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Switching Programme: Regulation and Governance - way forward and statutory consultation on licence modifications

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, storage and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users.

We welcome the opportunity to respond to both aspects of this consultation. However, the level of detail included, along with the short timescale to respond presents challenges for all parties to provide the most useful feedback. It is unhelpful to combine this policy consultation, with the statutory consultation on licence modifications, and the implementation of Retail Energy Code (REC) v1.0. The short timescales associated with the policy aspects of the consultation relating to REC v2.0 and v3.0 are insufficient for detailed consideration of the proposals. It is also concerning that Ofgem is not expecting feedback on the detail of REC v1.0, as there still appears to be errors in the proposed drafting. For example, we note that despite this being a statutory consultation, the detail included in REC v1.0 is not reflective of the revised policy positions, as set out in the consultation.

We continue to support the work of the Switching Programme and the associated development of the REC, but urge Ofgem to ensure this is conducted at an appropriate and manageable pace. We are broadly supportive of a new Significant Code Review (SCR) being developed, in order to take forward the broader code reconciliation work associated with REC v3.0. However, Ofgem must consider the resource burden on suppliers of having multiple SCRs running simultaneously. Furthermore, Ofgem should consider how this new SCR would align to the existing Code Governance Reform work.

There remains a significant challenge associated with engagement in the overall code environment. Ofgem must clearly set out the strategic direction for codes and carefully consider the enduring role of the code administrator. It would be remiss of Ofgem to

create a 'best in class' code in the REC without properly addressing the challenges faced across the remaining codes which are not consolidated into the REC.

Given the considerable amount of work required to reach a final version of the REC, it is imperative that Ofgem appropriately prioritises the work required at each stage. As set out in our detailed responses in Annex 1, there are aspects of the REC which should not be considered a priority; for example, the transition of the data catalogue and debt assignment protocol. While we understand Ofgem's desire to have as much of the work completed as soon as possible, this should be balanced with the need for suitable scrutiny of what is being migrated into the REC. A number of the existing processes will require an in depth review, to ensure they will work efficiently under the new switching arrangements, which may not be as simple as just amending the references to make them dual fuel.

The requirement on suppliers to become a party to, and comply with, industry codes is an accepted requirement that ensures market arrangements can operate effectively. However, we note that for the REC, it is proposed that suppliers are also placed under an obligation (e.g. paragraph 11B.1 of the Electricity Supply Licence) to maintain the REC. Given that the role of developing the REC, up until the point the new switching arrangements go-live, is being undertaken by Ofgem, we question the degree to which suppliers have the ability to ensure the REC is maintained. Furthermore, Ofgem is designing enduring governance arrangements for the REC which moves away from the arrangements found in other industry codes, and which have the effect of reducing the influence code parties have over the operation and development of the Code. For instance, the proposals give extensive responsibilities to independent bodies such as the REC Company Board (RECCo) and the REC Manager. Suppliers' role in the governance of the Code will essentially be limited to the modification process, where there is not yet clarity on the composition of the REC Change Panel.

Therefore, placing a requirement on suppliers to maintain the REC is inappropriate, given the governance model being developed by Ofgem. We note that similar obligations have been placed on parties previously to maintain industry codes. However, these fell on parties who had much more direct influence on the development and ongoing governance of such codes (for example, as found with the Connection and Use of System Code (CUSC) and Smart Energy Code (SEC)). Such a duty to maintain should be set out within the REC itself and be the responsibility of the REC Manager rather than individual suppliers. Alternatively, the requirement should be amended to reflect suppliers limited powers, for instance, by requiring a licensee "to take all appropriate steps within its power to ensure the Code is maintained".

Our detailed responses are set out in the attachment to this letter. Should you wish to discuss any of the issues raised in our response or have any queries, please contact Gavin Anderson on 0785 294 8087.

I confirm that this letter and its attachment may be published on Ofgem's website.

Yours sincerely,

Head of Customers Policy and Regulation

Annex 1
EDF Energy's response to your questions

Question 4.1: We would welcome views on whether Ofgem should have an ongoing role in ratifying RECCo Board appointments after the appointment of the first board.
We are supportive of Ofgem ratifying the appointments to the first RECCo Board, following proposals from the Nominations Committee established by Ofgem. It is envisaged that in establishing a Nominations Committee, Ofgem will clearly define and publish the criteria in terms of the requisite experience, expertise and skills that each individual and the overall Board should meet. Such criteria could become an enduring provision referenced within the Code which would ensure all future Boards and nominations continue to satisfy the requirements. Given the importance and enduring nature of the selection criteria, it is crucial that parties are given an opportunity to review this, as well as Ofgem's intended approach to selecting a Nominations Committee.

In addition, it is noted that the Board is accountable to Ofgem for delivery against its objectives. Assuming such objectives are clearly set out, we anticipate that Ofgem will be in a position to take action where it is concerned with the performance of the Board. Given the above, we question whether there is an ongoing need for Ofgem to ratify future RECCo Board Appointments. An alternative would be to provide Ofgem with a power of veto over any future appointments if it felt that the Board composition would not meet the criteria it had prescribed.

Question 4.2: We would also welcome views on whether the REC parties should have a role in ratifying the first and/or subsequent boards.
This is partly dependent on the ongoing role of Ofgem. It is important that REC parties have a role in the establishment of the Board, given the responsibilities of the Board, and the impact its performance and decisions may have on parties. When forming the first Board, REC parties should be consulted on the proposed criteria and the nominations that result, in order to allow parties to make representations to Ofgem. For subsequent Boards, in the event that Ofgem retained a power of veto, parties should, at the very least, be provided with a timely opportunity to make representations to Ofgem in order to express concerns.

Question 4.3: Do you agree that the REC should place less reliance on face to face industry meetings for modification development and instead empower the REC Manager to develop and analyse proposals, procuring expert support as and where required?
In principle, we agree that the REC Manager should be required to operate and manage the change management process in an efficient and economical manner, which results in timely and beneficial change being delivered. We are therefore, supportive of the REC Manager being empowered to take a more proactive and flexible approach to change

management, compared to the current, traditional code process which is dominated by face to face working group meetings. It is fundamentally important that the REC Manager has at its disposal, the right level of knowledge and experience to understand and develop change appropriately.

There is clearly not a one size fits all model that would apply to all modification proposals. Some proposals will be relatively simple, and could be progressed quickly, with relatively limited need for parties to be directly involved in the development and analysis of such proposals. However, it is highly likely that the direct involvement of REC parties through workgroups will continue to be needed on important, complex and contentious proposals. This will ensure that the development of such proposals is carefully considered, and the benefits and impacts of such proposals are clearly set out.

The REC modification process should ensure that there are no barriers for parties who wish to raise, or suggest changes to, the Code that better meet the REC objectives or mission statement. However, the REC Manager should ensure that resource is focussed on progressing changes that deliver the most benefit.

Question 4.4: Do you consider that a recommendation to the Authority should be made by the RECCo Change Panel, with reference to the REC relevant objectives, or based on a vote of REC parties?
Given that uncertainty still exists as to how the RECCo Change Panel will be constituted, it is difficult at this stage to provide a definitive answer.

In terms of material modification proposals that require the approval of the Authority, we are in principle supportive of such recommendations being made to the Authority by the Change Panel. Such recommendations should be made in relation to the relevant code objectives. However, it is important to ensure that parties have the opportunity to raise concerns regarding any change, and that these are properly considered. As is seen today, the broad and subjective nature of code objectives can lead to very different interpretations of whether a change meets these.

Consistent with other industry codes, the Panel recommendation and the Authority's final decision should form the basis on which any appeal can be made by a party.

Question 4.5: Do you, in principle, support the approach to performance assurance outlined?
In principle, we agree with the approach outlined. Robust performance assurance is required to ensure the REC is delivering the right outcomes, especially in terms of the consumer experience of the retail market. It also protects REC Parties from each other's failure to adhere to the required standards.

We, and other parties, expend a significant amount of time and resource dealing with exceptions, such as resolving missing or incorrect data, which arise from other parties' failures. An efficient route for tackling these issues is required. It should not be the responsibility of individual parties to highlight the issues of other market participants. The reporting and monitoring available to the Performance Assurance Board (PAB) should indicate where problems are arising to enable timely and effective action to be taken.

While assuring performance is incredibly important, setting the right performance standards within the REC in the first place, and making sure that parties are able to meet them before they enter the market, is equally important.

Question 5.1: Would you support the development of a REC digitalisation strategy?
Yes. We agree that the REC should be digital and should maximise the use of a digital workspace. It is vital that this strategy considers not only how the content of the Code is digitalised, but also the workings of the Code more broadly.

Ease of accessibility to all aspects of the Code including meeting information, change proposals and performance reporting is of particular importance.

While it is important that a party can access and manipulate the Code itself, they should also be able to easily follow developments in the Code, including being informed when the Code has been amended, without the need to constantly inspect the REC website, or attending every meeting held.

Question 5.2: Do you agree that the draft Registration Services Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved?
We are supportive of developing the REC in line with an agreed set of high-level Regulatory Design Principles (RDPs). The RDPs proposed would appear appropriate. Within the timeframe provided to respond to this consultation, we are not able to provide a definitive answer as to whether these schedules meet the required standards. We have provided some detailed comments in Annex 2 and will continue to work with Ofgem through the development phase of later versions of the REC, with a view to delivering a code that meets such principles.

Question 5.3: Do you agree that the draft Address Management Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved?
We are supportive of developing the REC consistent with a set of high-level RDPs. The RDPs proposed would appear appropriate. Within the timeframe provided to respond to this consultation, we are not in a position to provide a definitive answer as to whether these schedules meet the required standards. We have provided some detailed comments

in Annex 2 and will continue to work with Ofgem through the development phase of later versions of the REC with a view to delivering a code that meets such principles.

Question 5.4: Do you agree that the draft Data Management Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved?
We are supportive of developing the REC consistent with a set of high-level RDPs. The RDPs proposed would appear appropriate. Within the timeframe provided to respond to this consultation, we are not in a position to provide a definitive answer as to whether these schedules meet the required standards. We have provided some detailed comments in Annex 2 and will continue to work with Ofgem through the development phase of later versions of the REC with a view to delivering a code that meets such principles.

Question 5.5: Do you agree that the draft Interpretations Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved?
We are supportive of developing the REC consistent with a set of high-level RDPs. The RDPs proposed would appear appropriate. Within the timeframe provided to respond to this consultation, we are not in a position to provide a definitive answer as to whether these schedules meet the required standards. We have provided some detailed comments in Annex 2 and will continue to work with Ofgem through the development phase of later versions of the REC with a view to delivering a code that meets such principles.

Question 5.6: Do you agree that the draft Entry Assessment and Qualification Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved?
Largely, we agree that this Schedule meets the RDPs.

However, more clarity is required regarding the definition of 'material change' as a trigger for re-qualification. The level of materiality of change can be quite subjective and parties who need to re-qualify may fail to do so, if they don't consider a change as material. We would like further clarity on how these requirements will be monitored.

It is unclear as to who exactly needs to be qualified. The Schedule refers only to Energy Suppliers needing to be qualified, and then states that the 'Entry Assessment and Re-Qualification process may differ dependant on market role'. For example, what market role(s) could an Energy Supplier operate in, other than Electricity Supplier or Gas Supplier, or are these two roles what is intended to be covered by this text?

Question 5.7: Do you agree with our proposals that:
PAB, as part of its role in mitigating risk to consumers and the market,
should provide information to the REC Manager on the specific risks that it

wants to be mitigated and assured against through Entry Assessment and Re-Qualification;
The Code Manager should have clear obligations to support the Applicant and coordinate with other code managers; and
Suppliers that undertake a material change to their systems, processes or people should undertake Re-Qualification?

We agree with this proposal. As noted in relation to our response to Question 5.6 above, it is prudent to ensure that the entry and qualification process ensures that new parties do not pose a risk to the processes, and recognises that the source of risks may change over time. Conversely, it is important that the arrangements do not impose an unnecessary barrier to entry, so the controls need to be proportionate. However, it is far more effective to prevent problems occurring in the first instance, rather than resolving them once they have occurred.

We also agree with the re-qualification proposal. It seems sensible to have a single process which covers all codes, and that this should cover re-qualification as much as it does initial qualification.

The REC should clearly define what constitutes a material change, as this could be subjective. It makes sense that parties would need to re-qualify if the basis on which they gained their initial qualification has changed. Any re-qualification requirements need to be proportionate to the level of risk posed.

Question 5.8: Do you think that PAB and the REC Manager should work with service providers to identify and mitigate risks associated with material changes to their systems, processes or people?

Yes. The material changes made by service providers can pose a higher level of risk to the performance of the overall arrangements, than those made by individual REC parties. On this basis, we fail to see any reason why those service providers should not be subject to the same controls as REC parties.

Question 5.9: Do you agree that the draft Service Management Schedule meets the required standards set out in the Regulatory Design Principles including whether we have set out clear and workable roles and responsibilities for Market Participants, service providers and the Switching Operator that will support the effective operation of the new switching arrangements? If not, please describe how you think it should be improved?

We broadly agree that the Schedule meets the required standards. We do however, have the following observations:

- Section 7.1: Effective demand/capacity management is welcome. However, we are concerned by proposals to consider differential charging, as this could

disadvantage those energy suppliers that are less able to amend their demand profile.

- Section 7.2: How far in advance would someone need to send the notification, and what is meant by 'exceptionally high demand'? Is this an absolute standard or supplier specific? A small supplier could send ten times their usual number of requests, but this may have no material impact on the overall volumes of switches.
- Section 7.7: Again it is not clear how an 'exceptionally large amount of data' will be defined.
- Section 11.5: This refers to the 'associated costs' of reporting to market participants. We expect there to be a base level of reporting required to operate in the market which is included in the REC charges. Only additional reporting over and above should have a specific charge.

Question 5.10: We also welcome views on the draft service levels set out in Appendix B of the draft Service Management Schedule.

These generally seem appropriate and align with similar service standards set out in the SEC. However, there is the potential for parties to have differing views on the impact of incidents or service requests, so the categorisation of these need to be clear and objective.

Question 5.11: Do you agree that the draft Switch Meter Reading Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved?

The Schedule meets the required standards. Overall the language is clear, while retaining the level of prescription that is required by this process.

However, Switch Meter Reading is not the terminology currently used in the Balancing and Settlement Code (BSC) or Uniform Network Code (UNC). Should these documents be updated to align with the REC, or at least make it clear where in the BSC and UNC these processes sit?

Section 2.1: This Schedule indicates that the SEC has a process for obtaining Switch Meter Readings from DCC Enrolled Meters. The SEC details how a party can get a reading from a smart meter, but does not refer to switch or Change of Supplier readings specifically; these obligations sit entirely in the BSC/UNC.

Page 14: The Escalation Summary seems to be specific to gas (it appears to have been taken directly from SPAA Schedule 11) as it refers to New Supplier Short Code and Old Supplier Short Code, which are not defined terms in the REC.

Question 5.12: We welcome views on whether we should retain or amend the remit of the proposed Switch Meter Reading Exception Schedule beyond domestic consumers and electricity NHH consumers.

The Switch Meter Reading Exception Schedule should apply to any meter where a Switch Meter Reading can be agreed or amended. This would include non-domestic meters and potentially those that are settled on a half hourly (HH) basis.

The current process, and therefore the proposed Schedule, assumes that the same reads are used for billing and settlement, and also that where a customer is settled on a HH basis that this Schedule would not apply. This is not necessarily true. A customer that is settled on an HH basis, for example as a result of having a smart or advanced meter installed, may still be billed based on non-half hourly (NHH) register readings. In that case they might still dispute the reading that they have received on their closing bill, therefore triggering the dispute process. However, that reading would not have been generated by the process set out in the BSC, and any agreed reading would not be sent to a Data Collector. In these instances adjustments may still need to be made to the data that has been settled, to ensure it reflects the amount that has been billed.

Settlement reform and a move towards market-wide HH settlement will create a separation between the data used for billing and settlement. The Switch Meter Reading Exception Schedule will need to be reviewed on an ongoing basis as the market reforms, to ensure that customers get accurate bills, while the right data is used in the settlement process.

Question 5.13: Do you agree that we should move any requirements to obtain and process meter reads for settlement purposes into the BSC and UNC?
We agree that any requirements regarding the use of readings for settlement should be moved to the UNC and the BSC. However, as noted in the response to the previous question, it is important for energy suppliers that the volume of energy being accounted for in billing and settlement is aligned. Therefore, the end to end process across the codes needs to ensure that this is the case. Also, as noted, the process needs to consider how this would work where the data being used for billing (i.e. register reads) is not the same as that being used for settlement (i.e. HH data).

Furthermore, it is important to recognise the purpose and intent of gaining readings and the likely impact of a supplier being required, under various codes, to obtain readings at different intervals for different reasons. It is vital that the requirements are complimentary and do not duplicate or contradict each other.

Question 5.14: We welcome views on whether the Switching Meter Reading Exception Schedule should make specific provisions for consumers with smart gas meters.
The current process for generating switch meter readings for smart gas meters is the same as for non-smart gas meters. On that basis, no specific provisions are currently required for smart gas meters. However, changes do need to be made to the switch meter reading process for smart gas meters, to reflect the more complex register functionality of those

meters, and in fact we proposed this as SPAA CP 16/351. This change was rejected.

Should any changes be made to the Switch Meter Reading process to cater for the additional functionality provided by smart gas meter, then associated changes will need to be made to the Switch Meter Reading Exception Schedule.

Question 5.15: Do you agree that the draft Debt Assignment Protocol (DAP) Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved?
No. While we agree that the Schedule is reflective of the changes agreed through SPAA and MRA, we are concerned that it does not address the overall question of how DAP should work in a faster switching environment. Instead, the Schedule assumes an 'as is' approach to DAP, which, aside from some tidying up of the existing information, does not materially improve the customer experience.

Given the objective of REC to be 'best in class' Ofgem should use such opportunities to improve the process and not simply use what already exists. Further consideration needs to be given to which supplier is obligated to engage with the DAP processes. In addition, Ofgem should strengthen the requirements on suppliers to respond and process DAP requests in an efficient and timely manner.

Question 5.16: Do you agree that the REC should refer to existing security standards rather than develop separate and bespoke ones?
From an efficiency perspective for industry parties, it would make sense that the security requirements for the REC are aligned, where appropriate, with existing security standards, for example, those in the SEC. However, should there be security risks that are specific to the REC arrangements, these should be addressed in the manner which best mitigates the risk, rather than leaving gaps in the security arrangements to increase efficiency. The key to this will be the publication of the security risk assessment.

Question 6.1: What do you think are the pros and cons of Model A and Model B and which do you think we should use to develop an Exceptions Schedule in the REC?
Model A recognises that there isn't a 'one size fits all' approach to the exceptions processes, and takes into account the individual needs of the consumer when resolving exceptions. However, Model A relies on there being agreement, with all suppliers being able to agree the appropriate outcomes, as well as the best way to achieve those outcomes. The level of subjectivity that could arise from Model A may result in inconsistencies, for example where a supplier is unduly delaying the resolution of an exception.

Model B would be less flexible and unable to be tailored to meet individual consumer circumstances, but has the benefit of having a prescribed standard that all parties need to

meet. This standard, if set sufficiently high, would result in better outcomes for the vast majority of consumers.

To the greatest extent possible, the focus should be to develop a process that results in as few exceptions as possible, especially those where signatories are relying on other parties for their resolution. A disproportionate amount of time and effort is required to address exceptions, which just serves to increase the cost to consumers, as well as delivering a poor switching experience. Switching is generally an error free process but when it goes wrong, it can be problematic and timely to fix.

Question 6.2: Do you agree that the theft of gas and electricity provisions should be moved to the REC?
Yes. We support moving the theft provisions into the REC, as the gas and electricity arrangements are already closely aligned.

However, there are aspects across the broad theft arrangements that will require some preparatory work in order to work on a dual fuel basis.

Question 6.3: Do you agree that the REC Manager should undertake the (re)procurement of any services due to commence at or after REC v2.0 implementation?
If the theft provisions are migrated to the REC, then it would be appropriate for the REC Manager to undertake the procurement of any relevant services once it has been appointed, and the enduring REC is in effect.

Question 6.4: Do you support the establishment of an industry-wide data catalogue that all code bodies incorporate by reference into their own codes and collaborate on the maintenance of?
A single data catalogue defining a common set of data items, data flows and validation requirements would help to ensure interoperability between parties. Alignment of data items across gas and electricity would also improve efficiency and reduce confusion.

We would especially welcome an increased focus on validation requirements and what constitutes 'valid data'. We should not be in a position where one party can share data, believing it to be valid, and another party can reject it based on a different view of the validation criteria. Such exceptions are wholly unnecessary.

Notwithstanding this, Ofgem should not underestimate the technical difficulty that is involved in this task. Therefore, given that the existing data catalogue's currently function as needed, completing this task should be a low priority for Ofgem.

Question 6.5: Do you think that the REC should have the responsibility of hosting the industry-wide data catalogue?

Yes. If established, the REC is best placed to hold the industry-wide data catalogue.

Question 6.6: Do you think that an industry-wide data catalogue should be developed for REC v2.0 (to enable REC CSS messages to be incorporated from day one or should consolidation be undertaken as part of REC v3.0?
As set out in our response to Question 6.4, we do not consider this should be a priority for Ofgem early in the programme. Therefore, inclusion in REC v3.0 seems appropriate.

Question 6.7: Subject to further development, assessment and consultation, would you in principle support aligning the gas and electricity metering codes of practice under common governance?
In principle, we support the alignment of the gas and electricity metering codes of practice. Metering is increasingly a dual fuel activity, and it would seem sensible that where appropriate, the requirements for the two fuels should be consistent.

This is especially relevant to customer facing or non-fuel specific aspects of those codes. As an example, MAMCOP requires Meter Asset Managers (MAMs) to make a removed meter available for collection by the Meter Asset Provider (MAP), whereas MOCOPA requires a Meter Operator (MOP) to return a removed meter to the MAP. Timescales for activities such as sending updated metering data should be aligned. It would be sensible for processes that are similar to be aligned across the two fuels. This will be more efficient for metering agents and the parties that interact with them. This would be more easily maintained under common governance.

Consolidation should lead to reduced costs in terms of the level of engagement metering agents need to have with the codes, and therefore reduce the overall cost of operating those codes. Any consolidation or common governance would need to account for the differences in the technical requirements for gas and electricity metering, and the different stakeholders involved for each fuel.

Question 6.8: If yes, do you consider that the REC would be a suitable vehicle for such common governance?
While in principle we support common governance, it is not clear that the REC would be a suitable vehicle for this.

Placing this within the REC raises a number of questions regarding governance, for example, would MAMs/MOPs need to become parties to the REC as a result? How would funding be adapted for this? There is also a risk that putting these technical arrangements into the REC could remove the focus that is currently placed on them, whereby those who attend meetings around these codes have the requisite technical knowledge and experience.

It is not clear how well the content of the metering codes of practice align with the rest of the mission statement for the REC and the REC objectives. Common governance should not be placed under the REC purely on the basis that it is a dual fuel code, and so provides the most obvious opportunity to do so, if it is not appropriate to do so.

Question 6.9: Do you consider that the SMICoP should be incorporated into an industry code, and if so, do you agree that this should be the REC?
It seems sensible to incorporate SMICoP into an industry code at some point in the future. However, at present, SMICoP needs the focus afforded to it by being a standalone code of practice. However, this could change when the number of installations reduces. We would expect SMICoP to require less change in the future, and for the focus to move to governance and oversight, and away from change management.

Incorporating SMICoP into the REC would address the issue of supplier engagement and overall funding. As noted in the consultation, suppliers are required to adhere to SMICoP but they are not required to fund the SMICoP arrangements. Incorporating SMICoP into the REC should address current funding concerns and improve supplier engagement.

Question 7.1: Do you agree with the five incentivised milestones identified? Do you think any milestone should be given greater importance and therefore a larger proportion of margin placed at risk?
We agree that the five milestones identified are appropriate to form the basis of an incentive regime. These represent critical milestones, not only to the plan as whole, but to the parties that are dependent on them being achieved in order to implement their technical solutions. We note that the proposed milestones appear to be aligned with those that were used with the delivery of smart metering services by DCC.

An additional milestone regarding System Integration Testing (SIT) completion should be included given the impact that delays in completing SIT, and therefore commencing User Entry Process Testing (UEPT), will have on market participants. The consultation notes that parties could be waiting for SIT to commence. We assume that they will be more interested in SIT completing, as this is the point at which they will be able to commence their testing activity. We would welcome a clearer definition of SIT, and the role that parties may have to play in this testing phase.

Parties will need to plan their testing activity carefully and potentially take on additional temporary resources to undertake it. Any delay to the start of these user testing activities will have a direct impact on the costs incurred by parties, who will either need to retain resource which is under-utilised, or let that resource go and incur the costs of re-on boarding. Given this cost impact, it would seem appropriate to make the completion of SIT, and user testing being made available, an incentivised milestone.

The amount of margin placed at risk should be reflective of the consequential impact of any delay. Those milestones that have a direct impact on the costs incurred by other market participants should have the highest proportion of margin placed at risk. We agree that Milestone One (Design Build and Test Readiness) should have larger proportion of margin placed at risk, as any delays will result in costs for market participants, who may have under-utilised resource, and who may need to adjust their resource profile as a result. For the reasons detailed above it would be preferable to establish a new milestone related to SIT exit/UEPT entry, subject to a similar proportion of margin at risk as is currently proposed for Milestone 3 (SI Readiness for SIT).

Question 7.2: Do you agree with our proposals for the shape of the margin loss curves. Do you have any suggestions for other margin loss curves which may better incentivise DCC to achieve its milestones in a timely manner while encouraging quality?
We agree that a curved drop-off would be an appropriate shape for the margin loss curves. As noted, this shape should incentivise the DCC to continue to attempt to deliver as close to the original date as possible in order to maximise the amount of margin they achieve, while still penalising them for late delivery. The time periods for margin loss proposed would seem to be appropriate.

Question 7.3: Do you agree with our proposal for a potential recovery mechanism? Please give reasons. What types of criteria could be considered for demonstrating clear, transparent communication and what portion of lost margin should be available to be recovered?
We agree that the DCC should be able to recover lost margin, but only where it can be clearly demonstrated that the consequential impact of any delay has been minimised, particularly the impact on costs incurred by other parties. For example, were there to be a delay to Central Switching Service Integration Testing exit being achieved, but SI Readiness for SIT were still to occur on time, this is unlikely to have a material impact on parties as they are not directly impacted by these activities. As noted above, this is dependent on the role that parties other than DCC have to play in the SIT phase.

DCC did not manage the delays to their smart metering deliverables well. Communications regarding delays were often late, and the reasons for delay unclear. The go-live date for DCC's smart metering services changed a number of times, and was eventually split into two deliveries. This had a significant impact on parties who were reliant on them achieving their milestones on a timely basis. Early communication regarding possible delays would enable parties to plan effectively and minimise the consequential impacts, especially in regards to cost. We would welcome clear, transparent and timely communication from the DCC.

Similarly, the proposal regarding measuring the de-risking of future programme phases will be challenging. A lower than expected number of incidents being raised could relate

to the (in)accuracy of the estimate as much as the actions of the DCC in mitigating risks successfully.

Any recovery of lost margin should be based on more objective criteria, and clearly linked to evidence that the impact of any delay to parties has been minimised as far as possible.

Question 7.4: Do you agree with our proposals for a discretionary reward where it can be demonstrated that DCC has gone above and beyond established requirements for REL Address matching? Please give reasons.
A discretionary reward should only be given where there is clear evidence that the achievements made by the DCC, and the costs incurred in doing so, will deliver benefits to consumers that exceed the value of that reward. The baseline requirements for address data quality should also be suitably challenging.

We agree with the principle of incentivising high performance and penalising poor performance, especially where it impacts consumers. However, the exact value of a 'gold standard' Retail Energy Location (REL) Address to the switching process is not clear. Due to this, it is difficult to judge whether the proposed discretionary award would be appropriate.

Question 8.1: Do you agree with the proposed collaborative approach to consultation and modification report production?
We were supportive of the earlier proposal for Ofgem to lead the end-to-end process in terms of the Switching SCR and its conclusions. This would facilitate the timely and efficient delivery of the conclusions that are likely to be significant in scale, complexity and involve a suite of industry codes and licences. However, given this, and the fact that Ofgem has not previously undertaken such an extensive role in any previous SCR, it is sensible that Ofgem should undertake a collaborative approach, with existing code bodies, in developing the required industry code modifications and REC drafting. Such an approach that uses the specialised knowledge of the code bodies should enable modifications to be robust, comprehensive, timely and effective.

Question 8.2: Would you in principle support REC v3.0 code consolidation being progressed as a SCR separate to, but run in parallel with, the Switching Programme SCR?
We would support in principle REC v3.0 code consolidation being progressed as a separate SCR. However, consideration must be given to the potential resource impact of having multiple SCRs running in parallel. It is noted that the scope of the existing SCR does not extend to the full winding down of the SPAA and MRA. A parallel SCR, as opposed to using existing code modification processes, would be the most efficient process to follow in delivering REC v3.0.

Annex 2
Comments on draft Schedules

The Retail Energy Code

3.1	Shippers will have interactions with the CSS and are likely to need to be parties to the REC.
6.23	We would expect an audit of the Code Manager to be included as part of removing the Code Manager as detailed.
9.2	We recommend adding 'Working Days' after 60 to ensure completeness.
20	It is likely that a number of data items used by the CSS will be owned by Distributors, which needs to be reflected in this paragraph.
24.1	We recommend that all contract managers have an alternate, which should be part of the code drafting. This will prevent issues currently seen with individual contract managers availability.

Schedule 1 – Interpretation Schedule

1.1i	The term 'Day' is defined here but not used in the Schedule – only 'Working Day' is used.
2.3	Section 2.3: in the context "…gas Market Intelligence Agent…" – does this mean the provider of the Market Intelligence Service or different as table of definitions in Section 3 is unclear.
2.5	"…the Registered Supplier for that RMP shall ensure that the Shipper, Supplier Agents and Meter Asset Provider…" We have seen this be problematic in the past if service providers are not obligated to do something – should their engagement not be made more formal.
Confidential Information	Would the statement 'all data or other information' actually be true as some of information within REC could be considered as being in the public domain and so not strictly confidential.
Data Transfer Network	References to the MRA/SPAA are incorrect – this should reference the Data Transfer Service Agreement.
Financial Year	This definition should read "a period of 12 consecutive months commencing on 1st April each year".
Dispute Resolution	This should also refer to para 22 of REC.
Force Majeure	This should also refer to para 21 of REC.
Intellectual Property Rights	This should also refer to para 13 of REC.
New Party	This should also refer to para 13 of REC.

Schedule 2 – Transition Schedule

4.23	All parties should be required to perform a minimum set of End to End testing, but we agree that only larger suppliers should be subject to full testing.
4.27	Regression testing could mean significant effort and environment requirements – how will this be supported?
6.1	How can we be assured that all parties processes are sufficient and will not cause any issues for other parties? Does this apply to all suppliers?

Schedule XX Data Management Schedule

6.8	None of the definitions cover an MPAN that has been de-energised, although para 6.12 alludes to this being included as part of CSS Status of "Operational".
5.2/5.6	SPAA should be responsible for gas market participant data as that is where control of updates is maintained.

Schedule XX – Registration Schedule

7.1.7	In this and a number of other cases in this Schedule "To" column references a different paragraph where such parties are defined, in this case Paragraph 13.2. Paragraph 13.2 also details requirements under "Information required" and "Method". Having these in two places seems to introduce unnecessary redundancy and chance for these to differ. Instead we should refer to Paragraph 13.2 for these two in same manner as we have for "To" details. Currently details in this paragraph and paragraph 7.1.8 are inconsistent with the details in Paragraph 13.2.
11.8.1	In information required this should be "D0311 (Notification of Old Supplier Information) as specified in Data Transfer Catalogue". Data Transfer Catalogue is not a defined term yet in REC - should this be added?
11.8.2	Unsure why NOSI and D0311 has been selected for inclusion when other Supplier to Supplier exchanges have not?
12.2/12.3	Do these paragraphs and 11.2 and 11.3 conflict as both are suggesting same processes but at different times?
12.4.5	Currently gas day starts and 05:00, is this intended to be changed, including ability to gain a gas smart meter in DCC after midnight, or do we just need to note this in this step?

Schedule XX – Address Management Schedule

2.3 d	There does not seem to be any messaging in the body of the document to allow for this?
2.4 c and 8	Definition in 2.4 and process in 8 does not seem to be consistent in regard

	to meters that can be linked to a communication hub. It could be sensible to remove reference to meters from Paragraph 2.4 (c).
4.3 / 4.4	The messages for this remain undefined – when are we likely to know what they will contain? (see Section 7).
4.4 and 7	Suggests all address requests have to be done manually via a web portal. A flow based solution is required to replicate processes we currently have for MPAN and MPRN address updates.

Schedule XX – Switching Service Management Schedule

Overall	Is the Schedule intended to be during Hypercare or BAU?
Fig 1	There is nothing in this model that provides an update back to the person raising the query, which we consider there should be.
Major Incidents	If there is a complex MI and we are not able to resolve, should this section provide a link to Dispute Resolution process or Rack, Stack & Pack processes – section 9.2 (j).
2.10/2.11	It should be made clear in this point how the contact will be initiated, phone call, email etc., so there is clarity on what cover is required and the timeframe for a response.
4.3i	Does this mean calendar days or working days? Should this be 24x7x365 or is 365 not the intention?
7.1	We do not support the possibility of differential charging, as we would not want to delay customer journey. CSS should be able to meet demands required by parties without the need for parties to add complexity into their registration process to manage differential charges.
7.2	"High demand" is not defined anywhere so this cannot be included in the Schedule with no detail.
9.2j	Should this also include "in the event of service being unavailable for an extended period of time"?

Schedule XX – Entry Assessment and Qualification Schedule

1.1	All market participants should be required to undergo a minimum level of qualification, to demonstrate they can operate efficiently and reliably within the market.
1.1	All market participants should be required to take part, particularly in testing. From our experience in Project Nexus, significant issues were encountered due to other parties who were not obligated to be part of the process – particularly MAMs.

EDF Energy
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