Rachel Clark
Switching Programme Director, Consumers & Markets
Ofgem
10 South Colonnade
Canary Wharf
London, E14 4PU   29 July 2019

Dear Rachel

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

Gemserv welcomes the opportunity to provide views on the Retail Energy Code (REC) and code consolidation. This is a significant step in the evolution of the retail energy market, with the consultation addressing several proposals aimed at delivering a faster, more reliable switching regime.

We are encouraged to see that Ofgem and the RECCo Board are using new thinking regarding the role of the REC Manager and consolidation of traditional retail codes. In the context of the Government's Code Review, ambitious market expectations and stretching decarbonisation obligations, energy governance will need to be more flexible and responsive, while continuing to provide value for money.

We are fully supportive of the ambitions for the REC. A best in class, consumer-centric and accessible set of rules, is fundamental to an energy sector fit for a digital age. There is considerable challenge in balancing the stability of tested systems and processes, while adapting to a new vision for energy services. However, this challenge must be faced, in order to give our energy consumers a level of service that they need and deserve.

We appreciate that a lot of ground is covered by this document and that early responses are sought for two areas: (i) the REC Manager role; and (ii) the Meter Point Administration Service (MPAS). This submission, therefore, includes our responses for the questions on those two areas only (see Annex below). We will provide a separate submission, later in the summer, that covers our thoughts on the remaining questions.

As always, if you have any queries or require clarification on any aspect of our response, I would be very happy to discuss this with you in further detail. Meanwhile, we will continue to support you and the programme, as we work towards the vision that can be realised in the REC and the consolidation of industry rules.

Your sincerely

Glenn Sheern
Head of Governance Design
Gemserv Ltd
glenn.sheern@gemserv.com

Question 1.3 Do you consider that the methodology as set out above is appropriate?

Yes, we are in broad agreement with the methodology, as set out in the consultation.

Gemserv is encouraged to see that Ofgem and the RECCo Board are taking a fresh approach to the role of the REC Manager. In the context of the Government's Code Review, everchanging market expectations and stretching national decarbonisation targets, governance of the rules within the energy sector and beyond will need to be relevant, agile, flexible and responsive in a way we have not seen before.

For the REC to be the best-in-class and to help develop an energy sector for a digital age, we need Government, the Regulator and the RECCo Board to work in a partnership that is accountable not only to Industry, but to the consumer as well. Our expectation is for the REC Manager to have the authority and a clear mandate to be able to support these and other Parties in properly facilitating an innovative, competitive and consumer-centric market.

To fulfil this ambition, we would expect the methodology for appointing the REC Manager to also reflect the need for new thinking; to be mindful of the work needed to bring a best-in-class code to reality and to acknowledge the importance of consumer perspective at the heart of governance.

We recognise the complexity of the task, in that the REC will bring together obligations and rights that currently exist in other codes managed by other Code Administrators. This introduces the additional challenge of moving away from old working practices and vested interests, especially regarding perceived control of information and data. It will be important therefore that the REC Manager is able to lead a safe transition to the new arrangements working closely with the RECCo Board and other stakeholders. With data increasingly opening new and innovative opportunities, we need to utilise the power of digitalisation. We must introduce a proper data strategy, to avoid the development of fragmented arrangements that inhibit the REC Manager from offering new and innovative solutions, aimed at improving the working and efficiency of retail arrangements.

Question 1.4: Do you have any comments on the scope of the services?

The scope of services listed in the consultation document seems to address most of the activities we would expect to see covered in the scope of the REC Manager. What we believe is missing, though, is the management and sharing of data and information.

The benefits of open data and data standards is crucial to the proper functioning of an innovative and evolving marketplace. Gemserv set out its ideas in our recent thought leadership paper [1], where we introduced nine information principles based on industry best practice. These principles will ensure that the industry addresses the challenges around governance, security and ethical use of information, whilst also encouraging innovation through data-driven initiatives.

In the context of a broader interpretation of "scope", we would also note that the role of REC Manager will need to accommodate a greater deal of influence and responsibility than previously experienced by those central bodies operating under the existing arrangements. For example, while the Change Panel "*is responsible for reaching decisions on changes*", for the REC Manager to fulfil the key service of "*Code Change Management*", it must be appropriatly empowered. To prioritise and drive change in an effective and efficient manner, the REC Manager will need sufficient authority and accountability to properly execute its responsibilities. In addition, a role for the REC Manager on the Change Panel, may facilitate this outcome.

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[1] Information principles for the energy market. https://www.gemserv.com/information-principles-for-the-energy-market/

Question 1.5: Do you agree with our outline proposals on the set-up of the REC Manager?

It is appropriate for the RECCo Board to determine the scope of the REC Manager functions and that these should be defined as soon as possible, so as not to delay the progression of competitive procurement activities.

Gemserv believes it is important that these functions are scoped with the involvement of independent persons and, with the consumer-centric nature of the code, with input from an appropriately competent consumer representation. The addition of these skills to the RECCo Board should be brought forward, to ensure all views are captured. The scope and extent of this work should not be underestimated and, if the procurement is to be a fair, transparent, efficient and equitable process, appropriate resource needs to be utilised at this stage.

We recognise the benefit of the REC Manager's performance being overseen by a separate function (e.g. an independent audit), one which is directly accountable to the RECCo Board. However, we would recommend that the remaining performance assurance functions should be undertaken by the REC Manager or their appointed partner(s) in order to drive cost efficiencies and innovation.

Question 4.3: Which option outlined above do you think is best suited to govern MPAS (as defined above) once the MRA has closed, and why?

Our preference is for MPAS to be included in the REC.

During the recent MRA engagement day, organised on behalf of MRASCo and its stakeholders, and hosted by Gemserv, market participants were polled on their views on the best option for future MPAS Governance. The majority view of attendees on the day, during the discussion of this topic, primarily favoured the housing of MPAS provisions under the REC. The second option was the BSC. We support this view.

In moving the governance, a primary consideration is around the core objective of the Code. Whilst the Codes suggested have a link to MPAS, they are not all, of themselves, a primary driver of what functions MPAS should serve. Under [current] MRA governance, it is registration that is the key to which Supplier is accountable for the MPAN and the consumer at that premise. This is a linchpin of both downstream and upstream responsibility. It is, therefore, crucial in determining retail responsibility, not least in any contractual issues, where more than one Supplier may believe they are in contract.

Moreover, in a smart world, it underpins access control to consumers' meters and triggers the application of any licence conditions, e.g. billing or special needs etc. Therefore, it is not such a good fit with a network commercial code or a settlement code, but is better met with the objective and purpose of the REC. We also need to consider that HH settlement is coming, so many of the current settlement attributes held in MPAS are likely to fall away.

Our experience of MPAS in the MRA, shows that registration services mature and grow over time and operation. The REC, as a new code, offers the best home, since its governance is already designed as inclusive. We believe that to facilitate future innovation, existing data sets should become open and free to use by market participants. Splitting data sets and the governance across codes has shown this outcome is more difficult to fulfil.

Question 4.4: Do you have serious concerns about the suitability of any of the options for the future governance of MPAS, outlined above?

We have no serious concerns with the suitability of putting the future MPAS governance arrangements in any of the REC, BSC or DCUSA.

However, we believe there is the strongest case to house them in the REC. We would seriously question the suitability of separating arrangements by function, which would be contrary to the current desirability to reduce the regulatory burden on market participants by natural code and regulation consolidation. It makes obligations and data access fragmented and, in our view, hinders future innovation.