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Consultation on the Switching Programme: Proposed modifications to regulation and governance

Dear Rachel,

SmartestEnergy welcomes the opportunity to respond to Ofgem's consultation on the Switching Programme: Proposed modifications to regulation and governance.

SmartestEnergy is an aggregator of embedded generation in the wholesale market, an aggregator of demand and frequency services and a supplier in the electricity retail market, serving large corporate and group organisations.

Please note that our response is not confidential.

We respond to the questions below in the order in which they appear in the consultation document.

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?

We agree with the intent of Ofgem's proposal to introduce licence conditions to ensure relevant parties cooperate in the delivery of SCRs. Provided that the licence drafting relates to cooperation in achieving the conclusions of an SCR, this would allow Ofgem to request the cooperation they require (even in using future powers) without introducing the prospect of requests being made outside of defined SCR scopes, which the licence drafting as proposed could do.

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?

It would appear pragmatic to establish the RECCo before the detail of REC v2 is set out. However, if the RECCo is to take procurement decisions in order to get infrastructure and processes in place ahead of the launch of REC v2, it should consult (future) code signatories when doing so. Funding arrangements, therefore, must be set out in REC v1 as a matter of necessity. REC party representation on any procurement committee is also essential.

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

The proposed RECCo, RECCo Board and REC Panel could play a part in the programme governance, much like the equivalent bodies do in the BSC for example.

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?

We are comfortable with the definition proposed.

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

The proposal for Ofgem to act as interim REC Manager before the implementation of REC v2 if a change is required would appear to be a sensible backstop arrangement.

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?

RECCo Board: The board should be responsible for budgets and running RECCo as a business. Holding the panel and manager to account should also be a key role of the board.

REC Panel: We generally agree with the powers and functions proposed. However, the panel should be responsible for considering specific industry

changes and therefore is better placed to set the strategic direction of the code than the board.

REC Manager: We consider that the REC manager would be best placed to ensure the delivery of services required to implement the arrangements described within the code. The proposal to allow the REC manager the ability to performance manage and help deliver code support services should allow for code changes to be delivered on time and on budget, perhaps more so than code administrators currently manage.

We would question how necessary it is for a code manager to be focused on 'changes that benefit consumers'. The manager should be there simply to deliver change driven from code parties/Ofgem. Consequently, any 'mission statement' should include a focus to deliver change for the code parties. Consumer benefits and representation warrant more focus across working groups and the panel.

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?

We agree with periodic reviews of the composition of the RECCo board to ensure that the REC maintains a path to continually achieve its stated goals. However, there should only be one or two independent Non-Executive directors from outside the energy industry on the board. In order to ensure that the overall direction of the code is in the interests of consumers, expertise of the relevant industry will be required. If consumer confidence is the aim of these changes, then representatives from the likes of Citizen's Advice should be represented on the panel.

Model A should be pursued in regard to composing both bodies. It is important that code parties have a choice in who runs the code which should deliver for them.

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

Again, it is important that the REC panel is made of elected representatives with sufficient expertise in order to make recommendations on potential modifications. In order to ensure the interests of consumers are represented, there should be one designated seat on the panel for such a representative. Ensuring that changes do not create consumer detriment could be made an

applicable objective for the code. This may be a simpler way
of achieving the regulator's goal.

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?

We are comfortable with this proposal. With regard to new suppliers entering the market in the future, it is perfectly reasonable for new entrants to be required to meet the same standards upheld by incumbent suppliers.

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.

The appendix states that funding arrangements during the transitional period will be outlined in the REC v1. However, it is not made explicit in the appendix that these arrangements will endure to v2 and beyond. Whether the transitional arrangements do or do not endure, clarity on this should be provided.

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?

It would be easier for market participants to be able to access this data from a singular source. We do not see a reason as to why data integrity should be affected by this requirement if all that the REC manager need do is collate the data.

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)?

In simple terms, the measure of data quality should be that each registrable metering point has a Retail Energy Location address which enables correct switching first time. In regard to setting quality targets, a baseline should first

be established from existing data, before the panel can assess a realistic improvement target. This is on the basis that the Panel consists of elected members.

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.

In the interests of holding the CSS to account on data quality, there is a case for the indicator to be made available to market participants.

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?

Regardless of the frequency with which the methodology for achieving REL address data performance standards is published, industry must be able to hold the DCC to account in reaching the targets. Be this through the imposition of KPIs or assessment of the methodology.

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.

We would support the creation of the enquiry schedule at REC v2 in line with option 2.

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. It would make sense to include those provisions which require changes as a result of the move to new switching arrangements within the REC v2, given that they will need amendment in the future anyway.

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.

No. It would also make sense to include the issues in grey boxes in figure 3. If only minor (or even no) changes are required, there would seem to be no reason to maintain the position of these provisions within the MRA/SPAA. Transposition of these provisions into the REC v2 then, should not be an onerous task.

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.

No comment

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.

No comment

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

No comment

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, it seems logical for the Data and Communications Company to procure and manage the Centralised Registration Service (CRS), particularly during the Design Build Test phase, as it should provide industry with a useful hub for all switching related matters immediately afterwards. The creation of performance criteria is also welcome, as this should drive the DCC to deliver a good service for market participants and by extension consumers.

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. The licence drafting allows for sufficient flexibility in placing CRS management obligations on other parties in the future, should such a requirement occur.

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?

The terms proposed to be added appear reasonable. That said, the proposal to add a 'value added service contribution' seems a bit open ended. Spending under this cost category should either have a tighter definition or require specific justification.

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?

The proposed outcomes are ones we would agree with. Put succinctly, this is reliable delivery of an appropriate and accessible service in a cost-efficient manner.

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

We agree with the majority of the proposed changes to the scope of the switching SCR on the basis that they amount to little more than housekeeping changes and ensuring consistency of drafting. However, we would welcome further clarity regarding points removed from the 'out of scope' section. It could be inferred that they have been deleted in order to show that they are now 'in scope' of the SCR, but they have not been written up in the relevant section.

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?

No comment

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?

There is no harm in progressing modifications ahead of time, in order to make sure they are ready for implementation when systems have been proven.

Should you require further clarification on this matter, please do not hesitate to contact me.

Yours sincerely,

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