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10 Noble Street
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16th November 2018

Sent via email to switchingprogramme@ofgem.gov.uk

Dear Ms. Clark,

**Switching Programme: Regulation and Governance – way forward
and statutory consultation on licence modifications**

This is a joint response on behalf of Haven Power and Opus Energy which are both part of Drax Group Plc. Haven Power is the UK's 5th largest non-domestic electricity supplier by volume. Opus Energy is the UK's 6th largest non-domestic gas and electricity supplier by meter count with over 300,000 supply points.

We welcome the opportunity to provide our views on the above consultation as the regulatory and governance framework is critically important to the success of the enduring Switching arrangements. However, 4 weeks has been insufficient time to fully digest the volume of additional documents published alongside the consultation, including several draft schedules of the Retail Energy Code (REC). Changes due to be made as part of the Switching Programme will have far reaching impacts to the entire industry and participants should have been afforded a minimum of 6 weeks to give all the materials full consideration.

Due to the time constraints, we have been unable to provide fully considered responses to all questions. As such, we have focused our effort on those areas in the consultation for which we hold strong views. Our answers are appended.

If it would be helpful, we would be very happy to discuss our responses or any other matters relating to the switching programme.

Yours Sincerely,

Ben Trasler
Regulations Business Partner

Appendix – Consultation response

Chapter 4: Enduring REC Governance

Question 4.2: We would also welcome views on whether the REC parties should have a role in ratifying the first and/or subsequent boards.

We agree that REC parties should have a role in ratifying the boards. We support the establishment of a nominations committee, tasked with recruiting and appointing an appropriate mix of suitably qualified RECCo Board members. Given the wealth of experience across industry parties and different requirements for the strategic direction of the REC, all REC parties should be given the opportunity to input to the nomination process.

Question 4.3: Do you agree that the REC should place less reliance on face to face industry meetings for modification development and instead empower the REC Manager to develop and analyse proposals, procuring expert support as and where required?

While we agree that reducing the reliance on face-to-face meetings would streamline the process, we do not agree with the REC Manager being able to procure independent support to develop and analyse proposals. The REC represents a significant challenge for the industry and it is vital that suppliers are continuously engaged in the change process to ensure modifications are developed appropriately.

The energy market is complex and therefore requires relevant expertise to fully understand the many and varied interdependencies. External expert support may not be familiar with individual supplier processes and systems, creating a risk that potential issues or opportunities may be missed which would not be a positive outcome. Cost should also be an important factor in the management of the REC and REC parties should not be subject to an 'open cheque book' to utilise external support when the industry itself may be better placed to collaboratively develop and analyse proposals. The use of external expert support may be appropriate from time to time, but REC parties should have the ability to agree where such support should be utilised.

Chapter 5: REC v2.0 – Enduring Switching Arrangements

Question 5.1: Would you support the development of a REC digitalisation strategy?

We are supportive of a REC digitalisation strategy. We particularly support a future environment which enables each licensee to access an effectual, condensed version of the REC that is tailored to specific business model/types.

Question 5.3: 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?

In order to help meet the required standards set out in the Regulatory Design Principles, we believe that the Address Management Schedule could be improved by being subject to appropriate data quality objectives and performance standards around quality of the Retail Energy Location Address (REL). Where possible, this should be incentivised by regular PAB

monitoring to help drive performance. We support the proposed annual consultation on how the CSS Provider intends to meet the Address Quality Objective.

Areas that could be considered around performance measurement include:

- Requiring a Registered Meter Point to have a REL Address that enables first-time registration
- Number of invalid duplicate addresses on the CSS database
- Number of erroneous transfers related to poor address quality

Question 5.7: Do you agree with our proposals that:

a) PAB, as part of its role in mitigating risk to consumers and the market, should provide information to the REC Manager on the specific risks that it wants to be mitigated and assured against through Entry Assessment and Re-Qualification;

b) The Code Manager should have clear obligations to support the Applicant and coordinate with other code managers;

c) Suppliers that undertake a material change to their systems, processes or people should undertake Re-Qualification.

We agree with all the proposals. However, we urge Ofgem to clearly define ‘material change’ as requalification is likely to be a significant undertaking which is particularly time, cost and resource intensive for REC parties. We also request further clarity on whether a material change is limited to an internally driven initiative (e.g. deployment of a new billing system) or whether this also includes further large-scale industry-wide change (e.g. changes delivered through the Marketwide Half Hourly Settlement SCR). We would also request clarity on whether a material change is limited to one which only interacts with the CSS or whether this is for any change within the REC party business.

Question 5.10: We also welcome views on the draft service levels set out in Appendix B of the draft Service Management Schedule.

We recommend adding that a resolution time of 4 hours for a “Severity 1 Incident” is appropriate. This should be accompanied by a commitment to provide updates during the 4 hours on how resolution is progressing.

Question 5.11: Do you agree that the draft Switch Meter Reading Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved?

We agree in principle with the proposed introduction of a dual fuel Switch Meter Reading Exceptions Schedule to help harmonise electricity and gas requirements and remove unnecessary duplication and inconsistency between fuels. In the existing environment, there are separate documents for electricity and gas (MAP08 and Schedule 11) which provide a comprehensive end-to-end procedure for operational staff. We believe it is important that any replacement dual fuel procedure does not complicate matters by the need to refer to any additional documents and thus operational procedures should be added to this schedule. While we appreciate the intent to develop a proposed Technical Document over the coming months, we would request that appropriate established industry groups (e.g. IREG) are able

to review proposed changes in a controlled manner and with enough lead time to make informed decisions, rather than solely place reliance upon consultation responses from individual parties.

Question 5.13: Do you agree that we should move any requirements to obtain and process meter reads for settlement purposes into the BSC and UNC?

We are broadly supportive of moving requirements to obtain and process meter reads for settlement processes to the BSC and UNC. This will organise all obligations relating to balancing and settlement into one code document per fuel and make it easier for suppliers to locate and interpret requirements. In line with this proposal, we would appreciate clarity around the future of the requirement introduced to the gas supply licence following the CMA decision on Gas Settlement, which is already underpinned by clauses added to the UNC by the implementation of modification 0638V “Mandate monthly read submission for Smart and AMR sites from 01 April 2018.”

Chapter 6: REC v3.0 – Wider Consolidation

Question 6.1: What do you think are the pros and cons of Model A and Model B and which do you think we should use to develop an Exceptions Schedule in the REC?

While both models are compatible with a consumer-focused exceptions process, Model B provides greater certainty for suppliers by retaining elements of prescription which provides a common structure for suppliers to operate in (e.g. timeframes for escalation).

Given that the proposals indicate Model B would still have elements of principles-based requirements operating on a sliding scale, this could allow some innovation without running the larger risk of Model A, for which views of what is acceptable could differ significantly between parties engaged in a single escalation (e.g. the resolution of Erroneous Transfers). It would therefore be beneficial to review a draft schedule for both models side-by-side to fully understand how Ofgem view this operating in practice.

Question 6.2: Do you agree that the theft of gas and electricity provisions should be moved to the REC?

We understand the clear desire from the industry to move certain provisions to the REC where there is no alternative natural home, for example, theft of gas and electricity schedules currently located in SPAA and DCUSA respectively. However, there is a risk that with others under consideration such as a Data Transfer Catalogue and metering codes of practices, the REC could become a ‘dumping ground’ for industry regulation and limit its effectiveness. As such, we would request that suppliers are engaged in the process to evaluate the future of these clauses. Moving additional code provisions into the REC also emphasises the importance of getting the right governance structure to ensure parties that can currently input to such provisions can continue to do so under the REC.

Question 6.4: Do you support the establishment of an industry-wide data catalogue that all code bodies incorporate by reference into their own codes and collaborate on the maintenance of?

The creation of an industry-wide data catalogue would give clear benefits to suppliers including unprecedented clarity and standardisation for gas data flows. However, we would

urge careful thought about the setup of any new data catalogue to avoid unnecessary set up costs. Should the REC have the responsibility of hosting the industry-wide data catalogue, the industry should use learnings from MRASCo's successful Data Transfer Catalogue (DTC) rather than invest heavily to reinvent the wheel.

Chapter 8: The Way Forward

Question 8.1: Do you agree with the proposed collaborative approach to consultation and modification report production?

We agree that the proposed collaborative approach will reduce the time commitment and result in each modification being easier to manage. While each panel will be assessing the proposals in relation to their own codes, it would be more efficient if industry participants are able to return consultations to a single, centralised address in order to avoid unnecessary duplication.