

Rachel Clark
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Dear Rachel

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

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 around five million electricity and gas customer accounts in the UK, including residential and business users.

The role of the Retail Energy Code (REC) Manager will be critical in the establishment and ongoing operation of the REC. We support the development of a methodology that enables the REC Manager's services to be procured and delivered in an innovative, flexible and cost-effective manner. In the absence of prescriptive requirements sufficient detail must be provided by the REC Board in order to ensure the right service providers are appointed.

Metering Point Administration Services (MPAS) will continue to have a critical role in the market, and especially the settlement arrangements, once the Master Registration Agreement (MRA) ceases to exist. The Balancing and Settlement Code (BSC) is the most appropriate home for governance of MPAS, as the most significant use of the functionality and data within MPAS once the CSS has been established will be for settlement purposes. Any approach that seeks to split the governance of MPAS across multiple codes creates an increased risk of conflicting requirements and priorities in the absence of a single point of ownership.

As requested, our detailed responses to the questions identified by Ofgem as requiring early feedback are set out in the attachment to this letter. EDF Energy will respond to the second part of the consultation in line with the 9 September deadline.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact Paul Saker on 07875110937, or myself.

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

Yours sincerely

A handwritten signature in black ink, appearing to read "John Mason", enclosed in a thin black rectangular border.

John Mason
Senior Manager of Customers Policy and Regulation

Attachment

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EDF Energy's response to your questions

Q1.3 Do you consider that the methodology as set out above is appropriate?

The methodology set out appears to be appropriate; however we would welcome publication of the detailed REC Scope of Services Schedule document as soon as is possible.

While we support the suggestion that the delivery of each service area is not prescribed, it is important that sufficient detail is provided by the REC Board in order to ensure the right service providers are appointed. In the absence of prescriptive requirements parties may underestimate what is required to deliver; furthermore, they may not have the detailed skills required.

Q1.4 Do you have any comments on the scope of services?

At the high level provided the detail of the scope of services appears fit for purpose. Again, Ofgem should prioritise the publishing of the additional detail, as suggested in the consultation.

Q1.5 Do you agree with our outline proposals on the set-up of the REC Manager?

EDF Energy is concerned that the detailed requirements of the scope and methodology are still to be confirmed. The detail of what is required is fundamental to being able to identify the most appropriate service providers.

Based on the high level scope, we do not consider that any one party currently has the skills or expertise to fully undertake this role. In particular, we are concerned by the level of industry and cross code expertise that will be required. While this appears to indicate that procuring services from multiple parties may be beneficial, this brings a risk in how well multiple parties will work collaboratively in practice. Given the current disconnect amongst industry participants it is important that one party is overall responsible and accountable.

In addition to the skills and expertise needed, EDF Energy is concerned that the timescale of 'early 2020/21' is too vague. Given the amount of work that will be required, it is unrealistic that a REC Manager could be appointed at the latter end of the timescales proposed and still be in a position to provide a best in class service, or be ready to support the substantive expansion of REC in April 2021.

Q4.3. Which option outlined above do you think is best suited to govern MPAS (as defined above) once the MRA has closed, and why?

The Balancing and Settlement Code (BSC) would appear to be best suited to govern MPAS once the MRA ceases to exist.

It is clear that there is no single code that easily aligns with the functionality of MPAS once the registration management functionality is moved to the Central Switching Service (CSS). While MPAS performs multiple functions, and could legitimately be owned within a number of codes, the most significant use of the functionality and data within MPAS once the CSS has been established will be for settlement purposes. Even where MPAS is being used for other purposes that might be regarded as aligning with other codes, such as the creation of MPANs, this ultimately has an impact on the settlements process as those MPANs will eventually be traded under the settlement arrangements.

We expect that most of the changes required to MPAS in the foreseeable future will be driven by changes to the BSC. Following the establishment of the new switching arrangements the next significant industry change programme is likely to be settlement reform, which is also being led by Ofgem. Significant changes will be required to MPAS in order to support the Target Operating Model (TOM) for Market-wide Half-Hourly Settlement (MHHS). These changes will be driven by the settlement requirements set out in the BSC, and therefore MPAS should be governed under this code which will also be more practical when future changes are required. We agree that this will require changes to the governance of the BSC to enable DNOs to be more active participants in the governance arrangements for the BSC. The BSC will also need to ensure that changes to MPAS that do not directly impact the settlement process are appropriately prioritised and are not delayed as they do not impact on settlement.

Ultimately, which code governs MPAS on an enduring basis is less important than how that governance is conducted. It must be ensured that there is robust cross-code coordination and that the varying requirements on MPAS are managed appropriately, and as cost-effectively as possible. This includes coordination with the REC as the Data Transfer Catalogue will continue to define the interfaces that are used for interaction with MPAS for settlement purposes, but will not be governed by the BSC. There are benefits to managing MPAS under the BSC, as long as the requirements for interacting with MPAS are clear, and the process for raising changes that impact MPAS is simple for parties to engage with.

Q4.4 Do you have serious concerns about the suitability of any of the options for the future governance of MPAS, outlined above?

Separating the governance of MPAS by function across the codes is not a suitable option. Even with effective cross-code coordination arrangements in place, the lack of a single point of ownership for governance creates an increased risk of conflicting requirements and priorities. It will make it more challenging for parties that wish to raise changes that affect MPAS to know which change process is required. It will also require additional effort by the relevant code administrators to make this separation work effectively.

EDF Energy
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