

Jonathan Dixon
Ofgem

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ICoSS Response to Retail Energy Code - part 1

The Industrial & Commercial Shippers & Suppliers (ICoSS) is the trade body representing the majority of the GB non-domestic energy market. Our members¹, who are all independent Suppliers, in total supply in excess of three quarters of the gas and half the electricity provided in the highly competitive non-domestic market.

We are providing an initial response to the Ofgem consultation on Switching Programme and Retail Code Consolidation: Proposed changes to licences and industry codes, covering those questions which Ofgem wants a response to by the 29 July, namely 1.3, 1.4, 1.5, 4.3, and 4.4.

Section 1

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

In general we agree with the methodology that has been sent in 1.17, though we have the following comments:

- We agree with the principle that RECCo services should be managed to ensure “best value” rather than to minimise cost. The code services should be effective and deliver benefits to the industry, rather than be constrained to provide marginal cost savings.
- We suggest that transparency and ease of access to information should be a key factor in the methodology. The best performing code administrators allow free and open access to their meetings and all industry documentation allowing industry parties to become familiar with and engage effectively; those with poorer performance limit access to information through secured areas and do not publish information in a timely manner.
- Finally impartiality is a critical concern for any code administrator. It is not realistic for a service provider to solely concentrate on RECCo services; they will have relationships with other industry parties. Demonstrating impartiality will be critical in evaluating the suitability for any RECCo service provider.





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

The high-level scope of services seems generally appropriate, though at this stage there is not enough detail to assess them adequately. It is difficult to see the value in requiring “Innovation” as a service, as we would expect any effective Code Manager to be innovative in delivering the services covered elsewhere- innovation for its own sake is likely to lead to industry money being spent on experiments that are likely to lead to little benefit. Innovation should also be driven by customer demand as well as the Code Manager identifying possible enhancements

It is also questionable as to the value of requiring a Design Authority function at that stage. We assume that this is a requirement for the Code Manager to deliver significant system changes. This is a function that will be required, but not for some time and can be created when required. So whilst it is appropriate that the Code Manager should undertake this role when needed, it does not seem to be a requirement at this stage.

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

We support the timeline for appointing the REC Manager.

There is a need for effective REC Manager oversight to ensure that the market obtains value for money and has the confidence that any concerns or issues over performance. The proposal to delegate certain aspects of contract management of the REC Manager to the PAB is not feasible for a number of reasons:

- The focus of PAB should be on industry performance. Requiring the PAB to collate/interpret performance data for the REC Manager will blur the lines of responsibility and will also require a broader skill set than otherwise would be required. This will be detrimental to the PAB management regime.
- Requiring PAB to contribute to the management of the REC Manager will necessarily mean excluding the REC Manager from some or all of the PAB processes. This will create additional complexity of handling the code management and inhibit collaboration between the PAB and the REC Manager

We are therefore opposed to the concept of the PAB being involved in any way in managing the REC Manager. Instead the RECCo board should seek to appoint a Code Manager (potentially in a part-time role) that discharges effective code management on its behalf and has the resources to do so. Key performance metrics can be developed by the RECCo Board and overseen by the manager without PAB involvement.

Section 4

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?



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 do not have any particular preference for the management regime for MPAS going forward. It is concerning however that the language of the consultation implies that the needs of DNO are of primary importance. This database is also critical to suppliers and will become more so when access to accurate customer data will be vital in ensuring rapid customer switching – a key requirement of these reforms. Suppliers should therefore have an equal say in the management of MPAS, irrespective of which code it ultimately rests under.

Should you wish to discuss any aspect of this response please get in touch

Gareth Evans

ICoSS

gareth@icoss.org