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23<sup>rd</sup> February 2021

Dear Rachel

### **The Retail Energy Code V2.0 and Retail Code Consolidation**

We continue to support the development of and implementation of the Retail Energy Code (REC) that will govern the new faster and more reliable switching arrangements, in addition to Ofgem's broader ambitions to consolidate further code content into the REC to create a best in class code that will deliver excellent customer outcomes. We welcome the detail that Ofgem has set out within this consultation and the opportunity to respond.

#### **REC Main Body**

##### **Annual Budget and Cost Recover**

Under clause 9.14 V1.1 of the Retail Energy Code all costs are to be recovered from Energy Suppliers. This includes costs for services that are currently provided under the Master Registration Agreement and are jointly funded by Suppliers (two thirds) and Distribution Network Operators (one third). This will result in a windfall for DNOs, ultimately at the expense of customers. Current price control allowances will have been set based on existing arrangements and so DNOs have been provided funding for these costs. Cost recovery arrangements need to be adjusted to ensure DNOs continue making the same contribution until the current price control arrangements are reset from April 2023. Ofgem should also reflect the new funding arrangements in the new DNOs price control, from April 2023, to reflect the lower costs. Failure to take account of these new arrangements will result in over recovery of costs by the DNOs.

There are other examples where costs that DNOs have been provided funding for have been moved, fully or in part, onto other parties, ultimately at the expense of customers. For example, DCP289<sup>1</sup> moved Charging Methodology Development from being funded by the DNOs alone to being funded by all DCUSA parties. In the DCP289 decision Ofgem stated that those costs were 'not material' and so alternative funding solutions to that proposed were not 'proportionate'. This proposed approach to REC funding reinforces that the correct approach, to ensure DNOs continue to contribute costs on

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<sup>1</sup> [Draft decision 23082017 \(dcusa.co.uk\)](https://www.dcsa.co.uk/draft-decision-23082017)

the basis that price control allowances were set, must be followed. Even if individual issues are viewed as immaterial in isolation, allowing DNOs repeated windfalls adds up to significant customer detriment.

## **Appeals Processes**

Appeal rights are an important element of an effective governance structure. It is appeal rights that ensure regulatory decisions are made consistent with statutory duties and so ensure the quality of decision making.

The Electricity and Gas Appeals (Designation and Exclusion) Order 2014 details the energy codes that are designated for the purposes of section 173 of the Energy Act. The Energy act gives parties to the codes the rights to appeal decisions of the Gas and Markets Authority to the Competition and Markets Authority in certain circumstances.

This order currently specifies the Supply Point Administration Agreement (SPAA) and the Master Registration Agreement (MRA) both of which will terminate as a result of the retail code consolidation. From 1<sup>st</sup> September the obligations contained in the SPAA and MRA will be transitioned into the REC. We therefore strongly encourage Ofgem to liaise with BEIS to ensure the order is updated to reference the Retail Energy Code.

We have responded to the specific consultation questions in Appendix 1 below and have also attached the completed Excel consultation response template with our detailed comments on the individual REC schedules. We have also added two additional tabs, the first highlights where we have identified a number of duplicate data items within the Data Specification and the second where we have identified a number of inconsistent data items. We would suggest these are reviewed more widely across the industry and agreement reached on how these could be rectified ensuring minimal impact on REC parties in due course.

We would be happy to discuss our response and thoughts with you in more detail. Should you have any immediate questions please contact myself or Kevin Woollard ([kevin.woollard@centrica.com](mailto:kevin.woollard@centrica.com))

Yours faithfully

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## **Appendix 1 - Consultation questions responses**

### **Question 2.1: you agree with our proposed approach to information security and data protection assessment under the REC? In particular, do you agree with the requirement for all REC Service Users to notify the Code Manager of a security breach ?**

We broadly support the approach to information security and data protection assessment under the REC. With reference to the obligation to notify REC of any ICO reportable data incidents we note that this type of information is sensitive and confidential. The standard is subjective and relies on the internal workings of entities that are not aligned. We agree however, that the obligation to report security breaches is limited to those that could compromise the security or integrity of any REC Service or other REC Service Users.

We note that the Code Manager intends to develop a more detailed framework including guidance for users as part of their mobilisation activities and we would welcome the opportunity to review and comment on the guidance.

### **Question 2.2: Do you agree with our proposal to extend entry qualification to new gas MEMs? If not, please explain why.**

We support the proposals to extend entry qualification to new gas MEMs. MEMs are responsible for the provision and quality of industry data and associated processes and it is right that they should be subject to the same rigorous entry criteria as other Parties to the REC.

We also support the proposal to deem existing MEMs as qualified under the REC at the point of transition and that they will not be required to complete market entry qualification under the REC.

### **Question 2.3: Do you agree that the change effected by MAP CP 0338 should apply equally to gas?**

We agree that the change effected by MAP CP 0338 should apply equally to gas and understand that SCP 511 has been approved under the SPAA to bring this into effect.

### **Question 2.4: Do you agree that the clarification on the applicability of the schedule to non-domestic suppliers sufficiently gives regard to non-domestic suppliers who do not serve prepayment customers?**

We agree that the clarification is clear that, where a non-domestic Supplier does not have any prepayment customers, they will not be required to comply with the requirements of the Prepayment Arrangements schedule.

### **Question 2.5: Do you agree that the approach and processes for gas unregistered sites should be standardised, as set out in the Unbilled Energy Code of Practice?**

We agree that the approach and processes for gas unregistered sites should be standardised to ensure consumers are treated fairly, irrespective of which network they happen to be connected to.

**Question 2.6: Do you agree that the REC should make provision for the PAB to consider the case for reconciliation of data held by PPMIPs and CDSP for the purpose of identifying unregistered sites? If so, do you agree that this process should sit in the Unbilled Energy Code of Practice?**

We agree that the REC should make provision for the PAB to consider the case for reconciliation of data held by PPMIPs and CDSP for the purpose of identifying unregistered sites and agree that this process should sit in the Unbilled Energy Code of Practice.

**Question 2.7: Do you agree with the principle that a consumer should be no worse off by virtue of a theft investigation being undertaken by a network company rather than a supplier?**

We agree that a consumer should be no worse off by virtue of a theft investigation being undertaken by a network company rather than a supplier and that the back-billing restrictions may apply where theft cannot be proven. We have examples however, where customers have avoided Supplier assessments by dealing directly with networks particularly around illegal services and would encourage networks to work with Suppliers to ensure these loopholes are closed.

**Question 2.8: Do you agree that the requirements relating to provision of customer contact details should apply equally to non-domestic suppliers, as set out in the Transfer of Consumer Data Schedule?**

We agree that the requirements relating to provision of customer contact details should apply equally to non-domestic suppliers, as set out in the Transfer of Consumer Data Schedule.

**Question 2.9: Do you agree with our proposal to extend 'Gas use case 5: Payment of Guaranteed Standard of Performance Payments' to cover voluntary payments?**

We agree with the proposal to extend 'Gas use case 5: Payment of Guaranteed Standard of Performance Payments' to cover voluntary payments.

**Question 2.10: What risks (if any) do you foresee in the transfer of processes associated with Commissioning, Complex Sites, Proving and Faults from BSCP514 to the REC Metering Operations schedule?**

From a process perspective the obligations should remain constant during the transition from BSCP514 to the REC Metering Operations schedule.

We would suggest that the governance framework and escalation criteria for sub-optimal performance should be consistent, as a minimum, with the previous arrangements to ensure that there are sufficiently robust to manage performance during the change.

It is recommended that the existing governance framework is utilised during the transition to REC, and a time-based plan is implemented to formalise the "hand-over" of Performance Assurance Framework obligations.

**Question 2.11: Do you agree that requirement to comply with the BSC CoPs should be placed directly on MEMs in the REC? If not, please explain your reasons.**

We agree that the requirement to comply with the BSC CoPs should be placed directly on MEMs in the REC. This will ensure that the performance assurance framework regime is formally applied to them as they are responsible for metering operational activities.

**Question 2.12: Do you agree that metering operations rules and processes in the REC could be assured by the BSC, particularly with regard to PARMS reporting and technical assurance audits, until the assurance function can transition to the REC? If not, please explain your reasons.**

We agree that the metering operations rules and processes in the REC could be assured by the BSC until the assurance function can transition to the REC. This will require RECCo and BSCCo to work together to develop the transition approach to ensure no gaps in assurance are created in the assurance of MEM activities.

**Question 2.13: Do you agree that the information in the RGMA Baseline relating to exceptions should be out of scope of the mandatory Schedule?**

We agree that the RGMA baseline relating to exceptions should be out of the scope of the mandatory Schedule. These processes are not mandated, and we agree that the information does not align to current industry practice. We agree that the Code Manager should review the information and should make this available as lower level guidance rather than being part of the Schedule.

**Question 3.1: Do you agree that the proposed text to embed the Cross Code Steering Group will enable the intended improvements to cross code change? If not, please suggest alternative or additional drafting.**

We agree that the proposed text to embed the Cross Code Steering Group will enable the intended improvements to cross code change.

There have been recent examples of where code modifications have been approved without due considerations being given to the impact on other codes. We believe the formation of the Cross Code Steering Group will facilitate better cross code management.

**Question 4.1: Do you agree with the assignment of Code Manager ownership (Metadata Owner) of each Energy Market Message within the “Annex D – Message Scenario Variant Catalogue”?**

We have not reviewed in detail the assignment of each Energy Market Message to each Code Manager at this stage. We look forward to early RECCO engagement on the development of the EMAR. Existing MRA and SPAA products are used extensively to validate dataflow content and assist in exception resolution. We therefore encourage the REC Code Manager to provide visibility and training on the EMAR in good time ahead of MRA and SPAA transition to allow sufficient time to allow REC parties to train staff on the EMAR.

**Question 4.2: Do you agree with the classification of existing flow notes (including DTC Annex C) to either one of, a rule within the Data Specification, a Guidance Note (managed under the respective code, e.g. a REC Level 3 document) or a process obligation (e.g. a rule within a REC Schedule / BSCP)?**

Historically flow notes have contained “hidden” obligations on parties on how to complete or populate data flows. Flow notes should not be used for this purpose and it should be made explicit where rules are mandatory or optional as an example “address lines are optional but the address is mandatory”

**Question 4.3: Do you agree that the data items identified in ‘Redundant Data Items for Review’ spreadsheet should no longer be represented in the Data Specification as they are not associated to any Market Messages?**

We believe that both “Redundant Data items for Review” and “Redundant Valid Values” should no longer be represented in the Data Specification.