

By e-mail to: switchingprogramme@ofgem.gov.uk

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E14 4PU

09 September 2019

Dear Rachel,

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

We welcome the opportunity to comment on the proposed modifications to regulation and governance around Ofgem's Switching Programme.

As you are aware, ELEXON is the Code Manager for the Balancing and Settlement Code (BSC). We are responsible for managing and delivering the end-to-end services set out in the BSC and accompanying systems that support the BSC. This includes responsibility for the operation and delivery of balancing and imbalance settlement and the provision of assurance services to the BSC Panel and BSC Parties. We manage not just the assessment, but also the identification, specification, development, implementation and operation of changes to central systems and industry processes. This end-to-end model provides expertise in one place for both administration (especially, Change) and systems design and implementation. In addition, such expertise is then available to support industry, government and regulator in considering future changes and innovation against the existing industry rules, for the benefit of the consumer. Having this breadth of business also allows us to attract, develop and retain talent, providing opportunities for staff to develop in-depth expertise to assist the industry and the BSC Panel.

In addition, through our subsidiary, EMR Settlement Ltd, we are the Electricity Market Reform (EMR) settlement services provider, acting as settlement agent to the Low Carbon Contracts Company (LCCC), for the Contract for Difference (CfD) and Capacity Market (CM). EMR services are provided to the LCCC through a contract and on a non-for-profit basis.

The views expressed in this response are those of ELEXON Ltd, and do not seek to represent those of the BSC Panel or Parties to the BSC.

We summarise our overall considerations in the covering letter below. Furthermore, Appendix 1 contains our detailed responses to consultation questions.

Main considerations:

1. Further details are needed on the cross-code cooperation and alignment, as they are not sufficiently defined in the REC schedules.

We welcome the intent of the consultation for the REC manager "to work with other Code Administrators to ensure a co-ordinated approach to identifying and resolving industry issues in accordance with the CACoP principles"; however, we note that the schedules (which will be binding on the REC parties) do not detail how the cross code processes are to work. We expect that

corresponding changes to enable cross-code cooperation will be required in other codes. It is difficult, however, to identify what processes need to be changed or developed under other codes without understanding the details on the cross-code cooperation regime envisaged under REC.

In addition, we would also welcome discussion on how processes devised under REC can be aligned with existing industry processes and in particular how the BSC can help support the REC in its objectives. We believe that if there is no/little alignment between different codes, it will become more, and increasingly, burdensome for industry participants to comply with the codes, which would be opposite to the stated intention and a wider Ofgem/BEIS Codes Review initiative. We provide further details on these topics in our detailed response to individual questions in Appendix 1.

2. Further attention is needed to the processes outlined under the individual schedules to become 'best-in-class'.

We agree with the intent to develop 'best-in-class' processes for the REC Manager to operate, in that they should be simpler, more streamlined and easy for existing, new and prospective market entrants to understand and interface with. However, it is not clear from the current version of the schedules (e.g. Entry Assessment and Qualification Schedule, Performance Assurance Schedule, Change Management Schedule) whether the new processes will meet this objective. We provide further detailed comments and suggestions in our response to individual questions.

3. As much as practically possible, REC schedules need to be aligned with other significant ongoing industry-wide reviews and initiatives.

There are several significant industry-wide reviews/initiatives that are likely to have effect on all codes, including REC; in particular Ofgem/BEIS Energy Codes Review, the Ofgem Supplier licencing review and Energy Data Taskforce. Although, the reviews are still ongoing and may not conclude in time for REC manager nomination, we believe that the main proposed principles are already well understood and should be built upon in the REC processes and schedules.

4. Procurement of REC Manager services on an end-to-end basis will bring benefits to market participants and consumers.

As outlined in our July response, we strongly believe that the delivery of REC manager services needs to take place on an end-to-end basis.

We note, outside of the consultation, through information shared in respect of the procurement of RECCo services that the RECCo is looking to sub-contract three lots of work (Performance Assurance (incl. entry and exit as well as compliance), Professional Services (incl. change and training), and Technical Services (incl. design and impact assessment of change) and create a RECCo Executive to manage the contracts. The explanation for this approach appears to be that by dividing the service into three lots there will be more interest from providers; however, we are not clear as to how this conclusion was determined. We are concerned that the approach of dividing the Code Manager services into three lots will introduce many handoffs between the providers and require a 'thicker' RECCo to integrate and manage them. This division is not reflected in the detailed schedules to the REC, which are part of the REC consultation document and seems to run contrary to the previous description of REC Manager and general descriptions in the recent and previous REC consultations.

We are concerned that this approach will require additional staff in the RECCo, which would likely not be required if the tender were placed for the all of REC Code Manager services with one provider who could bring corporate services, like HR, Finance and Legal, to RECCo's disposal and report into, work with and be accountable to RECCo Board. We have a further concerns that the approach of using three lots of work will result in replication of back office services and the requirement for multiple

contract oversight, resulting in more costs, more risk sitting in RECCo. We are particularly conscious that if there is additional cost under the RECCo, which could be avoided that this translates into more cost for the consumer and that this proposal could be seen to run counter to the Codes Review direction of consolidation and simplification.

We strongly believe that keeping the services bundled, which means placing an end-to-end service contract with one service provider, will deliver tangible benefits to market participants and consumers. An end-to-end approach to its services will allow the REC manager service provider to develop deeper expertise in both: market arrangements and underlying systems, leading it to provide more integrated change service and support to market participants, Ofgem, BEIS and consumer organisations.

This will be increasingly important in the future as the number of new, less experienced/resourced market participants grows. At the same time, existing companies are reducing their regulatory functions and, therefore, will have a reduced capacity to interface with the Code arrangements.

In addition, the consultation suggests that the REC Manager will play a more proactive role not only for its own services but also in driving cross-code coordination. We believe it will be critical for the REC Manager to have the breadth of integrated services to successfully deliver to the high standard expected by Ofgem, RECCo and the industry and for REC to be the 'best in class' code that industry expects it to be.

Further to the summary above, we set out details of our thinking and reasoning in full in our answers to individual questions under Appendix 1. For key schedules, we structured our response in three parts: a) strategic considerations; b) comments on intent outlined in the consultation document; c) detailed comments on the individual schedules. Where possible, we have shared ELEXON's experience and our lessons learnt from managing the BSC and EMR services over the years. We have made suggestions around clarifications and improvements necessary for processes to become clear, streamlined and aligned with the intent set out in the consultation.

We have welcomed the opportunity to assist Ofgem in understanding the BSC arrangements and hope that this has helped with Ofgem's thinking on the set up and management of the REC Manager. I would like to take this opportunity to assure you of our continued support, should there be elements of the BSC processes or my team's wider energy market experience, which may be able to provide further insight or if we can assist in any way.

If you would like to discuss any areas of our response, please contact Angela Love, Director of Strategy and Communications on 020 7380 4156, or by email angela.love@elexon.co.uk or Alina Bakhareva, Strategy and Public Affairs Manager on 020 7380 4160, or by email at alina.bakhareva@elexon.co.uk.

Yours sincerely,



Mark Bygraves
CEO, ELEXON

List of enclosures: **Appendix 1** – Detailed responses to consultation questions.

Appendix 1 – Detailed responses to consultation questions.

Question 1.1: Do you agree that the mission statement and objectives encapsulate the functions of the code, and will drive activity of the governance functions and assist decision-making on changes to the REC?

We agree that the mission statement and objectives encapsulate the functions of the REC Code, and will drive activity of the governance functions and assist decision-making on changes to the REC. In particular, we anticipate that the mission statement and objectives should allow sufficient flexibility to allow the RECCo and REC Manager to drive innovation and support market change for the benefit of customers and consumers.

Question 1.2: Do you agree with our proposals on the initial and ongoing appointment of RECCo Board Members?

We support the proposals on the initial and ongoing appointment of RECCo Board Members, and would like to make the following further observations. Like any board, the RECCo Board will need to ensure that it has the right mix of skills and experience whilst not being so large that it becomes unwieldy and, therefore, less effective. In our view:

- We would recommend allowing the RECCo Board a wide degree of discretion in the appointment of Board Members, and consequently the REC should not be too prescriptive on composition;
- We agree with your observation that the requirements identified in the consultation will not translate into seats on the Board as it should be possible to recruit individuals with varied backgrounds and skill sets; and
- It would be a normal part of a nominations committee functions to regularly review board succession plans. It would therefore be entirely consistent with good corporate governance for the nominations committee to consider RECCo's strategy and challenges and proactively identify any gaps or desirable additions to the board's skill set and competencies.

We also agree that RECCo Board appointments should be staggered. However, we would expect that this would take a number of years to achieve because we would expect most directors to serve between a maximum of 6 and 9 years in total.

Questions 1.3; 1.4; 1.5 – answered on 26 July 2019.

Question 1.6: Do you agree with our proposals on the set-up of the REC Change Panel? Do you foresee any problems with these proposals?

We agree with the proposal to set-up REC Change Panel in principle; however, we would like to make the following observations:

- The process for appointing REC Change Panel members is not sufficiently detailed. The process proposed in the consultation document appears to deviate from the election model currently used across many of the codes.

- The proposed model includes a proportion of 'representative members'. We believe further consideration needs to be given to whether Change Panel members should act as representatives for a specific category of REC parties or impartially. For example, under the BSC model, Panel Members are required to act impartially.

We note that Ofgem's intention is to consult on "the composition of and process of appointment to the REC Panel" in Autumn 2019. We will provide our comments to the Autumn 2019 consultation, once the process for Change Panel set-up is more detailed.

Please see our detailed comments on the REC Change Management Schedule under Q1.8.

Question 1.7: Do you agree with our proposals on the set-up of the PAB? Do you foresee any problems with these proposals?

In general, we agree with Ofgem's thinking on the set-up on the PAB; however, we believe more thought needs to be given to several areas; particularly, to cross-code cooperation and alignment on performance assurance regimes; and the role of the Authority in the escalation process.

Furthermore, we have a number of detailed observations and comments that we outline in full below.

Having reviewed the consultation document and the Performance Assurance Schedule version 0.1, we summarise our detailed considerations and comments in three parts:

- 1) Strategic considerations
- 2) Detailed comments on paragraphs 1.39 to 1.45 of the consultation - PAB: Appointment and accountability
- 3) Detailed comments on the Performance Assurance Schedule version 0.1.

1) Strategic considerations

- a) Cross-code cooperation and alignment on performance assurance regimes. After the REC Performance Assurance processes and procedures are fully established, the industry parties will be subject to at least three different performance assurance regimes: those established under REC, BSC and UNC. We believe that if the regimes are vastly different, considerable extra effort from the Parties may be required to comply. This will be inconsistent with the BEIS/Ofgem proposals under the Energy Codes Review to make operating in the market/complying with the industry rules less burdensome. Therefore, there needs to be a way to allow the respective code managers to cooperate, share best practices and, ultimately, align their respective assurance regimes, where it makes sense to do so.

It would appear from the consultation document and the Performance Assurance Schedule that it has not been considered as to how cooperation and/or sharing of best practices among the code managers will work. If this still has to be done ELEXON would be willing to work with Ofgem/RECCo to consider how consistency can be driven.

- b) The role of the Authority in the escalation process. We note that the escalation process and the role of the Authority in the process is not particularly detailed in the Performance Assurance Schedule. However, from our experience in running the BSC PAF for many years we believe it is important to include (a) a clear definition for the Authority's role and any appeal provisions and (b) reference in the schedule that escalation process needs to work in stages, with the detail to be provided in a

guidance document to be developed by the REC Code Manager. This ensures that there is a clear and established process to follow and that all parties and actors are aware of the process and their role within it.

2) Detailed comments on paragraphs 1.39 to 1.45 of the consultation - PAB: Appointment and accountability.

- a) PAB member experience. We agree with the proposal around recruiting people from other sectors e.g. data / technology and customer service and/or customer advocacy and the benefits that this would bring (as set out above). In addition, it may be useful to think about candidates' experience in other assurance regimes in the energy industry (e.g. BSC/UNC), other utilities or regulated industries. It also may be beneficial if some REC PAB members have direct experience of undertaking a compliance/performance role in company/companies who would be subject to the REC performance assurance regime.
- b) Training. We believe that REC code manager should be able to provide training to both REC parties and new REC PAB members on the PAB risks, procedures, requirements and expectations and precedent in decision making.
- c) Nomination vs election approach. We believe the following aspects need to be considered more closely when detailing how appointments are made:
 - i. how often appointments are made, e.g. when vacancies come up; when membership needs rebalancing between members' experience;
 - ii. what proportion of the REC PAB is appointed, e.g. all members at the same time; a proportion of members at a time; and
 - iii. who votes for REC PAB members, e.g. all REC Parties or just RECCo Board members.

It is also worth highlighting that for the first PAB member appointments, that it would be beneficial to ensure that if there is to be a first term of office that all members do not stand for the same term, as RECCo will be faced with all members coming to the end of their term at the same time. That is of course unless that is the way that the RECCo wish to manage the arrangement.

- d) Option to invite the best performing organisations to provide members to REC PAB. While a compelling idea, there are some potential challenges with this approach that will have to be addressed, namely:
 - i. Timing of appointments. If the PAB is due to be established early before or during initial Market Entry, when will it be clear which REC Parties are performing well or best in class?
 - ii. Deterioration in performance. If a Party starts to have reduced performance, would the REC PAB member need to leave?
 - iii. Parties who are performing well may see this as a competitive advantage in a competitive market, and therefore may not wish to provide a PAB member to act in the way suggested.

We believe that individual experience and skills are more important, although organisation performance could be taken into account as part of the candidate evaluation process. Experience in helping turn around a struggling party (especially in the early stages of faster switching) could be particularly valuable.

3) Detailed comments on the Performance Assurance Schedule version 0.1.

| Paragraph - Performance Assurance Schedule | Type | Comment/ Question/ Observation |
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| 1.2 | Clarification | The paragraph refers to 'material change'. We do not see 'material' defined |
| 2.3 (e) | Observation | There may be a need for escalation in other scenarios too, e.g. where the event is very severe, the Code Manager would not want to wait for a failure before escalating |
| 2.3 (f) | Clarification | We are unclear by what is meant by this clause. Our reading of it suggests that the Code Manager would do an impact assessment of every change and highlight to the PAB where there were any impacts on risks and propose a way forward for the REC PAB to agree. We therefore believe that it would be beneficial for this point to be clarified |
| 3.1 (c) | Clarification | The document does not state who agrees corrective action plans. We would suggest that this may be delegated to the Code Manager, as it may not be feasible for a committee to do this |
| 4 | Observation | <p>The methodology appears to provide details on the PAF operations as well as description and evaluation of risks. We have several observations with regard to the approach outlined:</p> <ol style="list-style-type: none"> 1. We do not believe that a prescriptive approach is consistent with the concept of an empowered Code Manager, which is the proposal in the consultation on the Energy Codes Review 2. We are concerned that 'hard coding' operational processes is not consistent with the direction of travel to a more agile and flexible industry codes framework 3. The approach outlined in the Schedule v0.1 may not be conducive to promoting cross-code coordination and alignment 4. That the process outlined is not aligned to the industry best practices |
| 4.1 (c) | Observation | The PAB will have to identify performance triggers for different PAT (Performance Assurance Techniques), which we suggest should be set out at a high level in the Performance Assurance Methodology, and be applied to REC Parties. We would suggest that the detail of this could be something that the PAB would determine in its working practices / procedures (2.4). |

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| 4.11 | Observation/ | <p>From operating BSC PAF we make an observation on the proposal to use the RMDs (Risk Management Determination). RMDs have not worked for BSC as a document per party (i.e. a tailored operating plan created at the start of each year) as they were unwieldy and difficult to use.</p> <p>We have developed a different approach instead, which is more manageable and, we believe, be more useful for parties. We have moved to treat each decision by the PAB to switch a PAT (Performance Assurance Technique) on or off against a party as an RMD.</p> |
| 4.11 | Clarification | <p>We are unclear whether it is proposed that during the first year, before performance reporting is populated, the RMDs would be generic as it would not be based on any known performance standards or issues.</p> <p>If this the intention, it would be worth considering what will be applied to Parties in the first year</p> |
| 4.20 | Observation | <p>It is likely that in reality the Code Manager will propose changes to the PAB first, rather than visa versa as described in the schedule</p> |
| 4.20 (c) | Clarification | <p>Key risks are not defined elsewhere.</p> <p>We would suggest that it would be prudent to allow for any risk to be mitigated by a change, as it could be a useful quick win even if not a priority risk for the PAB that year.</p> |

Question 1.8: 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?

In general, we agree that the principles outlined in the consultation document may help address some of the issues associated with code governance; however, we are concerned that these principles have not been fully developed and built upon in the REC Change Management Schedule. We also note that there remains a lack of clarity on key areas and terms. We believe more consideration/definition needs be given to the terms, processes and procedures outlined in the REC Change Management Schedule as the Schedule (rather than the consultation document) will become a legally binding contract on parties. We would welcome an opportunity to comment further once the schedule is fully developed and complete.

Having thoroughly reviewed the consultation document and the Change Management Schedule (Draft – for consultation June 2019), we summarise our detailed considerations and comments in three parts below:

- 1) Strategic considerations
- 2) Detailed comments on paragraphs 1.46-1.62 of the of the consultation – Change Management
- 3) Detailed comments on the Change Management (Draft – for consultation June 2019)

1) Strategic considerations

- a. Developing the best-in-class Change Process. We support the aim of speeding up the pace of change, reducing the complexity of the modification processes and reducing the burden on market participants. We support the proposal that the REC Code Manager has wider powers than current code Administrators to raise Modifications and provide support to the development of solutions.
However, it is not clear from the current Change Schedule whether the new change process will be simpler, quicker or better support cross-code and strategic changes. The proposed change process appears to be an incremental improvement on existing code change procedures. The key new features being that the code manager will take a central role in raising and developing changes, and will not require workgroups to assess the solution and provide views to a panel, which is different to how most code change processes operate now.
- b. Cross-code change and alignment. We note that the cross-code interactions are not sufficiently detailed in the Schedule. In addition, it is not clear how other codes will be incentivised or required to comply with the cross-code provisions. Practically, we believe it will be difficult to start work on changing another code until sufficient detail has been agreed under the principle code, which is driving the cross-code coordination. We believe, these consequential changes to other codes have to build on the main code (REC) requirements and processes.
- c. Discrepancy between stated intent of an empowered code manager and the level of prescription. We note that the intent is to create an empowered Code Manager that can facilitate the change process in a timely and flexible way. Contrary to this intent, we observe that the Change Management Schedule contains prescriptive detail, for example, listing what must be included in proposals and change reports. "Hard-coding" this level of detail may lead to a change process being cumbersome and less flexible, in particular as a code modification will be required every time a minor detail on a form needs to be changed. We believe it should be considered whether prescribed details for forms and reports should be consolidated in a central document, such as, for example, CACoP. This way the REC could require the proposal form to include the items specified in CACoP, rather than having to specify those under the Change Management Schedule. We believe this would enable more consistency across codes and will simplify the REC Change Management Schedule and remove the need to raise a modification every time something needs to change on a form.

2) Detailed comments on paragraphs 1.46-1.62 of the of the consultation – Change Management

- a. Changes to the REC may be proposed by any person. We welcome this right, as it will ensure there are no barriers to innovation. We also support the ability of the code manager to reject changes, as an appropriate control to frivolous and vexatious proposals. However, it is not clear how the code manager would determine whether a proposal has no chance of being accepted. We appreciate that there will always be an element of judgement around interpreting and judging whether a proposal is valid, therefore, we would like to propose that a clearer criterion would be: 'a change proposal is misconceived or lacking in substance.'
- b. Development of change led by REC Manager. We are concerned that the pre-assessment phase is not clearly set out. As described in the consultation document and Change

Management Schedule, it suggests a heavily front loaded assessment, requiring a Requirements Traceability Matrix (the term that needs to be defined) to be delivered as part of the pre-change process. We are not clear on how the development of the requirements at this stage relate to other stages, for example, is the matrix only needed for this phase or maintained throughout. We assume that the development of requirements at this stage is to inform the budget setting at the initial assessment stage. We support a more active role for the code manager in the change process and are pleased to see a role for panels. We wonder if a more efficient approach would be the Panel and Ofgem, as appropriate, to have step-in rights rather than requiring the Panel to approve ToR, change path etc. This would speed up the process, whilst maintaining oversight and management of the process.

- c. Ability to procure external expertise and resource. We support the ability of the Code Manager to be able to procure outside support, including SMEs. Consideration should be given to the governance required in procuring such resource. For example, expenditure below £10,000-£25,000 could be signed-off by the Code Manager, £25,000-£100,000 could be the REC Panel and above £100,000 could be the REC Board.
- d. Procurement of high quality impact assessments. We agree that timely and accurate impact assessments are essential to progressing changes in a timely manner. The proposed process requires sufficient detail to be provided up-front for a preliminary impact assessment within 15 Working Days and then a subsequent impact assessment during the development phase within 40 Working Days. This does not seem efficient and the 40-day requirement seems excessive. We believe it would be more efficient to ask for one impact assessment once the solution is sufficiently developed. If indicative costs are required at the initial assessment phase, a move towards providing a magnitude of the costs and lead times should be provided within shorter timescales. This is already done under the BSC and in some codes.
Also, it would be more efficient, where the code manager knows that the change will impact the service providers systems, to issue the change request straight away, rather than affirming with the service provider that there is an impact.
- e. Self-Governance vs. Authority decision of change proposals. An alternative approach would be for the REC Panel to make decisions on all changes, but for the Authority to have rights to request that specific proposals are sent to them for decision or to overrule the REC Panel's decision within an objection window. Assuming the Panel and the Authorities decisions will align more often than not, this would be more efficient, speed up the process and support the Self-Governance principle.
- f. Number of proposals. We do not believe having unlimited number of alternative solutions is sensible as the process may become more prone to abuse and allowing multiple alternates may prolong the progress of modification proposals in general.

3) Detailed comments on the Change Management Schedule (Draft – for consultation June 2019)

| Section – Change Management Schedule | Type | Comment/ Question/ Observation |
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| 1 | Assumption | We assume Change Proposals will be used to amend the REC and the REC schedules only. There will not be any other subsidiary document subject to change control. |
| 2 | Clarification | The process model refers to the Change Panel, whereas the schedule refers to the REC Panel. In the REC consultation document, a REC Change Panel is referred to. Clarification is required that there will be only one Panel, who will oversee Change Proposals. |
| 2 | Observation | The process map on page 2 would benefit from commentary describing the principles on which the process has been built and how it will operate. Furthermore, the process map needs to align with the processes described in the schedule. |
| 15 | Clarification | Cross Code Interactions. It is not clear what powers Cross Code Steering Group will have and how other codes will be incentivised or required to co-operate. |
| 3.3 | Clarification | It is not clear what a Requirements Traceability Matrix is and how much effort would be required to produce one. |
| 4.4 d) | Observation | This requirement will likely gather solution details, where as it would be useful to separate out the issue from the solution. We assume the issue cannot be changed once raised. |
| 4.4 f) | Clarification | It is not clear what would be required in a business case and how much effort/time would be required to produce one. |
| 5.2 | Clarification | The intent of this clause is not clear. Does the requirement include all bug fixes, patches and technology upgrades etc. must be included in the Change Register, even for internal systems/applications? |
| 6.1 a) | Clarification | It is not clear on what happens if 6.1a) is met. We assume the next step is to go to 8, this needs to be clarified. |
| 6.2 | Clarification | It is not clear how the full extent of impacts will be known at the initial assessment phase. It is not clear how REC code manager gets other relevant code bodies opinion on the extent of any impacts on their codes. We believe changes to all of the energy codes are required to facilitate the level of interaction envisaged. It is not clear if it is the REC code manager responsibility to determine whether a change is related to a SCR. |
| 6.5 | Clarification | Project initiation document is not defined. Is it intended to be a public document? |
| General | Observation | We believe that a new Change Proposals needs to be notified to interested parties. |

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| 6.5 a) ii) | Observation | It would be useful and aid clarity and certainty if the CM is required to publish a methodology detailing how changes will be prioritised. |
| 6.5 a) ii) | Observation | It is not clear how the code manager will determine at this initial stage if an alternative change will be needed, as the need will only be identified from undertaking the development work. |
| 6.5 e) | Clarification | It is not clearly defined whose risk and issues the clause refers to. Are these risks and issues those of the RECCo or industry or both? |
| 6.7 | Observation | It would improve transparency and better inform interested parties in providing views on the draft ToR, if the initial assessment was published alongside the draft ToR, and only the ToR were re-published if amended. |
| 6.8 | Clarification | It is not clear if the budget should include costs of operating the Change Schedule or only the estimated implementation costs for the change proposal. |
| 7.3 | Observation | We believe the process needs to be flexible and allow participants to decide how they want to attend. Remote meetings should be available for all meetings with an option to have a face-to-face meeting should the group decide it is more efficient/effective to do so. |
| 7.4 | Clarification | It is not clear if 7.4 is an alternative to 7.3. It may make it difficult for Parties to know when to expect to engage with REC changes. We propose that this should be clearly spelt out in the progression timetable at the initial assessment phase. |
| 7.5 | Clarification | Clarification is required on whether the proposer owns the solution. It is not clear how the notion of the proposer owning the proposal is consistent with being consulted by the code manager |
| 8.1 b) | Clarification | We are unclear of what the scenarios would be where you would not expect legal text to be provided at this stage. If it's not provided here, the document should outline when will it be. |
| 8.1 e) | Observation | It is not clear what will be required in providing a business case and whether this will be more or less intensive than providing views against the objectives. It is not clear if a business case has to be provided for changes going to the Authority. |
| 8.1 g) ii) | Observation | We propose that it would be more efficient to have the option for alternative change proposal to be worked up and assessed so that it could be included in the preliminary report, rather than having to do further work. |
| 8.1 h) i) | Clarification | It is not clear if 9.1 overrules this clause. |

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| 8.1 i) | Clarification | This clause suggests the composition of the Panel can change – this needs to be clarified in the text. It is not clear how the Panel members will be selected and appointed. |
| 9.2 | Clarification | Clarification is required on the differences between a) and b) c) – there could be different ways to interpret and implement consequential changes. If the changes are significant and material, these should be subject to a new consultation. |
| 10.2 d) | Clarification | Clarification is required on a case when the proposal materially changes and the rules around re-consulting. This is especially important when additional considerations arise that have not been highlighted in original consultation. |

Question 2.1: Do you agree with our proposed choreography of the Retail Code Consolidation SCR, Switching Programme SCR and associated licence changes, including our proposals that the Switching Programme changes will be introduced as ‘dormant’ before being made ‘active’ following Authority direction?

Yes, although we note that for existing codes there will be a need to retain existing requirements alongside any new requirements with ‘until the Switching Programme Implementation Date’/‘from the Switching Programme Implementation Date’. We would then need a second raft of housekeeping changes to remove the pre-implementation date requirements. This may mean that the gains from a governance perspective are minimal, but would allow the changes to be visible and allow for a range of ‘go live’ dates that the existing fixed release schedule would typically not accommodate.

Question 2.2: Do you agree with the approach we have described for managing the delivery of the Switching Programme SCR and the Retail Code Consolidation SCR?

Yes, although we note the following in relation to two statements in this section:

2.14 “We propose that we will issue a further consultation in Autumn 2019 when a complete set of Switching Programme SCR consequential change drafting across the impacted codes is available”.

ELEXON will be developing a number of changes to Balancing and Settlement Code Procedures (BSCPs) related to agent activities and the Change of Supply process. These are designed to cope with the introduction of the CSS, but could be implemented independently. We expect to progress these through the standard BSC Issue process, and so the exact drafting of the solutions may not be finalised by the time of the Autumn consultation.

2.32 “We expect code bodies to commence assessment and drafting of consequential changes alongside the development of the REC schedules under the Retail Code Consolidation SCR. We expect that in Q2 2020 we will consult on the legal drafting for the schedules and consequential changes for codes that fall under the scope of the Retail Code Consolidation SCR”.

We would like to re-iterate that we will not be able to assess and draft changes for Retail Code Consolidation until we have more clarity on what is being incorporated into the REC, particularly in relation to MEM requirements and MDD (see Q4.8).

Given the impact on the BSC is relatively minor in relation to the Switching Programme but significant in relation to Code Consolidation, our preference is to progress consequential changes accordingly. We

propose to progress Switching related changes to Supplier and Agent processes incrementally and implement them as soon as possible, but to draft the changes related to Code Consolidation once the requirements of the precise scope of the REC have been established.

Question 2.3: Do you have any views on the draft consequential changes to industry codes and work plans described in Appendix 5 that would help deliver the Switching Programme and Retail Code Consolidation SCRs?

We have provided to Ofgem a view of the BSC Consequential changes required (Appendix 5 of the consultation) and the dependencies on other areas of consequential changes, most significantly those to the Master Registration Agreement (MRA). ELEXON has participated in the MRA consequential change workgroups and we are satisfied that these have been identified and that impacts on the BSC are understood. There are still some areas of uncertainty related to the governance of registration related activities more generally. However, we are confident that these issues are understood by Ofgem and other impacted code managers, and we look forward to working toward sensible solutions that avoid unnecessary duplication across codes.

Question 3.1: 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.

Yes.

Question 3.2: 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.

No comment.

Question 3.3: 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 believe that the data management schedule meets the regulatory design principles. However, we would recommend applying certain methodologies and approaches in delivering those principles. As these principles are also applicable to the energy market more widely, by answering this question for the REC we are also implementing correct data management behaviours for the industry.

The energy data taskforce (EDTF) has recommended developing a data catalogue managed by a trusted third party. Contributions to a common data catalogue would be an initial activity for data management of the REC. Specifically, we mean using domain driven design methods and a practical data governance framework. Domain driven design will ensure identification of accurate and unique business meanings of data items within their business context, especially in cases where the same data item is used across functional boundaries or where it may have multiple meanings. Data governance methods will be implemented to understand and document other meta-data characteristics, such as ownership, data lineage, security or sensitivity classifications, and usage or access roles.

Defining, collating and updating this information is a large and time-consuming activity, which is often impacted by continuing modifications and new requirements. Therefore, population of the data catalogue for data governance should be open to crowd-sourcing methods, using a globally available governance tool, where contributors from all aspects of the market can provide a faster and more efficient population of the required definitions and meanings.

Using a globally available governance tool, ensures compliance with the EDTF goal of providing full visibility and understanding of data, over the full lifecycle of the data being managed. We recommend appointing data curators from across the industry to act as delegates with the authority to define business domains, user access roles, data classifications and also to act as moderators for definitions.

The Data Management schedule identifies messages and message receipts. These have both data governance and technology significance. The data curators will agree the standards for messages and message structures that may be used within existing and newer technologies across industry and publish this as an open specification. This further complies with the EDTF recommendations for providing openness and encouraging (allowable) value extraction from industry data.

We would like to collaborate with the CSS Provider on the best means for us to provide market participant data from Market Domain Data as governed under the BSC.

Question 3.4: Do you agree that the draft Service Management Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved.

In principal, we agree that the draft Service Management Schedule meets the required standards; however, further details are required as the Schedule sets out high-level principles. We anticipate more details to be available during the Autumn 2019 consultation.

Question 3.5: 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.

In general, we agree that the Entry Assessment and Qualification Schedule meets the standards set out in the Regulatory Design Principles to an extent; however, we note that there are a number of gaps and inconsistencies in the requirements. We believe more consideration needs to be given to the terms, processes and procedures outlined in the REC Entry Assessment and Qualification Schedule and that some aspects of the schedule could be ordered better to improve clarity.

Having thoroughly reviewed the consultation document and the Entry Assessment and Qualification Schedule (Version: 0.2) we summarise our detailed considerations and comments in two parts below:

- 1) Strategic considerations
- 2) Detailed comments on the Entry Assessment and Qualification Schedule (Version: 0.2)

1) Strategic considerations

- a) Cross-code cooperation and alignment on market entry assessment and qualification.
After the REC Entry Assessment and Qualification processes and procedures are fully established, the industry parties will be subject to at least two different market entry regimes: those established under REC and BSC. We believe that if the regimes are vastly different, considerable extra effort from the Parties may be required to comply.

This will be inconsistent with the BEIS/Ofgem proposals under the Energy Codes Review to make operating in the market/complying with the industry rules less burdensome. Therefore, there needs to be a way to allow the respective code managers to cooperate, share best practices and, ultimately, align their respective market entry requirements and processes, where it makes sense to do so. As drafted, neither the consultation document nor the Entry Assessment and Qualification Schedule suggests a way to establish such cooperation and/or sharing of best practices among the code managers.

- b) Developing the best-in-class market entry and qualification process. We agree with the intent to develop 'best-in-class' processes for the REC Manager to operate; however, it is not clear from the current version of the Entry Assessment and Qualification Schedule whether the new process will be simpler, especially for new parties with little or no energy industry experience or knowledge.
- c) Alignment with other ongoing initiatives. We believe the REC Entry Assessment and Qualification Schedule needs to be aligned with the ongoing Supplier Licensing Review in order to develop the processes that are fit for purpose and can be deployed with minimal further change. One particular area where a change may take place is who takes a new supplier company through a qualification process. We believe this change may need to be reflected in the REC Entry Assessment and Qualification Schedule.

2) Detailed comments on the Entry Assessment and Qualification Schedule (Version: 0.2)

| Section - Entry Assessment and Qualification Schedule | Type | Comment/ Question/ Observation |
|--|---------------|---|
| Throughout the schedule | Clarification | The references to re-Qualification process are cited throughout the Entry Accession processes. If re-Qualification is for Qualified Parties making material changes to their Qualification or CME conditions, we believe the two processes need to be more clearly separated out. |
| 1.10 | Observation | We believe sharing information with other code managers would also strengthen assurance, as well as save time/effort/cost for parties. |
| 1.11 | Clarification | Clarification is required on the timing of the REC Entry Assessment and if it can occur in parallel to Ofgem's Licensing Application. The section states that "prior to becoming Qualified, the applicant must provide evidence to the Code Manager that the applicant has the necessary Energy Licence". However, an Energy Licence is not a pre-requisite for starting Entry Assessment. |

| | | |
|----------|---------------|--|
| 2.7(b) | Clarification | Clarification is required on a term 'valid' MPID. We assume it is a live MPID in MDD. If so, clarification is needed if the Party is expected to have completed BSC Market Entry and Qualification ahead of starting the REC Market Entry and Qualification. |
| 2.8(c) | Clarification | <p>This section states that following the completion of the Entry Assessment application form, the Code Manager and the applicant will discuss "arrangements for developing and agreeing a high-level plan for Entry Assessment, including the applicant's plan for getting the necessary Energy Licence".</p> <p>We believe that should this go beyond confirming that Suppliers and DNOs require the relevant licence, then this process could be problematic. This is Ofgem's remit and code managers usually do not have oversight of any agreed timelines at present.</p> <p>Further, subject to what Licensing Criteria that Ofgem decide to implement, under the Supplier Licensing Review, the timelines for being granted a licence could vary between Parties significantly.</p> |
| 2.11 | Clarification | <p>As part of the Self Assessment Form, Parties are required to provide a risk assessment. Clarification is needed as to whether Parties are expected to assess their own risk. If so, further detail is required on criteria to be used to assess the risk.</p> <p>Furthermore, consideration needs to be given to whether this level of details should sit better outside of the REC Code in a subsidiary document, so it could be amended more easily in line with changes in the nature and number of risks.</p> |
| 2.11(f) | Observation | <p>The section states that the Configuration Management Return and may include "a list of any providers of managed services (or other service providers) that the applicant intends to use to fulfil the business processes that are relevant for demonstrating compliance with this Code".</p> <p>Currently under the BSC, it is a challenge to ask companies to provide ELEXON/Qualification Service Provider with information on their commercial arrangements with their managed service. We therefore propose that consideration should be given as to REC would overcome similar issues.</p> |
| 2.21 (a) | Observation | We believe it is also beneficial to have invalid data tested in the internal tests also, not just happy path scenarios, to see how systems deal with invalid or unexpected data and data input mistakes. |
| 3.1 (a) | Clarification | Clarification is required on 'material change'. Further clarity is needed around the criteria that make a change material for the purposes of REC Re-Qualification. |

| | | |
|-------------|-------------------------------|--|
| 3.7 and 3.8 | Clarification | <p>The section states that the REC Code Manager may determine if the applicant should not remain Qualified, and the party may fail Re-Qualification.</p> <p>Clarification is needed on the following steps, e.g. if that directly leads to removal of Qualification / expulsion from the Code or if it leads to a rectification plan and then escalation from there as per the Performance Assurance schedule.</p> |
| 3.8 | Clarification | <p>The paragraph states that "Code Manager will seek to identify if the Systems and processes that caused the Party to fail Re-Qualification are being used by the Party in its live operations".</p> <p>We believe further clarification is needed on the ways that the Code Manager identifies this.</p> <p>Furthermore, consideration needs to be given to where this level of detail needs to be placed: in the code itself or working procedures that REC PAB develops. In case of the latter, the authority to do so (e.g. "take reasonable steps to...") should be included in the REC.</p> |
| 3.8 | Observation/ Clarification | <p>The scenario where a party makes a change and does not apply for Re-Qualification is not covered.</p> <p>From operating BSC processes, we find that parties can be reluctant to apply for Re-Qualification due to the perceived burden of the process. They may be more likely to judge changes as immaterial, even when they have the potential to notably impact on Settlement operations and compliance with the BSC.</p> <p>We believe this scenario needs to be covered in order that proportionate risk management can be effected against material change.</p> |

Question 3.6: Do you agree that the draft Resolution of Consumer Facing Switching and Billing Problems Schedule meets the Regulatory Design Principles? If not, please explain how the Schedule could be improved?

Yes

Question 3.7: Do you agree that we have adequately captured the requirements of the ETCC within the draft Resolution of Consumer Facing Switching and Billing Problems Schedule, taking account of the existence of Guaranteed Standards of Performance that cover engagement with the consumer and resolution of erroneous transfers?

Yes

Question 3.8: 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 micro-business 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?

From a settlement perspective, the materiality of issues arising from crossed meters and switch meter read problems for non-domestic metering points is much higher. We therefore would welcome any processes that encourage suppliers to resolve these issues for all metering points in a timely and orderly manner.

If customers are being settled Half Hourly, but billed on register readings, it is also in their interest that the process for resolving switch meter read problems still applies. In the longer term, as more metering points are settled half hourly, the switch read processes ("sunny day" rather than exception) that are currently defined in the BSC will need to transfer to the REC, as they will no longer serve a settlement function.

Question 3.9: Do you agree with our proposal to introduce a harmonise 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.

The REC Code Manager should be able to deal with recidivist behaviours by suppliers, such as repeated slow response rates. However, it may be impractical and/or extremely costly for the Code Manager to arbitrate in cases, such as switch reading disputes, where the two suppliers in question have reached an impasse. Paragraph 3.34 notes that "this approach to escalations will provide a strong incentive on suppliers to ensure that problem resolutions are resolved in a timely and efficient manner". However, there is a risk that in the case of particularly intractable issues, the Code Manager is either unable to arbitrate or needs to incur excessive costs in order to do so.

Question 3.10 Do you agree that the draft Prepayment Arrangements Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved.

Yes

Question 3.11: 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.

Yes

Question 3.12: Do you agree that the draft Data Access Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved.

Yes

Question 3.13: What changes would you make to best align the draft Data Access Schedule to the Energy Data Task Force recommendations?

Please see our response to Question 3.3

Question 3.14: Do you agree that obligations should be placed on networks and suppliers to ensure that RECCo procures gas and electricity enquiry services and that obligations in the Gas Transporter and Distribution Licences can be removed?

Yes

Question 3.15: Do you agree that the RECCo should be able to appoint either the Code Manager, Enquiry Service operator or a third party to act as the Enquiry Service Administrator for the purpose of monitoring compliance and managing Data Access Agreements?

Yes

Question 3.16: 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.

Yes

Question 3.17: Are there any other areas that you think should be covered in the REC to support the Switching Programme, other than those that will be included in the Technical Specification?

We agree with other respondents that it would be preferable to include timescales in the REC Schedules rather than the Technical Specifications where possible, for ease of use. Where BSCP processes are dependent on actions defined in the REC, we will need to ensure that timescales are consistent. We would welcome early notification of any additional areas not yet identified that may fall within the scope of the REC to allow us to plan our drafting and progression of consequential changes accordingly.

If timescales are not aligned, this will present a challenge for drafting consequential changes for the Autumn 2019 consultation, as 3.67 notes that "development of these documents [i.e. the Technical Specifications] will continue over the summer, with further details and drafting, where available, provided in the Autumn 2019 consultation".

Question 3.18: 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?

No

Questions 4.1 and 4.2

Yes.

Questions 4.3 and 4.4 responded to on 29 July 2019.

Questions 4.5 and 4.6

No Comment.

Question 4.7

No comment.

Question 4.8 - Do you agree with our preferred option for governance of agent appointments and MDD, outlined as option 3 above?

BSC requirements on MEMs (Meter Operator Agents) are set out primarily in BSCP514 with high level obligations in the BSC itself. In order to harmonise MEM requirements across electricity and gas, it will be necessary to transfer some of these BSC obligations to the REC.

We support Ofgem's preferred Option 3, but we believe that the separation of MEM requirements between the REC and the BSC will be challenging. We would welcome the opportunity to discuss with Ofgem and suggest solutions to the potential issues we see in this area. We recommend that scoping workshops with Ofgem, MEMs, the AMO, DNOs, gas experts and ourselves would be a useful starting point in order to establish some high level principles for requirements separation.

Paragraph 4.56 refers to "electricity provisions related to MEM appointment and MAP notifications".

Whilst we agree that the MEM appointment process could transfer to the REC and the Data Collector and Data Aggregator processes remain in the BSC, consideration would need to be given to any overlaps and dependencies. For example, there should be a common process for MEMs, DCs and DAs whereby they are notified of each other's appointments to the Metering Point (in order to share data in subsequent processes).

MAP notifications need not be subject to BSC requirements, but such notifications are usually made at the same time as similar notifications to DCs, Suppliers and DNOs, so there would need to be careful co-ordination to ensure that MEM obligations straddling the REC and BSCPs are consistent and remain so following any future changes.

Paragraph 4.55 refers to "updates to meter data" and 4.69 suggests that "this would include data items such as the meter serial numbers and MAP ID". Currently these data items are part of a wider set of Meter Technical Details (MTD) which are shared between MEMs, DCs, Suppliers and DNOs to support various downstream processes. Other MTD data items are used to support the retrieval and accurate processing of meter readings, so arguably perform both a retail and settlement role

The separation of MEM and DC obligations (referred to in para 4.55) could also prove to be challenging as there are multiple interfaces between MEMs and DCs. There are also key dependencies in terms of the timescales for MEM activities and the downstream DC and DA activities that rely on

metering data from the MEM, which could be complicated by having these timescales defined under separate codes.

Some of the functions of MEMs (such as de-energisation) can also be carried out by distribution businesses and are subject to requirements in BSCP515 (including the interface with MEMs). These obligations would need to be considered in the context of any transfer of MEM obligations.

Paragraph 4.53 states that “both the SPAA and BSC also include metering Market Domain Data (MDD), which specifies valid values to be used for updates to metering data in the central systems. As new meter or converter models are introduced, the metering MDD is updated in the respective codes”.

New Meter Types are maintained as valid set data in the Data Transfer Catalogue rather than in MDD. MDD only includes ‘SMETS Version’ which is maintained as a csv on the BSC Portal, rather than being sent out in the MDD data flows. Publication of SMETS Version could be easily decommissioned with a small change to BSCP509. If any other MDD data is deemed to be ‘metering data’, for example Meter Time-switch Class (also referred to as Meter Timeswitch Code in the MRA), this would result in more significant changes to MDD, which would require software changes to the BSC central systems, as well as BSCP509. We have not included MDD changes in any previous impact assessments.

Question 4.9: Do you support our proposal for consolidating the metering CoPs into the REC?

Paragraph 4.74 states that a “review of MOCOPA . . . may conclude that some requirements fit better under the BSC or DCUSA”. The consultation section on Meter Data and Agent Appointments suggests that there will be a transfer of MEM obligations, to an as yet unspecified degree, from the BSC to the REC, whilst the Metering Services Codes of Practice section suggests that some MOCOPA requirements could transfer to the BSC or DCUSA. In view of the number of “moving parts”, particularly when electricity-gas harmonisation is also taken into account, significant cross-code co-ordination will be needed to deliver the changes within the proposed timescales. If MEM obligations are to be included in multiple codes, clear demarcation needs to be established.

Question 4.10: Do you think MEMs should be parties to the REC?

Paragraph 4.69 states that “ ‘master data’ that originates with the MEMs but is subsequently used for various retail activities would be subject to REC Performance Assurance Framework to ensure the quality and timeliness of its provision”.

MEM activities are subject to performance assurance under the BSC (including PARMs reporting), so the transfer of MEM assurance to the REC will have implications for the BSC Performance Assurance Framework. If assurance activities are to transfer from the BSC to the REC, for example on MEM appointments, which are subject to PARMs reporting, there could be transitional challenges.

Paragraph 1.32 acknowledges that the REC PAB may need time to establish its monitoring arrangements. One option could be for MEM performance to still be managed, at least in the short term, under the BSC when and until the REC is able to assume its assurance responsibilities.

We also believe that the assurance of MEM activities will be more effective if MEMs are parties to the REC. Paragraph 4.68 states that “although MEMs are not licenced parties, accession to the REC could be a prerequisite for accreditation”. It is not clear what accreditation is being referred to here, as if the MOCOPA is subsumed into the REC, then MOCOPA accreditation can no longer be used to drive REC accession.

Question 4.11: Do you think changes to the Metering Schedule(s) of the REC should be progressed through the REC Change Panel only, or should there be an additional MEM Panel?

A separate MEM group would better harness specialist expertise in metering, but there needs to be non-technical oversight to ensure that metering considerations do not adversely impact consumer outcomes. So a sub-committee of the REC Change Panel, making recommendations to the REC Change Panel, could offer a pragmatic compromise.

Questions 4.12 – 4.16

No comment.

Questions 5.1 to 5.3

Yes.

Question 5.4: Do you think that we should remove licence obligations on GTs described in SLC 31 and DNOs in SLC 18 to provide one or more of the following services:

- **Enquiry services;**
- **Maintenance of a register of data associated with a metering point/supply point; and**
- **Customer enquiry service?**

Maintenance of a register of data associated with a metering point is an essential requirement for electricity Settlement purposes. As there is an obligation to provide such a service in the BSC and the distribution licence requires that DNOs are signatories to the BSC, there is no reason from a Settlement perspective for the licence condition to exist as an additional obligation.

That said, there may be a case for a simplified licence obligation that formalises a requirement for DNOs to fulfil their registration obligations as an Electricity Retail Data Agent (ERDA) under the REC, a Supplier Meter Registration Agent (SMRA) under the BSC, and any registration obligations required under other codes, with the detailed obligations set out in those codes.