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Rachel Clark  
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2<sup>nd</sup> September 2019

***Non-Confidential***

Dear Rachel,

***Switching Programme and Retail Code Consolidation: Proposed changes to licences and industry codes***

Drax Group plc (Drax) owns two retail businesses, Haven Power and Opus Energy, which together supply renewable electricity and gas to over 350,000 business premises. Drax also owns and operates a portfolio of flexible, low carbon and renewable electricity generation assets – providing enough power for the equivalent of more than 8.3 million homes across the UK. This is a joint response on behalf of Haven Power and Opus Energy.

We remain broadly supportive of the Retail Energy Code (REC) and agree that this represents a great opportunity to rationalise and streamline codes. Implemented in an appropriate fashion, the REC should provide market participants with an accessible, comprehensive set of obligations that are easy to understand and adhere to.

Further to our first response dated 26<sup>th</sup> July 2019, our responses to the remaining consultation questions are appended. We would be happy to discuss our views with you further if it would be helpful.

Yours sincerely,

Matt Young

Group Head of Regulation  
Drax Group plc

**Drax Group plc.**

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## Appendix – Consultation Questions

### **Q1.2. Do you agree with our proposals on the initial and ongoing appointment of RECCo Board Members?**

We believe it is sensible to initially draw upon existing directors from SPAA Ltd and MRASCo Ltd Boards, given their experience and the fact the individuals have already been through industry selection process. Longer term, the structure of the proposed RECCo Board looks sensible with members required from large, small and Non-Domestic suppliers with a range of constituency and functional expertise. Given the wealth of experience across industry parties and different requirements for the strategic direction of the REC, we expect all parties to be given the opportunity to participate in the nomination process when the terms of reference for the initial nominations committee is drafted.

### **Q1.8. Do you agree that the inclusion of the principles outlined (as included in the draft Change Management Schedule) should address some or all of the problems associated with existing code governance?**

We recognise and support the need for change proposals to better facilitate the relevant objectives of the REC. With decisions currently made by the relevant Change Panels, this process for the REC should include consideration about whether the benefits of implementing such a change outweigh the costs. We harbour concerns that some changes set forth through the code modification process can impose significant costs on the market with small benefits accrued only by niche market participants. Therefore, it is important that an appropriate cost/benefit analysis is properly conducted with specific focus on whether changes will benefit the end consumer in a cost-effective manner, rather than benefiting specific industry participants whilst imposing costs upon other participants. Overall, we support retention of the two-tier approach of self-governance changes and those requiring Authority consent. In certain circumstances, we agree that it may be appropriate that the Authority's decisions on the REC are subject to possible appeal to the Competition and Markets Authority (CMA).

Whilst the REC Manager will be able to dismiss any proposals that it does not consider to be 'valid', we believe that their remit should be extended to include dismissing changes deemed frivolous at the earliest possible stage, before time and resource is expended on them to minimise unnecessary costs. A comparable recent change to the Smart Energy Code (SEC) modification process has seen the introduction of a Change Sub-Committee which has successfully dismissed changes at an early stage if there is an alternative way to resolve the issue. This change has made a notable difference to the efficiency of the SEC change process.

Our experience indicates that the quality of code administration differs significantly between Code Managers. As part of the REC development process, we recommend Ofgem considers feedback from its historic Code Governance surveys and proactively reviews the websites, helpdesk facilities and ease of availability and quality of impartial support provided by existing code administrators with best practice adopted by the REC Manager.

### **Q2.2. Do you agree with the approach we have described for managing the delivery of the Switching Programme SCR and the Retail Code Consolidation SCR?**

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Whilst we agree with the approach including Ofgem leading an end-to-end process to develop the code modifications to deliver Retail Code Consolidation, we would urge Ofgem to be mindful of the number of SCRs running concurrently. It is critical that where possible, workstreams are aligned to reduce the inevitable strain on resource that running multiple SCRs at one time can lead to.

**Q3.1. 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.**

It is difficult to comment on the drafting of the Registration Services Schedule without being able to review alongside the REC Technical Specification, which does not yet appear to have been developed. As an example, validation rules to be applied by the CSS provider in determining whether to accept or reject a change of '*Domestic premises indicator request*' are due to be set out in the Technical Specification. We'd welcome an update on when the Technical Specification will be available for review and comments.

**Q3.2. 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 support the idea of the CSS provider being subject to data quality objectives with performance monitoring via the REC Performance Assurance Board (PAB) to ensure ongoing accuracy and quality of Retail Energy Location (REL) addresses.

**Q3.8. Do you believe there is merit in extending obligations relating to the resolution of Erroneous Switches, Crossed Meters, Switch Meter Read Problems and Duplicate Meter Points to microbusiness consumers or should these requirements more generally apply to all Non-Domestic Energy Suppliers? For Switch Meter Read Problems, should the scope be extended to cover domestic and micro-business consumers who are settled on a Half-Hourly basis?**

We agree that it is sensible for any obligations in gas relating to the resolution of crossed meters or duplicate meter points to be extended to electricity, and for the resolution procedures to be grouped in a single location in the REC in line with the desire to simplify and harmonise the currently independent industry arrangements for each fuel type. However, we strongly believe that this consultation isn't the appropriate avenue for considering extending domestic obligations to microbusinesses or the larger Non-Domestic market. Any proposals to extend domestic protections to a wider base of customers should first be informed by an issue with the status quo having been identified, and second be consulted on separately where the proposals can be given appropriate focus and consideration, including where appropriate the completion of an impact assessment to assess the full costs and possible benefits.

**Q3.9. Do you agree with our proposal to introduce a harmonised procedure for escalating delayed and disputed problem resolutions for all problem areas covered by the draft Resolution of Consumer Facing Switching and Billing Problems Schedule? If not, please explain how the approach for escalations could be improved.**

We note that it is proposed that escalations that cannot be resolved between suppliers at Contract Manager level should be escalated to the REC Manager, and where applicable the Performance Assurance



Board (PAB) for determination. Whilst this would undoubtedly introduce a robust incentive on suppliers to ensure the timely resolution of outstanding issues, raising a formal dispute beyond Contract Manager level is something that should only be considered in extreme circumstances where repeated discussions at Contract Manager level have failed. We believe that there should be defined criteria to meet before matters can be escalated to the REC Manager, with parties as a bare minimum being required to evidence that they have followed the correct escalation route to ensure that the correct escalation points have not been bypassed.

A common issue experienced by parties is that the operational contacts hosted on the MRA and SPAA websites are not kept up to date by parties. Stronger incentives should be introduced to require suppliers to take greater accountability to ensure that these are accurate.

**Q3.11. Do you agree that the draft Related Metering Point Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved.**

This schedule was developed recently with input from Faster Switching Expert Group (FSEG), MRA Development Board (MDB) and other industry workgroups and we believe they are fit for purpose.

**Q3.18. Do you have any additional comments on the drafting of any of the schedules, in particular in relation to whether they effectively achieve the outcomes described here and articulated in Design Baseline 4 or other programme documents?**

Ofgem's long-stated aspiration is for the REC to be an accessible code written in plain and intelligible English. It is important to remember this objective as the respective schedules continue to be developed to avoid the REC following its predecessors and manifesting into a lengthy, complex set of obligations which ultimately becomes a barrier for new entrants and onerous for existing market participants to understand and comply with.

**Q4.5. Do you agree that the GDAA and Green Deal related provisions in the MRA should transfer to the REC?**

The Green Deal was effectively halted in 2015 as Government stopped funding the Green Deal Finance Company (GDFC). Whilst there remains an obligation to provide and maintain existing Green Deal plans and consumers can still take advantage of the scheme through a loan financed by private companies, very low consumer take-up at a considerable cost to many industry parties and previous unsuccessful attempts to incorporate the GDAA into the MRA have placed costs and the administrative burden of the scheme upon the industry.

We therefore support option 1 to retain GDAA as a standalone code, moving related MRA provisions to the REC, as this is the minimal effort required to facilitate closure of the MRA. If option 2 is the route chosen, we would request that lessons learnt are considered from the previous attempts to incorporate the GDAA to minimise the costs of this exercise where possible.



**Q4.12. Which of the requirements within SMICoP, if any, should extend beyond the initial installation of the smart metering system?**

There are a significant number of requirements detailed in SMICoP that are applicable for domestic and microbusiness suppliers. Any proposals to extend SMICoP obligations to meter replacement and other meter maintenance visits beyond the first installation appointment require careful consideration outside of this consultation (*as per our answer to Q3.8*). Whilst we support SMICoP and the metering Code of Practices being transitioned to the REC to reduce the number of energy codes, this exercise should not be used as an opportunity to introduce additional regulation on suppliers without due consultation.