of the service. In the longer term, Switching knowledge will be pulled into RECCo's continuous learning culture.

While we will focus on avoiding knowledge loss through the transition, it is important to note the knowledge of the Switching Arrangements which already exists within RECCo. RECCo was instrumental in designing the Switching Arrangements. Working closely with the DCC in the Switching Programme, RECCo mobilised and oversaw the operationalisation of the service and transfer to REC Governance. There is a CRS Service Management Team which already exists within RECCo, and we work together with the REC Code Manager and DCC daily to drive CRS delivery. This extensive knowledge of the operation of the CRS will stand to RECCo throughout the transition period, and following transfer.

Alignment with proven practices

The transition of the service must be delivered through alignment with RECCo's proven practices in stakeholder engagement, change management and managing regulatory change to support the effective transfer of responsibility and support continuity of service. We have a demonstrable track record of successfully transitioning live operational retail services with no disruption to industry, including the EES in 2021 and GES in 2022.

Adherence to the transition principle

Ensuring minimum impact is critical to a smooth transfer of responsibility from both a consumer and a user perspective and will be a key determinant of the success of the transition.

Future Operation

Service enhancements

The current operation of the CRS is a baseline from which enhancements can be delivered. Critical to the success of RECCo's management of the CRS will be the delivery of enhancements to the service at minimum disruption to the industry against a plan that has been jointly developed and agreed with industry.

Simplified governance

Streamlined and effective governance is a key determinant of robust, fast, and effective decision-making processes. It also provides an opportunity for industry to have a greater influence on the delivery of the CRS. RECCo will take advantage of the opportunities offered by the new arrangements for the enhanced and faster delivery of benefits and improved outcomes for consumers and industry.

Alignment with proven practices

The future operation of the service will be delivered through alignment with RECCo's proven practices in stakeholder engagement, change management and managing regulatory change to support efficient operational improvements to the service which go beyond the benefits outlined in the FBC. This will help to align the CRS with the evolving market, including MHHS and retail market reform, harmonise service processes across the industry and deliver changes in a manner which is proven, evidence-based, and backed by best practice.

Commercial leverage

RECCo will use the commercial leverage that comes from managing the CRS Service Providers to drive operational improvements in the performance of the service and delivery of benefits to consumers and industry.

Delivering value for money

RECCo will deliver a value for money service which continually meets the needs of industry. It is incumbent on both RECCo and DCC to ensure that the transition and handover is delivered in the most economical way for industry. RECCo will then demonstrate cost effectiveness in running and improving the service using any potential cost efficiencies to offset the cost of transition.

Driving innovation

A single, central system that is faster and easier to adapt enables increased innovation of product and services offerings. RECCo will take advantage of faster, more effective change to enable innovation within Switching and across the whole retail market.

Reduced cost of change

In addition to delivering faster and more efficient change, RECCo will reduce the cost of delivering changes to the CRS, to be measured through less rework and higher quality change impact assessments, to reduce barriers to change delivery.

Plan on a Page

Our approach to planning ensures that key mitigations are being built into the transition plan and there is a full understanding of the components that will be impacted to ensure the correct transition treatments are put in place. As part of the detailed transition planning, further elements that will be crucial to ensuring a successful transition are being considered:

Planning

Our plans will be adaptable and responsive to the progress of the transition and any changes in circumstances. They will need to be completely synchronised with DCC's Switching Handover Plan. To facilitate this, we would ask Ofgem to compel DCC to provide this to RECCo within four weeks of Ofgem making its decision.

Mobilisation

RECCo has been working to complete as much of the preparatory work as possible prior to Ofgem making its decision so that timelines are de-risked for all parties.

Relationships

It is important that RECCo and DCC maintain their good working relationship and effective communications throughout the transition. It is also important that RECCo is able to build relationships with DCC's service providers as soon as possible to enable the greatest possible understanding of how the service is currently delivered and RECCo's expectations for the future. RECCo is dependent on DCC to facilitate this and would ask that Ofgem compels DCC to do so.

Stakeholder engagement

RECCo will ensure that stakeholder engagement is targeted, timely, transparent, and focused on achieving the required outcomes. We have already established the Switching Stakeholder Advisory Forum (SSAF) to support this.

Governance

Robust governance that drives effective decision-making will be central to successful transition. We have outlined below our proposed governance model for the transition. We have made sure to include specific reference to the involvement of DCC, the CRS Service Providers, and the REC Code Manager in addition to the RECCo, and RECCo's internal governance.

Work in progress

RECCo will work with DCC to manage work in progress throughout the transition period and minimise it in the period immediately before and after the transfer of responsibility. Work in progress may include Operational Changes, REC Changes, Business Continuity Disaster Recovery Testing schedule, and development of the Address Quality Plan, among others.

Risk Management

RECCo will actively manage risk throughout the transition period and particularly through and immediately after the transfer of responsibility. RECCo uses a Risk Appetite Methodology drawn from the Government "The Orange Book Management of Risk – Principles and Concepts".

Dependencies

RECCo will work with other industry programmes and internal programmes to manage the dependencies between them all.

In the Consultation document Ofgem indicates that its decision is expected in "late summer 2024". Our planning assumptions are that this means a decision before the end of October 2024 and that the transition should take between 9 and 12 months to complete meaning that the transfer of responsibility will take place in September 2025. On this basis, the high level Plan on a Page is shown in Figure 8. In addition, we have begun contingency planning to identify the shortest timeline to deliver a successful transfer. We are confident that we can work with Ofgem and DCC to align with Ofgem's timeline for the decision.
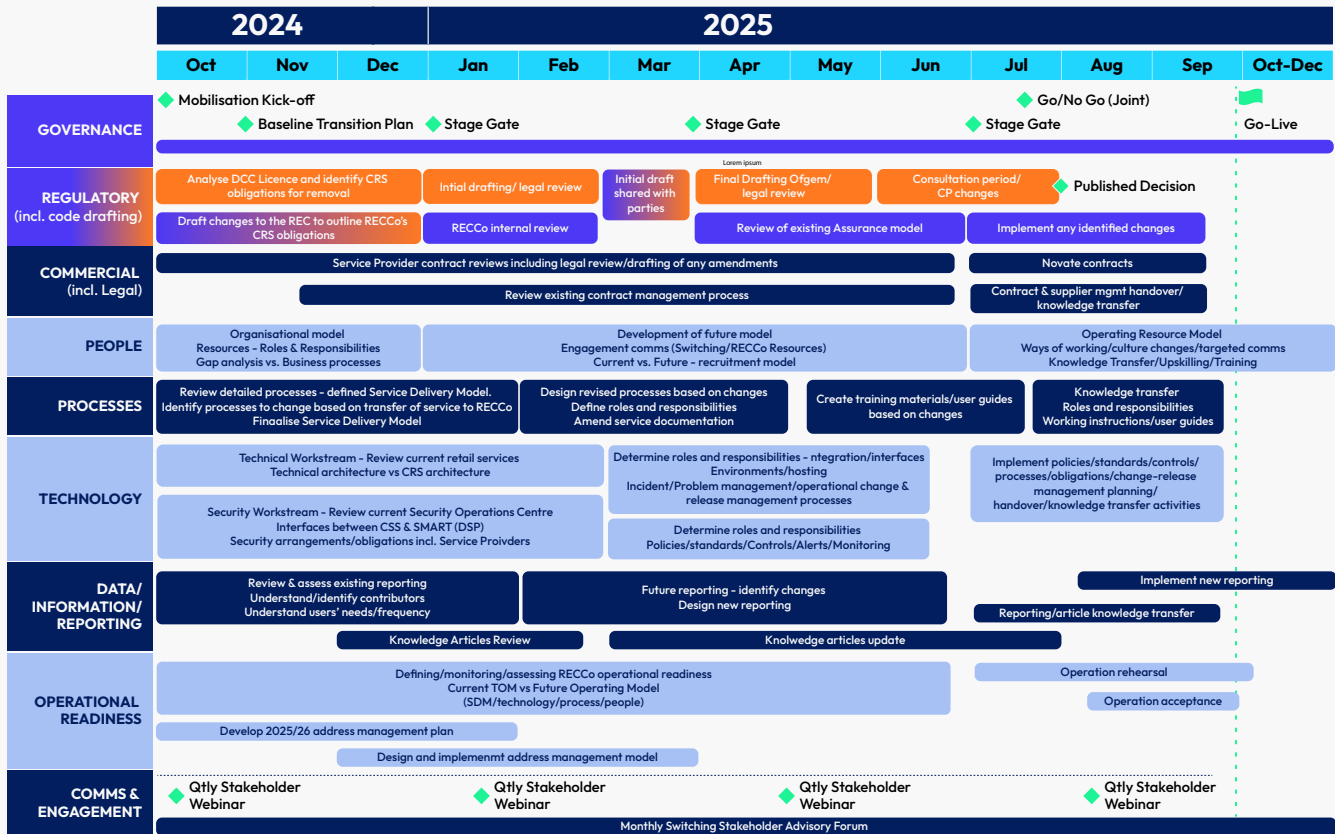

Figure 8: Plan on a Page

Transition workstreams

Development of our value chain analysis and subsequent SDM has provided a framework which will be used to manage the transition and implementation of the CRS. We have gathered the activities required to transition the individual components of the service into workstreams. These workstreams will be organised around:

- Establishing the commercial framework for delivering the service;

- Establishing the governance framework in terms of changes to the REC PAB and any required changes to the Code and Licence

- Establishing the delivery organisation within RECCo and its service providers;

- Implementing the processes required to manage the service;

- Ensuring that systems have the requisite operational and security readiness;

- Establishing a clear communications and engagement framework; and

- Confirming the operational readiness of RECCo, the REC Code Manager, and the CRS Service Providers.

We will continue to develop the transition plan in greater detail throughout the period in which Ofgem is developing its decision. However, we would not expect the key workstreams, outlined below, to change during this time.

Commercial workstream

There are three strands to the Commercial workstream which will be responsible for establishing the commercial framework for the delivery of the CRS.

Contract novation

We intend to novate all existing CRS Service Provider contracts from DCC to RECCo with no change to the existing terms and conditions required to operate the service. However, where a legal review of the contract identifies changes required to de-risk transition and operation, RECCo will ensure these changes are made.

The CRS Service Provider contracts which will be novated are:

- The Landmark contract: The largest contract and our highest priority for legal review.

- The Systems Integrator contract: Currently being re-procured by DCC with the new provider expected to take over the service in January 2025.

- The Capgemini contract: For the provision of the ServiceNow Switching Service Management System (SMS).

- The Entrust Contract: For the provision of the Certificate Authority. We understand that this contract is set to expire in January 2025.

  Entrust has been the recent recipient of Google's move to distrust Entrust's public Certificate Authority service from 1st November 2024; this follows a repeat pattern of process and policy failings. We understand from conversations with DCC and desktop research that this will not affect the switching service, as this is not dependent on the public Certificate Authority services. However broader cultural questions remain and RECCo would like to see Entrust address process and policy issues to enable the re-trusting of Entrust's public Certificate Authority service. DCC informed RECCo of conversations with Entrust that stated that a plan was in place with Entrust and Google to enable this. RECCo will continue to monitor the status of this issue; we expect DCC to exercise its right to extend this contract by the first of two allowable 12-month periods. This will allow RECCo the time to review Entrust and the associated service in operation before deciding on future procurement.

- The Service Desk Contract (EXL in future): For the provision of the Service Desk. We understand that this is a 12-month rolling contract which will allow RECCo the time to review the service in operation before making a decision regarding future procurement.

Contract management

RECCo has a well-established and highly effective contract management function. This team will review the existing contract management processes to include the management of the new CRS Service Providers. They will work with DCC's contract management team to build relationships with the service provider commercial teams and support knowledge transfer.

Service delivery management

RECCo has significant capabilities in managing the relationship with its service providers, ensuring that they are delivering in accordance with their contractual obligations and RECCo's expectations. We will leverage this capability in delivering the CRS, ensuring that the CRS Service Providers that are novated to RECCo are in a position to deliver to the requirements and SLAs as specified in their contracts and work productively and positively together to meet our service ambitions.

People workstream

There are six strands to the People workstream which will be responsible for establishing the delivery organisation within RECCo.

Organisational design

RECCo is currently organised into five divisions: Strategy and Development; Data, Technology and Transformation; Operations; Finance and Commercial; and Corporate Affairs. The introduction of CRS, and the associated SDM, will integrate into this exisitng model as per the delivery of the other REC Services. We will update job descriptions to ensure clear roles and responsibilities.

DCC Staff

Where TUPE applies, DCC staff currently engaged in the delivery of the CRS will be transferred to RECCo. We will work together with DCC to understand which staff are affected and then work through the transfer process. Due regard will be given to minimise the impact on affected DCC staff including in relation to integration with RECCo's culture, policies and people and ways of working. Throughout the transition period, we will work to identify impacts and, with DCC, work collaboratively to communicate changes clearly to the impacted staff to manage the transition sensitively.

Internal RECCo impact

Introducing a new service into RECCo, including the potential addition of new recruits and staff that are brought into the organisation from DCC under TUPE, will impact RECCo staff and the organisation. Throughout the transition period, we will work to communicate any changes clearly and manage the transition sensitively for all involved. We will initiate a change programme to support RECCo staff through the change and also integrate new recruits and the ex-DCC staff into the business, aligning with our culture, policies, and ways of working using our well established onboarding and induction processes, including providing 'buddying' for all new starters.

Recruitment

Having completed the organisation design and identified which DCC staff will be transferring to RECCo, any gaps may need to be filled by recruitment. The timing of this is critical; allowance must be made for the possible notice period of those recruited to ensure that they have joined the organisation in sufficient time to undergo induction and complete the knowledge transfer process where appropriate. RECCo has well established recruitment channels, having successfully grown the business in the last five years. We will leverage these and other networks to ensure any resource gaps are filled with credible, capable and experienced resource.

Culture

Whether it is DCC staff transferring to RECCo or new recruits, we will implement a robust induction programme. As per our current processes, this will include an introduction to RECCo and its culture and ways of working, mandatory training and familiarisation with internal processes. In addition to inducting the new staff, we will design and execute a programme of activities to build the wider Switching service delivery team, involving RECCo and service provider staff.

Operations workstream

This workstream will be responsible for the implementation of change required for all processes and procedures needed to manage and operate the CRS. There are five strands, each of which apply to the components within the SDM.

Review of current processes

We are already building our understanding of the detailed processes which underpin operation of the CRS under DCC. Further work will include reviewing existing service documentation, discussions with DCC and CRS Service Provider staff currently delivering the service and discussions with the REC Code Manager for those services in which they have an existing involvement. The output will be an identification of those parts of the current processes which need to change as a result of the transfer to RECCo or where there are clear quick win pain points which can be easily resolved to the benefit of users.

Defining roles, responsibilities, and handoffs

Once we understand the processes, we will further define the role and responsibilities integral to the delivery of the CRS. This will include internal RECCo teams, the Code Manager, the CRS Service Providers, and other impacted parties.

Design of revised processes

Based on the review of the current processes we will design the changes required to the processes and amend the service documentation appropriately.

Development of training material

Once the processes have been amended and documented we will produce the material required for staff training.

Build relationships with CRS Service Providers

Throughout this work we will develop relationships with the operational staff in the CRS Service Providers that are currently delivering the service and are expected to continue doing so. We are dependent on DCC to facilitate this initial access and would ask that Ofgem compel DCC to support this work.

Training and knowledge transfer

We will ensure full training in the processes and procedures for the CRS is completed. Knowledge transfer activities, if required, will take place throughout the transition period, and will be enabled by agreed ways of working between RECCo and the DCC

Technology workstream

Although RECCo will not make changes to the current technical delivery of the CSS or Switching SMS and will transition through contract novation, it is still important to assure users that the service will continue to function as expected.

Review and assess existing technical architecture

The technical team within RECCo will develop a good understanding of the current technical architecture so that it can support incident and problem management once RECCo takes responsibility for the service. This will also be the precursor to determining how the CRS architecture fits into the overall retail services technical architecture to realise future benefits and efficiencies.

Security

Although the Switching service is not critical national infrastructure, security is a thread that runs through all aspects of the service and RECCo will treat it with the utmost seriousness, as we do for the other critical retail services we deliver. We will ensure that the necessary levels of security are maintained on transfer. Within this strand we will review and amend as necessary the processes associated with the operation of the Certificate Authority. RECCo will also assess what additional security elements are required internally to complement the security arrangements already in place through the CRS Service Providers.

As the interface between CSS and the Smart DSP is governed under the SEC, with certain SEC security provisions remaining applicable, the security function within RECCo will also engage with SECAS and DCC to ensure that any necessary security requirements for this interface continue to be met.

Technical knowledge transfer

Throughout the transition period, we will engage with the DCC's technical resources and the CRS Service Providers to ensure appropriate knowledge transfer can take place.

Data, information, and reporting

This workstream is responsible for ensuring that Switching data is managed effectively and in line with regulatory requirements, that information available to users is accurate, timely and reliable, and that reporting from the CRS meets the needs of RECCo's internal management, performance assurance, and industry.

Review and assess current reporting

The current flow of data for reporting from the service is from Landmark to DCC and then to the Switching Portal and the REC PAB. We will review these flows to identify the changes that need to be made for when DCC is no longer managing the service. We will also assess the extent to which the current reporting meets the requirements of all stakeholders and document any changes necessary.

Amend the reporting

If there are any changes required, we will work with Landmark to design and implement them. Any other changes that have been identified will be included in the Service Enhancement Roadmap.

Review and update knowledge articles

Knowledge articles are stored on the Switching portal for use by service delivery staff and users. The repository will remain accessible through the REC Portal, but all the articles will be reviewed to ensure that they remain correct following the transfer of the service to RECCo.

Communications

RECCo has an effective stakeholder engagement and communications framework supported by the REC Code Manager. As part of its role, the REC Code Manager already has a significant level of involvement in Switching, often sharing, amplifying and supplementing communications required by industry about the service. This workstream will be responsible for extending, where applicable, the framework to cover the engagement and communication with users required for effective delivery of the CRS and its components.

Current arrangements

As part of the review of the current arrangements we will also work with users and stakeholders to understand their future requirements.

Future arrangements

RECCo will develop the future CRS communications and engagement framework and incorporate it into the existing communications and engagement framework. We will be running communications with stakeholders, including through the SSAF, throughout the transition period and it is our intention that this longer-term framework will come into operation in advance of transfer.

Operational Readiness

The Operational Readiness workstream will be responsible for defining, monitoring, and assessing the readiness to transfer for the internal RECCo organisation, the Code Manager, and the CRS Service Providers throughout the transition period. Having managed the Operational Readiness activities for Switching Programme Go-Live we have a detailed understanding of the activities required and lessons learned from that exercise.

Regulatory

The Regulatory workstream will be responsible for ensuring that RECCo captures and implements the requirements relating to compliance, monitoring, and reporting which RECCo will be obligated to provide as part of the Code.

Dependencies

RECCo has identified several dependencies which are critical to the successful transition of the CRS. These span across the transition period and into future operation and we would ask Ofgem to support us in compelling the provision of information from DCC.

Transition dependencies

Availability of information and resources: RECCo is dependent on DCC and its service providers to make available the information and resources required to support all elements of the transition, including knowledge transfer, information requests, and contract novation.

- Separation of corporate services: RECCo is dependent on Capita to make available the information and resources required to support any separation of corporate services as required.

- Production of an Exit Plan: RECCo is dependent on DCC to produce and agree an Exit Plan within a month of Ofgem's decision for the transfer of responsibility for CRS.

- Transition team availability: RECCo is dependent on DCC to mobilise and resource a Transition Team in line with the agreed Exit Plan to be in place within a month of Ofgem's decision.

- Availability of the DSPs: RECCo is dependent on the DSPs to provide input and knowledge regarding the impact of the transition on their operational processes and their relationship with RECCo.

Risks

RECCo has identified several risks to successful transition. For each of these risks we have identified a robust and achievable plan for mitigation.

Risk	Mitigation
Transition Risks	
There is a risk that the scale, complexity, and operational impact of transfer will disrupt current RECCo services and the continued operation of the CRS.	• Commence preparedness and business readiness activities starting in advance of the Ofgem decision. • Ensure the organisation understands and implements the detailed business planning for RECCo, including SDM design, at the start of transition. • Plan to upskill staff to support the SDM early in the transition period. • Carry out a change impact assessment from cultural, operational and delivery perspectives. • Engage with DCC and its service providers in advance of Ofgem's decision.
There is a risk that DCC staff currently delivering the service do not wish to transfer to RECCo or TUPE does not apply.	• Undertake proactive resource planning, assessing role profiles and responsibilities. • Engage with the DCC staff as soon as possible to help them understand their future within RECCo. • Conduct an analysis of the current ways of working to deliver the CRS to better understand the critical roles and focus areas. • Recruit and train relevant staff if TUPE does not apply to roles.
There is a risk that transferring the CRS out of DCC disrupts the DCC resource on their financial priority of delivering Smart metering.	• Most of the resource and capacity effort required from the DCC during the transition will be placed on its Operations team. The Smart delivery team should be separate to that for CRS and therefore unaffected. • Take account of Smart activities, such as a new release, when preparing the transition plan.
There is a risk that the CSS is not upgraded to manage increased volumetric requirements associated with MHHS Migration which commences during the CRS transfer.	• Work closely with DCC to ensure that their testing of the system occurs in a timely manner and is assured by RTS. • Maintain close links with the MHHS Programme to understand and manage dependencies between the two programmes.

Risk	Mitigation
Transition Risks	
There is a risk that the systems, processes, and regulatory framework within DCC for Smart and Switching are not decoupled in the way which was intended by Ofgem to facilitate handover to a new provider of CRS.	• Continue to engage with Ofgem and DCC via the tripartite meetings to seek delivery of the Business Handover Plan • Review the current CRS architecture within DCC to understand levels of coupling, if any.

Risk	Mitigation
Future Operation	
There is a risk that the current contracts with the CRS service providers do not adequately reflect the SLAs for the service under the REC.	• Assess the extent to which SLAs under the REC are backed off within the current contracts as part of due diligence. • If SLAs are not adequately covered off, RECCo will (i) communicate to stakeholders the expected performance levels as currently contracted with service providers to manage expectations (ii) devise risk-based impact assessed improvement plans to address potential SLA shortfalls and (iii) engage with parties to deliver these plans.
There is a risk that the cost of operating the CRS increases as a result of the transfer to RECCo.	• Develop the SDM so that it makes full use of the existing services provided by RECCo and the REC Code Manager. • Once the servicer has been transferred to RECCo, conduct a forensic analysis of the costs of delivery to identify any areas of duplication or wastage that could be removed.

Transition governance

The involvement of key stakeholder groups; including RECCo, Ofgem, DCC, the Code Manager and the CRS Service Providers; will drive robust governance that drives effective decision making will be at the heart of RECCo's transition programme.
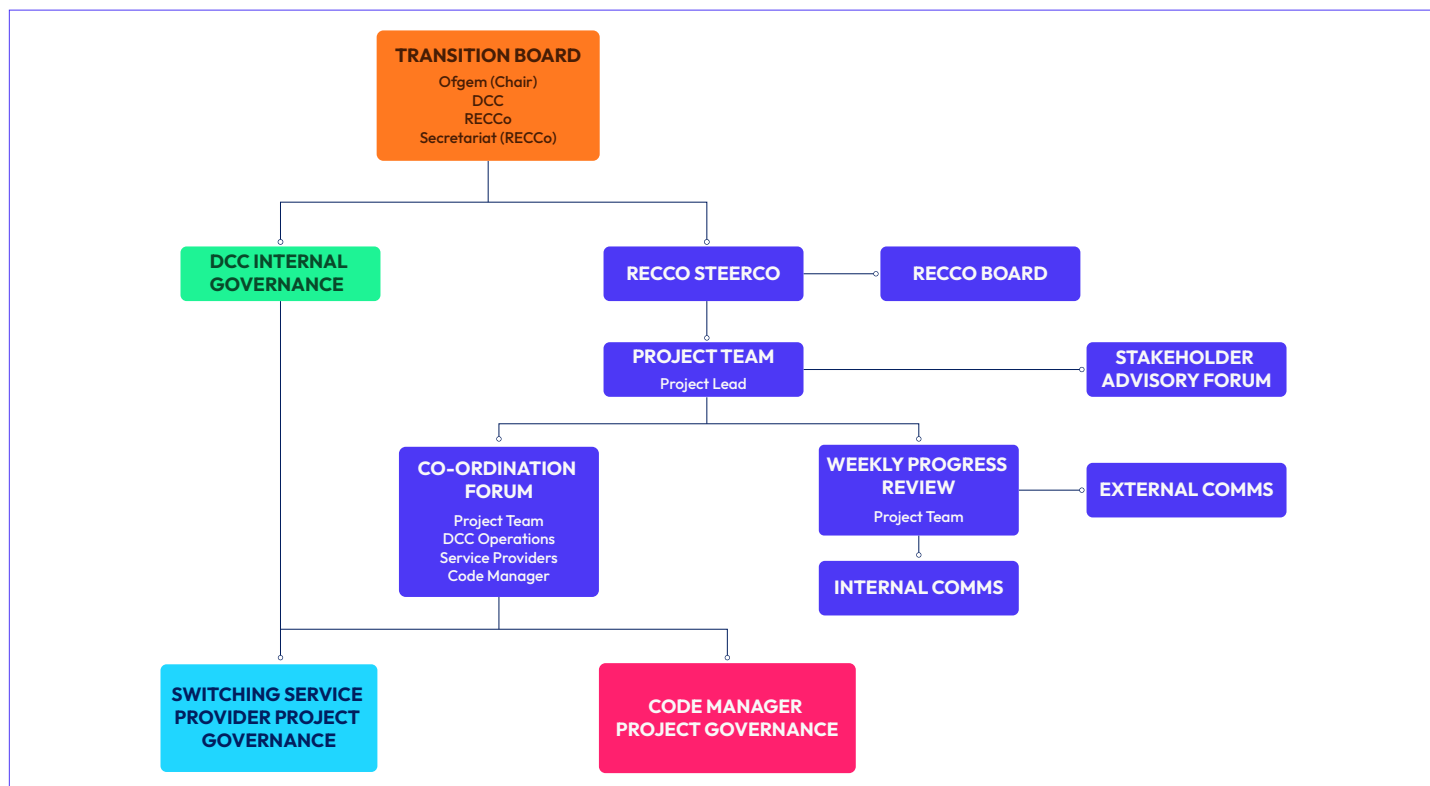

Figure 8: Proposed project governance framework

Transition Board

Acting as Programme Board for the transition. We believe this should be chaired by Ofgem and meet on a monthly basis to monitor progress, manage risks, and resolve issues.

Coordination forum

As there are several parties with interlinked dependencies, a coordination forum would ensure that activities are coordinated. The forum would provide an opportunity for all parties to share their progress, raise any issues and jointly resolve any challenges that the transition is facing.

Switching Stakeholder Advisory Forum

This Forum has already been established to engage with stakeholders on the development of the SDM and the transition plan. The intention is for it to continue to meet throughout the transition period and into a period of enhanced service monitoring, which will run from three months before to three months after transfer, to continue to provide input into the continuing development of the SDM and any changes that are required to the operating processes, as well as any issues that arise during the transition. The outputs from the meetings will be published so that all stakeholders can be aware of the progress of the transition.

External communications

As well as publishing the outputs from the SSAF, we will also run a communications programme to ensure widespread awareness of the progress with the transition and expectations of users through the transfer of responsibility.

The Service Delivery Model

Overview

We have developed a model for how the CRS will be governed, managed, enabled, and operated under the REC. The SDM defines the proposed structures and stakeholders involved in delivering the service. RECCo is continuing to define the SDM and will provide additional detail to Ofgem and the industry over the coming months, prior to a formal decision being made. The continued work on the SDM will be dependent on assessing RECCo's options for the transfer of resources from DCC through TUPE.

Structure of the SDM

RECCo's proposed SDM defines the structures across:

- CRS Governance
    - Including the governance and performance reporting structure for the CRS;
- CRS Management
    - Outlining how the CRS will be managed internally within RECCo;
- CRS Delivery
    - Defining how we will mirror the current high-level structure in place for the operation of the CRS under DCC;
- Support from across RECCo
    - Defining the impact of CRS ownership across the wider RECCo organisation.

Key features of the SDM

The development of the SDM is aligned with RECCo's key transition principle of ensuring users experience minimal, if any, impact to the service at the point of transfer. This supports de-risking transition and reducing the likelihood of any negative impacts on users, industry, and consumers at the point of transfer. Accordingly, RECCo has taken several steps to ensure the continued maintenance and operation of the CRS when it transfers to RECCo.

Resourcing

There are a number of options available to RECCo to resource the operation of the CRS under the SDM. These include:

- Transitioning relevant DCC staff under TUPE;
- Using current RECCo staff;
- Recruiting additional staff into RECCo; or
- Leveraging the skills and capabilities of the REC Code Manager.

In line with the transition principle, the resourcing option chosen by RECCo will be assessed based on complying with legislation, its ability to minimise the impact on users at the point of transfer, along with de-risking the delivery of the transition and delivering value for money for the industry.

Transitioning the current CRS structure

The current CRS structure under RECCo delineates the delivery of the CRS into:

- The CSS Provider
    - Including the CSS, which contains the Address Management Service and Registration Service; and
    - CSS Certificate Authority
- The Switching Operator Role
    - With specific reference to the Switching Service Desk, Switching Portal, Switching SMS, Switching CAB, and CSS Testing (Entry Assessment).

RECCo will maintain this current structure in its delivery of the CRS. This will support a smooth transition and mitigate against the risk of negatively impacting users at the point of transfer.

Continuity of systems and technology

The underlying technology and systems which underpin the operation of the CRS will continue under RECCo. This will be achieved through the novation of the relevant CRS Service Provider contracts. This will reduce transition complexity, ensure minimal impact on users at the point of transfer, and ensuring technical coherence and continuity. It will also allow RECCo to begin relationship handover with the current CRS Service Providers, facilitated by the DCC.

Appendix

Detailed Case Studies

Case Study #1

Successful transition & management of the EES, GES, and Green Deal Services to deliver benefits for industry

Problem Statement

The ESS, GES and Green Deal systems were designed to facilitate various activities and functions within the retail energy market. These systems were brought under the responsibility of RECCo - EES and Green Deal September 2021, and GES July 2022.

EES	*Green Deal*	*GES*
Assists suppliers in the customer switching process by triangulating data to enable users to access market data.	A database facilitating Green Deal plans, providing a point of refernece and interaction for Green Deal users.	Provides access to gas market data from the Gas Central Data Service and Central Switching System.

Objectives

- Seamless integration
- Operational improvements
- Cost savings

Successful Outcomes

1. Seamless service transition with no disruption to BAU.
2. All service levels met or exceeded
3. Strategic costs savings through contract renegotiations - Green Deal halved; GES 20% reduction.
4. Operational & service enhancements - maintaining service continuity.
5. Enhancing service quality and operational efficiency

Approach to Transition

EES

The EES contract was novated to RECCo in September 2021 with the intention of making no changes to the service. The service providers remained the same to ensure no loss of knowledge, and no subsequent service level breaches occurred.

The original contract RECCo novated had been in place since 2015 and had remained unchanged since that date.

Between September 2021 and July 2022, RECCo renegotiated the service contracts to ensure they were in line with current contracting best practices, e.g. GDPR extended compliance, revised and targeted liabilities etc.

Green Deal

The Green Deal contract was novated to RECCo in September 2021, with Service Provider contracts due to expire in March 2023.

Recognising that there were a number of overlaps and similarities between Green Deal and EES in contract, infrastructure and databases, RECCo worked with the Service Provider to re-engineer the solution and remove any duplication of costs.

The services were consolidated onto a single platform, effectively halving the cost of the Green Deal contract, without any disruption to the service.

GES

When RECCo was in negotiations to assume responsibility for the GES, there was no liability for service levels nor standard commercial liabilities on the provider.

RECCo stipulated that these be included in the contract, and negotiated on commercial terms and conditions, including confidentiality clauses, data breach and non-performance clauses.

Following transition, RECCo renegotiated the contract with the Service Provider to eliminate unjustifiable volume-related pricing and reengineered the delivery platform.

Case Study #2
RECCo Procurement Exercises

Problem Statement

RECCo's procurement process exemplifies its commitment to transparency, efficiency, and compliance with legislation. By rigorously defining requirements and fostering competition, we ensured on-budget, fair, and effective contract awards. This approach, coupled with strict adherence to deadlines and accountability measures, underscores our strengths in managing complex procurement exercises on a wide array of services.

RECCo has a robust and established set of Procurement principles it follows in all procurement scenarios.

Objectives

- Act as intelligent customer on behalf of industry
- Procure services that are value for money, scaleable and adaptable
- Procure services using data driven decisions
- During service life deliver operational cost efficiencies

Service Procurements

Code Manager Services: In 2020, we conducted a procurement exercise for RPA, RPS and RTS, ensuring compliance with Public Contracts Regulations (PCR 2015) legislation. Our process involved an exhaustive review of the REC documents to identify all deliverables related to code management.

Adopting an outcomes-based approach, we asked potential suppliers how they would deliver requirements taken directly from the REC, including management wrapper requirements not specifically in the Code, such as specific service levels, reporting requirements, and incorporated Liquidated Damages provisions for delays. This exercise adhered to principles of openness, transparency, and fairness. Contracts for all three services were the same, any concession was offered to all providers.

Mobilisation deadline was September 2021, all material elements were on time. One non-market impacting requirement was not met; resulting in a rectification plan and substantive delay payments.

Energy Theft Tip-off Service (ETTOS): When RECCo inherited the ETTOS, existing contracts prevented direct control of appropriate Service Provider relationships, inhibiting the ability to drive awareness of Theft or influence the service. At the first opportunity, contract end in March 2024, the Crimestoppers contract has been disaggregated and a procurement exercise undertaken with established principles, to insert commercial elements to leverage good performance and influence the service to the benefit of end-consumers.

Gas Enquiry Service (GES): The procurement of the GES used a non-competitive approach with a drop-dead date to be hit for transfer of the service. At the time, the service liability sat with end users and the contract had no incentive for good performance. RECCo negotiated with the Service Provider and added in performance incentives, including service credits, data breach charges, and Service Level Agreements. The transfer date was met with no issues.

Case Study #3
Service provider directly under RECCo control leads to faster, more effective and robust change process

Problem Statement

Changes to the Electricity Enquiry Service (EES) required to support Market-wide Half Hourly Settlement (MHHS) have been progressed outside the REC change process. Contractual RECCo Change Requests (CR) have been progressed, requiring the EES Service Provider to deliver the design, build, test and operation of the new arrangements. These changes have been agreed bilaterally with costs transparently reflected in the overall RECCo budget.

Background

The EES is one of the central services required to support delivery of MHHS. The EES will also be required to manage the significant increase in appointment notifications for the migration period. Equivalent drafting to that included in R0093 for the Central Switching Service has therefore been reflected in the MHHS code drafting applicable to the EES.

The EES will also have new real-time publication of data required for a range of new and existing data items. This includes data relating to agent appointments and meter technical details.

Electricity Enquiry Service - MHHS Migration

October — The initial CR was issued to the EES Service Provider for Preliminary Impact Assessment (PIA) and meetings were held to ensure full understanding.

November — Response was received on time, with sufficient detail on FTE and cost to develop the Detailed Impact Assessment (DIA).

December — RECCo and stakeholders held workshops to work out the requirements based on the feedback from the PIA, and issued a DIA request to the EES Service Provider.

January — Response was received on time and to sufficient quality to assess the impact on EES.

February — The CR was approved by the RECCo Steering Group.

Outcomes

- The EES Provider delivered the required changes with RECCo providing oversight at agreed milestone to assure the quality of the build.

- Changes to the EES have been codified as part of the MHHS Programme, ahead of final modifications being raised through the REC.

- The EES Service Provider, with RECCo oversight, was engaged throughout the full code drafting process. This engagement ensured that RECCo was aligned with industry change, delivered on time, and was of sufficient quality to assess the impact on the EES.

- In comparison to R0093, it demonstrates RECCos ability to hold Service Providers to account, and to work in the best interests of industry.

Case Study #4
A review of the July 2023 P1 Incident and the deficiencies in the incident management process

Problem Statement

The way this incident was handled highlighted a number of shortcomings:

- The way DCC manages incidents
- The subsequent communications around incidents.
- Failure to identify the missing messages
- Delay in communications to key stakeholders

Xoserve highlighted the issue to DCC, requiring RECCo to step in and lead on the communication approach and efforts. The approach DCC took to resolution also indicated that it did not fully understand the impact on the end-to-end Switching process and its impacts on Suppliers, Settlements and Consumers.

2023

July
- P1 Incident raised
- Initial comms sent to RECCo and other key stakeholders
- Wider stakeholder engagement commenced
- Initial impact communicated
- Resolution options discussed with stakeholders
- Resolution plan developed including reconciliation process

- Rectification plan executed **August**

September
- Post incident report submitted to RECCo
- P1 Incident closed

- Detailed post incident review submitted to RECCo **October**

Background and Impact

On 6 July 2023, a Major Switching Incident (P1 incident) impacted the Central Switching Service (CSS), disrupting energy supply switches and new gas and electricity registrations. Despite stabilising the system and processing new switches the same day, full resolution took 64 days, far exceeding the 4-hour target and severely affecting both industry and consumers. Consumers experienced delays of 28 days in switching, causing confusion and difficulties in addressing issues like topping up prepayment meters and billing. Suppliers were left ill-informed, unable to meet license requirements, and had to deploy additional resources, incurring extra costs. The incident revealed significant deficiencies in the Central Registration Service (CRS) management and incident response strategies. Following a comprehensive review by the REC Board, DCC identified the root cause. Other industry parties, including Xoserve, Central Enquiry Services, and Distributors, also had to allocate resources for solution assessment, data verification, and preparation for resolution.

Lessons Learned

- There was a significant gap in DCC's ability to detect and manage missing messages and an initial lack of detailed logging.

- DCC were not able to complete a root cause analysis to the required standard within the specified time period.

- DCC's communications were delayed and inadequate, with responsibility for industry engagement passed to RECCo.

- DCC was not able to meet its responsibilities under the REC, specifically to consider the cost and impact of an incident on the wider industry, beyond just the impact on the CSS.

- The inability to drive incident resolution and communicate with industry led to unnecessary resource, time, and cost implications on the broader Switching landscape.