

Rachel Clark
Switching Programme
10 South Colonnade
Canary Wharf
London
E14 EPU

switchingprogramme@ofgem.gov.uk

12th November 2018

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

Dear Rachel,

SmartestEnergy welcomes the opportunity to respond to Ofgem's consultation on the licence modifications associated with the Switching Programme.

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.

Foreword

We note that Ofgem are intending to create obligations on industry parties to accede to a new dual fuel code (the Retail Energy Code) and obligations to co-operate with the programme. We have no issue with these changes per se but we note that this is a statutory consultation on the licence modifications, but can see no questions relating to (or invitations to comment on) said modifications. Indeed, we are not convinced that what is presented constitutes a statutory consultation and, in addition, given the nature and length of the consultation document feel that one month to respond is not sufficient. Put another way, this looks like a non-statutory consultation with statutory timelines.

Consultation Questions

Notwithstanding our views above, we attempt to answer the questions below in the order in which they appear in the consultation document.

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.

This is probably a good idea.

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.

There seems to be little point in a double ratification process.

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?

We are not uncomfortable with the REC Manager developing and analysing proposals. However, we are concerned that proposals from industry could be side-lined. Under the BSC, any proposal from an industry party (assuming it is not trivial or vexatious) has the right to be developed, whereupon it is voted on at panel and then approved or otherwise by Ofgem. At the very least, REC parties should have the right to go to Ofgem to appeal any decision not to develop any proposal.

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?

We are comfortable with the RECCo Change Panel making recommendations to the Authority so long as the Change Panel is relatively representative of industry, preferably voted in position by REC Parties. This would replicate the BSC Panel arrangements.

Question 4.5: Do you, in principle, support the approach to performance assurance outlined?

Yes. We are not uncomfortable with the REC Board being accountable for the activities of the PAB.

Question 5.1: Would you support the development of a REC digitalisation strategy?

We are not opposed to digitalisation per se but we would note that solutions designed to allow parties to "deep dive" can often make it difficult to view a document as a whole (e.g. the internet version of the Electricity Act). A party should be able to save a copy of the whole code to a local drive with a single click.

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?

Generally, yes. This schedule seeks to include all the relevant arrangements for registration, thereby supporting effective operation of the retail market and associated

consumer outcomes. However, the fact that some areas are currently being modified means that the arrangements are not yet comprehensive. The language is sufficiently clear and accessible.

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?

The very nature of this schedule ensures consumer focused outcomes. However, it is only through seeing this work in practice that we will be certain whether or not the data quality requirements support effective operation of the market.

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?

There are still too many elements of this schedule being drafted for us to comment on whether the it will deliver comprehensive support of switching arrangements.

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?

No comment.

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?

These proposals are sensible.

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?

All of these proposals are sensible.

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

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 are comfortable with the roles and responsibilities proposed.

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

No comment.

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?

It cannot be said that this schedule focuses on positive consumer outcomes as much as it could given the potential impact on non-domestic gas customers outlined in the supporting documentation. That said, placing switch meter reading obligations in a table makes the information both accessible and comprehensive.

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.

We see no value in extending the remit.

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?

Yes.

Question 5.14: We welcome views on whether the Switching Meter Reading Exception Schedule should make specific provisions for consumers with smart gas meters.

No comment.

Question 5.15: Do you agree that the draft Debt Assignment Protocol Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved?

No comment.

Question 5.16: Do you agree that the REC should refer to existing security standards rather than develop separate and bespoke ones?

Yes

Question 5.17: Do you agree that a consolidated PPM Schedule should be developed and given effect as part of REC v2.0?

It makes sense to develop a consolidated PPM Schedule. We are indifferent to the exact timing of this.

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?

We would err on the side of Model B. Whilst prescriptive models are generally less desirable, and would normally only work well in areas of performance monitoring, in areas of interoperability it is probably necessary for all parties to follow the same procedures.

Question 6.2: Do you agree that the theft of gas and electricity provisions should be moved to the REC?

Yes

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?

Yes

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?

Yes

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

Yes

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 1) or should consolidation be undertaken as part of REC v3.0?

REC v.3.0. This sounds like material which is more appropriate for wider consolidation.

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?

Yes

Question 6.8: If yes, do you consider that the REC would be a suitable vehicle for such common governance?

Yes

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?

Yes and Yes

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?

No comment.

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 are comfortable with this.

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?

On the assumption that this has been proposed in order to allow the DCC to recover margin in the event it misses milestones due to circumstances outside of its control, this mechanism appears to be over-engineered. If any margin recovery is at the authority's discretion regardless, then the authority should set out criteria in the event of missed milestones, without the need for an official mechanism.

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.

We agree with the proposal of an incentive scheme with upside and downside depending on data quality but we do not like the terminology of a "discretionary award." If the discretionary award is given, it must be justified in the context of cost savings and efficiency to consumers.

Question 8.1: Do you agree with the proposed collaborative approach to consultation and modification report production?

Yes and no. Where there are overlaps in areas to be consulted on, this makes sense. However, there is a danger that the modification report will just be an amalgamation of the sections that each code administrator has worked on (i.e. their own code) and the resulting document will be of gargantuan proportions.

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?

Yes

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

Yours sincerely,

Colin Prestwich
Head of Regulatory Affairs