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23 February 2021

*Sent by e-mail*

**Dear Rachel,**

### **Retail Energy Code v2.0 and Retail Code Consolidation**

We welcome the opportunity to respond to Ofgem's consultation on behalf of SSE Business Energy (SSE Energy Supply Limited).

In general, we support the proposals to the REC V2 drafting and Retail Code Consolidation. However, we believe there are some provisions which need further considerations as noted below.

A significant number of these schedules are a lift and shift of the current obligations under the MRA and SPAA. However, we have noted that there are some processes where a non-domestic gas supplier can currently elect to follow those processes under SPAA, such as Schedule 10 – The procedure for the Resolution of Erroneous Transfers. Whilst we appreciate the intent of the Retail Code Consolidation is to align industry processes, we believe that non-domestic gas suppliers should be obligated to use the Secure Data Exchange Portal (SDEP), for escalations. The transfer to the SDES does not obligate a Non-Domestic Gas supplier to use the portal however we believe there will be benefit in doing so.

Having experience of electing to use this portal, we are in a position of managing two processes where we will still use email for escalations where the corresponding party does not use the portal. The purpose of the SDEP is to mitigate the risk of Data Protection breaches by removing use of email. Whilst this is mandated for the Domestic sector, we believe a risk remains for the non-domestic sector. The processes between each fuel need to be consistent, where possible.

The portal will need some amendments if it is to be used with confidence in the market, we have identified a number of areas which we believe will make the portal more user friendly and would welcome the opportunity to discuss this.

Another area we wish to raise concerns with is in regard to Theft Incentive Scheme targets. Although not specifically covered by the REC 2.0 consultation, we note Ofgem's recent response to the REC V1.1 consultation stated that 'we will ask RECCo to consider the rationale and nature of the target more generally and provide further information to parties when the 2021/22 target is set.' The 2021/22 scheme year targets were provided to suppliers on 18 January 2021, and as yet no communication has been

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received from RECCo on how or when the 'rationale and nature' of the targets will be considered. We believe there needs to be an urgent review completed of how the theft targets are calculated for future scheme years under REC.

The current code drafting is lacking in detail with regards terminology definitions and the methodology used to calculate the split of targets over residential and commercial premises. A review of the methodologies for calculating Theft Incentive Scheme targets could be completed alongside the ongoing drafting of the Unbilled Energy Code of Practice. Currently a supplier's targets are calculated based on their portfolio market share split across 'residential' and 'commercial' supply points, however in electricity only the profile class is used to determine which supply points in a given portfolio are residential or commercial, and therefore attributes all supply meter points in profile class 01 or 02 as residential for the purposes of calculating supplier targets. This creates a situation where electricity theft residential targets can be applied to suppliers for premises that are defined as non-domestic under the supply licence. This also creates a misalignment with gas theft target calculation, where supply points are simply marked as either residential or commercial in industry systems.

Ultimately, the introduction of Market-wide half hourly settlement will remove the use of electricity profile classes altogether, therefore the use of profile classes to split residential and commercial electricity theft targets cannot remain an enduring solution. As such, a new methodology for theft target calculation should provide clear definitions of the terms 'residential' and 'commercial' in alignment with the accepted definitions of domestic and non-domestic premises in the Supply Licence Conditions, and reflect the equal treatment of gas and electricity supply meter points under these definitions and target calculation arrangements, as per the intent of the REC as a dual fuel code .

We note within this consultation the Green Deal Schedule has been provided for review. We would like to draw Ofgem's attention to remittance issues a non-domestic supplier experiences whilst complying with the Green Deal obligations. Although the Green Deal has been written with both the domestic and non-domestic sector in mind, the remittance process is designed to accommodate the domestic sector only, which we believe needs to be reviewed. The current process prescribes that payments must be remitted to the provider after the consumer has paid their bills however, non-domestic suppliers have payment terms for their customer base which means that this current process causes suppliers to report non-remittance when in fact, these are the terms offered to their consumer. We believe there should be a review completed of this process to allow the non-domestic sector to remit the payments to the provider when the payment has been received from the consumer, and not follow the outlined process which predominately accommodates the domestic sector.

We have provided further detail in response to Ofgem's questions in the attached appendix responding to questions that have a direct impact on us and would welcome the opportunity to discuss this further.

Yours sincerely,

**Victoria Burkett**  
Regulation Manager

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## Annex 1

### **Retail Code Consolidation: REC v2.0 Schedules**

#### **Question 2.1: Do you agree with our proposed approach to information security and data protection assessment under the REC? In particular, do you agree with the requirement for all REC Service Users to notify the Code Manager of a security breach?**

We do not agree with this proposed approach due to the unnecessary burden it places on REC Users. We note within the drafting there are areas in which the proposed wording contradicts the intent of what is trying to be achieved. We do not believe there is a need for a REC User to provide the proposed information to the Code Manager where such breaches do not have an impact on the operation of the code, given that the ICO remains best-placed to investigate any breaches.

To be able to provide the Code Manager with information of any breaches each REC User would need to get internal approval as to whether this information could be shared externally. We have not seen any proposed format for this information to be provided to the Code Manager or what information should be shared. We do believe that any reportable breaches relevant to the Code could be shared where it has been identified that any of the systems used under the REC have been breached. However, we note that it has not been made clear of the sanctions for a breach under the code. If the Code Manager deems it appropriate to receive this information, then it must be made clear as to what the impact will be.

We are also unclear with regards to the ICO checklists in which this consultation refers to and do not believe it is sensible to share confidential bespoke SSE Security measures and processes where this could expose and place SSE Energy Supply Ltd at risk. We believe the current drafting is too broad and the remit is not clear. It is not clear whether the proposal would apply to the non-domestic supplier sector as a whole due to the GDPR requirements not being mandated for all entities, therefore any provision applied to the REC needs to be proportionate to the risks identified. We would welcome clarity on this area as it has not been made clear within the documentation provided.

We do not agree with the requirement to provide evidence of the organisation holding an appropriate information security accreditation. We believe that to mandate that an entity must have an information security accreditation will drive the organisation away from managing risks to a checkbox activity of meeting a set of defined compliance rules. Additionally, it would put large financial burdens on organisations to meet the requirements, especially in large organisations. No other UK regulatory body (including Ofgem) has made it a mandatory requirement to hold security certifications to comply with UK codes or regulations. These bodies require that entities are able to prove risk management is in place and that the organisation works within its risk tolerances to manage information security.

**Question 2.2: Do you agree with our proposal to extend entry qualification to new gas MEMs? If not, please explain why.**

We are of the view that entry qualification should extend to any REC user regardless of their role within the industry, including gas MEMs. No REC user should have different qualification standards.

**Question 2.3: Do you agree that the change effected by MAP CP 0338 should apply equally to gas?**

We do not have any specific comments on this question however we believe harmonisation of the fuels is needed, where possible. Where harmonisation cannot be easily achieved, suppliers must ensure, where they are not a dual fuel supplier, that they do not behave as such.

**Question 2.4: Do you agree that the clarification on the applicability of the schedule to non-domestic suppliers sufficiently gives regard to non-domestic suppliers who do not serve prepayment customers?**

We agree with the intent of the proposed approach however, there are scenarios where a non-domestic supplier may take on a Prepayment meter due to the available data being incorrect. Whilst we appreciate the data cleansing activities across the industry should alleviate some of these issues, a non-domestic supplier should not be obligated to follow such processes where they do not offer a prepayment metering set up. Providing the supplier is taking all reasonable steps to remove these meters (e.g. where the supplier is following the agreed processes for erroneous transfers), then the obligation for a non-domestic supplier should not exist.

We do not agree there is any clarification on the applicability of the schedule for non-domestic suppliers that do not supply prepayment customers. Despite the best efforts of non-domestic suppliers to avoid gaining prepayment customers, incorrect metering data and Smart meters not able to be placed in credit mode may result in prepayment meters being supplied for a short period. As written, there are no exemptions in the REC for these cases and non-domestic suppliers without the prepayment infrastructure will have to follow processes in the REC they are not capable of.

**Question 2.5: Do you agree that the approach and processes for gas unregistered sites should be standardised, as set out in the Unbilled Energy Code of Practice?**

We would support the standardisation of gas and electric unregistered gas processes and use of the process highlighted. From our evidence the unregistered electric process has limited take up from DNOs.

**Question 2.6: Do you agree that the REC should make provision for the PAB to consider the case for reconciliation of data held by PPMIPs and CDSP for the purpose of identifying unregistered sites? If so, do you agree that this process should sit in the Unbilled Energy Code of Practice?**

SSE Business Energy does not use a PPMIP, however we would welcome any processes that reduce the volume of unbilled gas.

**Question 2.7: Do you agree with the principle that a consumer should be no worse off by virtue of a theft investigation being undertaken by a network company rather than a supplier?**

The charges for consumers around unbilled energy should be the same, regardless of whether the supplier or the DNO carries out the investigation. The supplier and the DNO should be working together to determine the unbilled charge. We note there is currently no obligation, but the processes followed are based on best practice. We believe there should be a consistency across the market and therefore obligations should be put in place to ensure this.

We believe it would have been useful for Ofgem to include a high-level scenario or example(s) to give further insight into what kind of disparities Ofgem has identified. Where backbilling has been mentioned and subsequently included in the Unbilled CoP, we assume that backbilling by networks is the only issue of disparity that has been identified.

**Question 2.8: Do you agree that the requirements relating to provision of customer contact details should apply equally to non-domestic suppliers, as set out in the Transfer of Consumer Data Schedule?**

Non-domestic customers are not always the end user so contact details are not as relevant as domestic customers (e.g. where a landlord covers the energy cost). Any requirements to hold specific customer contact details of use to the DNO would require considerable time and effort to ensure these remained accurate. The requirement to transmit a blank or null record where we do not hold the contact information required by the DNO would require system development work.

**Question 2.9: Do you agree with our proposal to extend 'Gas use case 5: Payment of Guaranteed Standard of Performance Payments' to cover voluntary payments?**

As mentioned, the customer contact details provided for non-domestic customers may not be the ideal person in the organisation to contact the customer for various reasons, including Guaranteed Standards payments. Our preferred option is as now for the GT to pay the supplier and the supplier to pass on to the customer via their account. However, we do not have any issue with this use case being extended to cover voluntary payments. We would welcome clarity on whether this will be paid direct to the consumer or will follow current industry processes.

**Question 2.10: What risks (if any) do you foresee in the transfer of processes associated with Commissioning, Complex Sites, Proving and Faults from BSCP514 to the REC Metering Operations schedule?**

We do not believe there would be any issues with the transferring of Commissioning, Complex Sites, Proving Tests, and Faults from BSC514 to the REC Metering Operations Schedule.

**Question 2.11: Do you agree that requirement to comply with the BSC CoPs should be placed directly on MEMs in the REC? If not, please explain your reasons.**

We would agree the requirement to comply with the BSC CoP's should be placed directly on the MEM's in the REC. Ultimately under the 'Supplier Hub Principle' Suppliers are responsible for ensuring the MEM (whether contracted by the Customer, or Supplier funded) meet their obligations. However, logically Suppliers have no option but to rely on the Agent to comply with the BSC when carrying out operational activities.

Where the MEM has a direct contract with the Customer, Change Proposal P332 is looking to address the obligation on the MEM to meet the requirements of the BSC. Having the requirement to comply with BSC CoPs placed on the MEM would help simplify the management of Technical Assurance Audits, which could lead to fewer errors. Given that the appointed MEM would be responsible for any errors made regardless of who appointed them, this should simplify accountability.

**Question 2.12: Do you agree that metering operations rules and processes in the REC could be assured by the BSC, particularly with regard to PARMS reporting and technical assurance audits, until the assurance function can transition to the REC? If not, please explain your reasons.**

We would agree the Metering Operations Rules and Processes, in the REC, could be assured by the BSC, until the assurance function can transition to the REC. However, we would like clarity on whether the intent is to remove the settlement reporting from the settlement code, or whether the intent is to keep this in place and purely have the metering operations with the REC.

**Question 2.13: Do you agree that the information in the RGMA Baseline relating to exceptions should be out of scope of the mandatory Schedule?**

It appears the RGMA baseline exceptions are as a result of optional choices made by market participants and so they should not be included as part of the mandatory schedule.

### **Consequential Changes to Other Codes**

**Question 3.1: Do you agree that the proposed text to embed the Cross Code Steering Group will enable the intended improvements to cross code change? If not, please suggest alternative or additional drafting.**

Yes, we do not have any comments to make.

## REC Technical Specification

**Question 4.1: Do you agree with the assignment of Code Manager ownership (Metadata Owner) of each Energy Market Message within the “Annex D – Message Scenario Variant Catalogue”?**

Yes, we agree.

**Question 4.2: Do you agree with the classification of existing flow notes (including DTC Annex C) to either one of, a rule within the Data Specification, a Guidance Note (managed under the respective code, e.g. a REC Level 3 document) or a process obligation (e.g. a rule within a REC Schedule / BSCP)?**

Yes, we agree.

**Question 4.3: Do you agree that the data items identified in ‘Redundant Data Items for Review’ spreadsheet should no longer be represented in the Data Specification as they are not associated to any Market Messages?**

Yes, we agree.