

Proposed REC v1.1: Main Body, Change Management and Performance Management Schedules Working Drafts and Next Steps

The current version of the Retail Energy Code (REC) was introduced early in 2019 in order to provide effective governance of certain aspects of the switching programme. The early introduction of the REC also facilitated the establishment of the REC Company (RECCo)

Although the REC was originally conceived as means of providing governance for the new dual fuel switching arrangements, its creation has also provided opportunity for the consolidation and simplification of wider retail governance. In particular, the REC will wholly replace the Master Registration Agreement (MRA) in electricity and the Supply Point Administration Agreement (SPAA) in gas and a number of smaller codes and agreements such as the Smart Meter Installation Code of Practice (SMICoP) will also be incorporated into the REC. This Retail Code Consolidation (RCC) will be progressed through the Significant Code Review (SCR) procedures and will come into effect 1 September 2021. At that point the old codes will be wound up.

In developing the REC, a number of activities have been identified which either must be, or would at least be beneficial to be, undertaken and completed in advance of the cutover to the new arrangements. In particular, the transition of responsibilities from the existing code bodies to the RECCo will require several services provided pursuant to the code arrangements to be novated to, or re-procured by, the RECCo. We also consider that it would be beneficial for the key *institutions* of the REC to be formed early to allow those bodies to familiarise themselves with the role ahead of April 2021, giving them the best opportunity to be fully effective from day one of the new regime. We are therefore planning an additional *version 1.1* release to be effective around the end of this year, rather than awaiting the RCC SCR implementation in September 2021.

RECCo Governance

We set out our proposed way forward on the appointment of RECCo directors to augment and in due course succeed those on the interim board. This will include the identification of competencies required by the Board in order to deliver its strategy, the requirement for which we have also codified. The selection of suitable candidates will be undertaken a nominations committee in keeping with good corporate practice. However, as the interim board is composed of representatives of REC parties, appointments will

continue to be subject to direction of the Authority until such time as the majority of the board members are independent from parties, at which point the nominations committee's recommendations will be submitted to the Board for decision.

In order to support the early appointment of independent directors we propose that the nominations committee should be established as soon as possible, facilitating a phased transition to the enduring Board. This will ensure continuity and an orderly handover of responsibilities.

REC Parties

Further to our previously consulted upon proposals, we intend to extend REC participation to include non-licensed market participants. Where participation is necessary only in order to receive a REC service such as data enquiry services, this will be facilitated through a limited scope access agreement, referencing only the relevant schedules and provisions of the REC. We will shortly publish further details on such access agreement, which will form part of the REC v2.0 release. However, given the reliance that retail arrangements have on metering and associated data, we propose that Meter Equipment Managers should become full and Parties to REC, properly enfranchised as part of the change management procedures and fully integral to the performance assurance framework.

Change Management

Our final proposals for the REC Change Management retain the categorisation of documentation, allowing for targeted and proportionate consultation, and devolved decision-making. We also set out arrangements for more effective cross code working; this will include greater collaboration on impact assessments, and reciprocal rights for the code managers/administrators to raise any consequential changes to other codes identified as being necessary in order to give full effect to proposals.

Giving early effect to the Change Management Schedule as part of REC v1.1 rather than await September 2021 will allow for a "soft landing," enabling the appointed Code Manager to undertake meaningful activity during the mobilisation period and could facilitate an effective transition of any in-flight change proposals from the legacy codes, and/or early start on new REC changes that are out of scope of the SCRs. However, during this transitional period, all change proposals will remain subject to a decision of the Authority, notwithstanding any devolved decision making that that will take effect once we conclude both the RCC and Switching SCRs.

Performance Assurance

The REC will provide robust performance assurance of the industry arrangements which it governs. As set out in our June 2019 consultation, we propose that the Performance Assurance Board (PAB) is established early in order to give for it to take ownership of and further develop the framework in advance of the substantive REC requirements becoming binding on parties. We have published alongside this consultation the Performance Assurance Schedule which will be given effect as part of REC v1.1, with a view to it being further developed by the Code Manager and performance management experts who will be recruited to the PAB. This will include a range of Performance Assurance Techniques that the PAB may utilise, including liability payments and other sanctions, to be introduced through the RCC and/or Switching SCR changes later this year.

The work of the REC PAB will in due course incorporate the Erroneous Transfer PAB recently established under the SPAA and MRA.

Next Steps on REC v1.1

- We will publish a fuller draft consultation document on REC v1.1 in summer 2020. This will be published for transparency purposes only at that time, not for formal consultation.
- As part of the REC v1.1 documentation, we will also publish a Theft schedule later in summer 2020.
- We will consult on REC v1.1 formally in October 2020, at the same time as consulting on wider REC drafting, licence changes and consequential changes to other codes. We will be looking to run the REC v1.1 consultation for a shorter period of time than the main consultation, so that we can finalise and designate REC v1.1 content around the turn of the year.

Note on the REC Drafting

In recent consultations we have referred to the board of RECCo directors as the "RECCo Board." We have referred to the panel that plays a role in advising on code modification proposals as the "REC Change Panel." The code drafting may still refer to the "REC

Board” and the “REC Panel” respectively for these entities. We will ensure that the code drafting is consistent in its terminology for the October consultation on drafting.