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## **Switching Programme: Proposed modifications to regulation and governance**

Dear Rachel,

npower welcomes the opportunity to respond to this consultation.

We have supported Ofgem on switching reform through the duration of the programme since initiation in 2013 and we will continue to provide support through to completion. We fully support the initiative to improve the switching process and agree that this should not be at the expense of reliability or customer experience, nor unnecessary costs.

npower agrees the creation of the Retail Energy Code (REC) will bring efficiencies and be easier for new entrants to understand. We also believe the proposals within the consultation should help deliver a robust solution within stated timescales. We would, however, welcome greater clarity on programme assurance as well as assurance there will be tight control and transparency of costs.

With regards to the additional Data Communications Company (DCC) requirements it is imperative that the DCC taking on responsibility for this additional activity has no negative impact upon their core functions and activities so it would be helpful for parties to have clear insight into how DCC are going to ensure that this is the case.

I trust you find this response gives you the required information you seek, however, if you require anything further, please do not hesitate to contact me.

Yours sincerely,

*By email*

Andy Baugh  
Future Regulatory Developments Manager

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## **npower responses to the consultation questions**

### **Chapter 2: Transitional requirements**

**Q2.1: Do you support our proposal to introduce a high level duty upon licensees to cooperate, where appropriate, in delivering the outcome of a significant Ofgem-led programme, such as a SCR?**

Yes

This will help prevent unnecessary delays to the programme. We would welcome greater clarity on programme assurance and that parties who have contributed as required are not penalised should a delay to the programme happen due to elements out of their control. We agree the inclusion of a new obligation into Standard Condition 20 will be simpler and reduce duplication.

We feel further consideration should be given to smaller suppliers regarding their capability to be ready on time and consequential risks to them and the market if they are not ready.

**Q2.2: Do you agree that the RECCo should be established earlier than REC v2 in order to assist with the successful delivery of the switching programme?**

Yes

Again this will help ensure timely delivery as early establishment of RECCo would assist in aiding the transition between REC versions, especially in aligning these with any changes in industry delivery dates, should these be delayed for any reason. Also early stewardship on costs would be greatly welcomed.

**Q2.3: Do you agree that the bodies constituted under the REC could suitably play a formal part in the programme governance?**

Yes

**Q2.4: Do you agree that our definition of 'large supplier' in REC v1 is suitable for ensuring an adequate level of engagement with User Entry Process Testing?**

Yes

As a 'large supplier' we support the view that adequate levels of engagement are required with User Entry Process Testing, and we will endeavour to align our delivery schedules with the overall industry plans. However, we would also like Ofgem to encourage some smaller suppliers, or managed services that support smaller suppliers, to be involved too to ensure they are ready and not left behind.

**Q2.5: Do you agree that it would be appropriate to have in place interim governance arrangements prior to REC v2 coming into effect?**

Yes

### **Chapter 3: REC Governance**

#### **Q3.1: Do you agree with the proposed powers and functions of the RECCo Board, REC Panel and REC Manager, and how they would be distributed amongst them?**

Yes

We feel the intention and distribution of powers and duties is appropriate. There must be clear definition of roles, responsibilities etc yet there is some further clarity required in areas where there is overlap. For instance: performance assurance and monitoring compliance, where the REC Manager has a role, the PAB has a role, and the Board has duties re overseeing compliance which may be delegated to the PAB.

A priority area requiring clarity is how issues will be dealt with and which body has responsibility for what. This needs detailed and careful thought to avoid gaps, duplication and confusion. We agree with the role of REC Manager as this could help progress key initiatives more quickly and efficiently

Our experience with Alt HAN, where there are different individuals on the Forum and Board, has shown that it is important to put in place clear lines of responsibility and communication between the different bodies.

We agree with Citizens Advice involvement and voting rights. However, we feel industry party voting rights should be weighted towards parties impacted by the REC. For instance, we would not support Price Comparison Websites having voting rights as they are not regulated or obligated by the REC.

#### **Q3.2: Do you agree with our proposal that independent Non-Executive Directors (NEDs), potentially from outside of the energy industry, should be present on the RECCo Board and that the composition of the RECCo Board should be subject to thorough review, both periodically and/or whenever the scope of the REC/RECCo Board responsibilities changes substantively?**

Yes

This works well with other code bodies. Non-Executive Directors can bring fresh ideas and views from outside of the energy industry.

#### **Q3.3: Do you agree with the proposed composition, powers and functions of the REC Panel?**

Partly Yes

We note the intention for the Panel to manage invoicing and payment and would welcome greater understanding on how this would work. We would expect the Board to control budget and manage the overall finances as part of its corporate governance responsibilities. Also,

from experience of other industry panels such as Alt HAN and BSC, we would suggest that the Panel appoints an independent chair, as that has proven very effective and helpful.

**Q3.4: Do you agree that there should be entry and systems testing requirements placed on new entrants, comparable to those that we expect incumbent suppliers to undergo as part of the transition to the new switching arrangements?**

Yes

To ensure a fair, reliable market and protection for consumers we feel all parties regardless of size should be subject to the same obligations. There must be a level playing field for all market participants and it is important to ensure that all players can perform to a minimum standard, as this is in the interests of consumers. For these reasons, new entrants should prove they are capable of managing their processes prior to taking part in the new switching arrangements.

#### **Chapter 4: REC Content**

**Q4.1: Do you agree with the proposed minimum content for REC v2 (as listed in Appendix 3)? Is there any other content we should consider for inclusion in REC v2? If yes, please provide further details.**

Yes

At this stage we feel the content looks sufficient. REC V2 content should contain items critical for successful delivery of the switching programme.

With regard to the content of REC V3 we suggest RECCo assesses the remaining items of SPAA & MRA to determine how long it would take to incorporate each of them, then prioritise by this and customer value. This would then determine a suitable REC V3 date possibly in 2 stages (e.g. REC 3 for quick wins and REC 4 for longer more complex elements).

**Q4.2: Do you agree with our proposal that the REC Code Manager should collate Switching Domain Data and make it available to Market Participants? Or do you consider that the Data Master for each element of Switching Domain Data should make it available to Market Participants?**

Yes

This should be more efficient and provide better control than the current arrangements.

**Q4.3: Paragraphs 4.20-4.24 suggest that the DCC should be subject to a data quality objective and performance standards around the quality of REL Addresses. Do you have suggestions on the quality measure areas and levels quality measures will take? Do you believe that the REC Panel should have a role in setting these targets (initially and/or on a periodic basis)?**

Yes

Again, to ensure a stable market, reliable switching and protection for consumers we agree the DCC should be subject to performance standards.

We would expect Ofgem to consider such measures as part of the CSS Provider procurement stage of the programme.

**Q4.4: Paragraph 4.25 outlines that the REL Address data quality indicator is currently intended to be an internal measure for the CSS. Do you believe there is value in making this available to other market participants? If so, please provide your rationale for this and outline which market participants should have access.**

Yes

Suppliers will fund the CSS, be subject to licence conditions on the reliability of their switches and the relationship with consumers so we do believe visibility of the indicator is important.

**Q4.5: Paragraph 4.25. suggests that the DCC should set out the methodology it will apply to meet the REL Address data performance standards on an annual basis. Do you agree that it would be beneficial to make this methodology publicly available?**

Yes

Again for transparency and the reasons stated in answering Q4.4 this is important to suppliers.

**Q4.6: Do you support the creation of an Enquiry Services Schedule in REC v2? If so, which of the options around the requirements (in paragraph 4.32) do you prefer? Please provide details to explain your answer.**

Yes

We would suggest keeping the content minimal whilst the MIS is being developed, and Option 3 is preferred as this should save time and costs in developing the REC.

**Q4.7: Do you agree with our proposal to create a REC Exceptions Schedule to be contained in REC v2, with the scope outlined in Figure 3? If not, please provide further details.**

Yes

We support the proposal to create a REC Exceptions Schedule and that it should be drafted from a customer perspective in line with the approach for the rest of the REC. However, it should be noted that not all exceptions will manifest themselves as a result of poor customer experience, and all possibilities need to be considered and included.

**Q4.8: Do you agree that the grey areas highlighted in Figure 3 should be out of scope of an Exceptions Schedule for REC v2? If not, please provide further details.**

Yes

**Q4.9: A list of suggested content for a set of REC Technical Documents can be found in section 4.44. Do you believe that any of the content listed is unnecessary or is there any content that you would expect to be included? If so, please provide details.**

At this stage we feel the content seems reasonable

**Q4.10: Do you believe that table 1 captures all of the items that should become a REC subsidiary document? If not, please provide details of the additional items that should be included and why.**

Yes

**Q4.11: Do you believe we have assigned the correct responsibility for producing each REC subsidiary document? If not, please provide further details.**

Yes

## **Chapter 5: The DCC licence**

**Question 5.1: Do you agree with the role we have set out for DCC during the DBT phase and steady state operations? If not, why not?**

Yes

This seems sensible for quality of delivery and stabilisation of the CSS. However, it is imperative that the DCC taking on responsibility for this additional activity has no negative impact upon their core functions and activities.

**Question 5.2: Do you believe that our proposed drafting to amend LC 15 of DCC's licence would, if implemented, accurately reflect our expressed intentions? If not, why not?**

Yes

**Question 5.3: Do you agree with our proposal to add new CRS specific price control terms. Do you think any of these terms are unnecessary or are there other terms we should consider adding?**

Yes

We also look forward to the opportunity to respond to the mentioned planned consultation on CSS price control. The DCC current price control and methodology has not been as transparent and accurate as we would expect so we must ensure these are improved for the CSS.

**Question 5.4: Do you agree with the high-level programme outcomes we believe the programme should look to incentivise? Can you suggest further areas we should look to include and are there aspects you believe should be prioritised?**

Yes

## **Chapter 6: Significant Code Review**

**Q6.1: Do you agree with the changes that we propose to make to the scope of the Switching SCR?**

Yes

**Q6.2: Are there any further changes that you consider we should make, either to bring something into scope, or to explicitly rule it out of scope?**

Yes

Bullet point four of the current scope states: 'to deliver next day switching'. We suggest amending this as next day switching will only apply to domestic customers, and the non-domestic sector will have 2 working days. A possible solution could be 'to deliver faster, reliable switching'.

**Q6.3: Do you agree with our proposed approach of publishing the drafting of all SCR related changes circa Q1 2019, but waiting until systems have been proven through testing before submitting the proposals into the modifications process?**

Yes

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