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16th November 2018

Re: Switching Programme: Regulation and Governance - way forward and statutory consultation on licence modifications

The MRA Executive Committee (MEC) welcomes the opportunity to respond to the above consultation and as previously declared, is supportive of Ofgem's aim to promote positive consumer outcomes in the retail energy market by reforming existing switching arrangements and the creation of the Retail Energy Code (REC).

MEC supports the drive towards greater harmonisation and acknowledges Ofgem's proposal to move existing retail provisions from the Master Registration Agreement (MRA) to the REC (or elsewhere if appropriate). To ensure the transition to the REC is as efficient and effective as possible, MEC needs to be closely involved in the planning and early development of options for the REC V2 and V3. Specifically, where the design options involve the replacement or transfer of potential MRASCo assets to the REC.

Our response concentrates on only on those questions that directly impact the MRA. We have not commented where we feel it is more relevant for individual parties to the MRA to respond.

If you would like to discuss our response further, please contact myself or the MRA Code Administrator (Gemserve) on 020 7090 1029 or MRAhelpdesk@gemserv.com.

Yours sincerely,

Adam Carden

Chairman, MRASCo Board

Question 4.1: We would welcome views on whether Ofgem should have an ongoing role in ratifying RECCo Board appointments after the appointment of the first board.

We note the proposal to establish a nominations committee that would be tasked with recruiting and appointing an appropriate mix of suitably qualified RECCo Board members, with Ofgem then ratifying the appointments proposed by the nominations committee. We believe it is appropriate for Ofgem to have an ongoing role here, potentially alongside other consumer representatives.

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.

Currently, MRASCo Board Members are elected by MRA parties, except for the BSC member who is nominated and appointed by the BSC Agent (Elexon). We believe this model works and provided that a suitably robust election procedure is established within the REC, the principle of parties having a role in the appointment of the board should continue.

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?

We consider that the MRA has a very efficient and effective process for modification development, using the Issue Resolution Expert Group (IREG) and other standing expert support groups to facilitate this. The early involvement of expert groups in the development of modifications allows for faster progression. In 2017, MRA modifications took on average 30 working days from the day they were raised until the date they were voted on¹. Other industry codes took, in the same period, on average 69 working days to agree modifications. The efficiency of the MRA modification process is further underlined by the volume of modifications raised and accepted. Over the course of 12 months, 33 modification proposals were progressed and accepted under the MRA change process (with no rejections), opposed to the average of 20 modifications being progressed under other industry codes.

Whilst we are supportive of the REC Manager taking a wider role, we believe adopting certain elements of the MRA model should not be dismissed at this stage.

Instead, we believe that flexibility is key to delivering an effective modification development process. This will likely mean a combination of empowering the REC Manager to take a more proactive role in the management of change, while still ensuring proportionate engagement with relevant experts from REC parties and other wider stakeholders, to deliver the best possible solutions that take account of the REC mission statement and relevant REC objectives.

Question 4.4: Do you consider that a recommendation to the Authority should be made by the RECCo Change Panel, with reference to the REC relevant objectives, or based on a vote of REC parties?

We believe that any change process should be proportionate and cater for non-material or less complex changes being made through the self-governance route. In such instances, changes should continue to be made based on REC party voting without the need for Authority consent.

In the same manner that the MRA change process works today, we consider that for material or complex changes, a recommendation should be made by the REC Change Panel referencing the relevant REC objectives which would then require the approval of the Authority.

¹ This is based on a comparison of the modifications that were raised by four large industry codes in a 12-month period from January 2017 to December 2017. The period indicates the number of working days from the date a modification was raised to the date the proposal was voted on, this is inclusive of any Impact Assessment.

We consider that such an approach brings an extra degree of rigor to the assessment process and provides an additional incentive for parties to consider changes against the same relevant objectives on which the Authority will make its decision.

Question 4.5: Do you, in principle, support the approach to performance assurance outlined?

Yes, in principle we support the approach to performance assurance, albeit we note that there is too little detail within the consultation to make an informed decision on the practicality of the proposed performance assurance framework.

We consider that any performance assurance framework will only be effective if the REC Performance Assurance Board (PAB) has timely access to the necessary reporting data, so we are supportive of proposal to ensure that the REC PAB is suitably empowered to commission whatever reporting and analysis it reasonably requires. We are also supportive of the measures to ensure that the providers of this data will also be subject to performance assurance.

We also note Ofgem's desire to progress the development of reporting requirements through existing governance and to develop targeted assurance through the existing codes. As such, a proposal for an Erroneous Transfers performance framework to be overseen by a newly created Erroneous Transfers Performance Assurance Board (ETPAB) is currently being developed collaboratively between the MRA and SPAA, with a target commencement of July 2019. We believe this work could provide useful lessons learnt for the REC PAB.

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

The terms "digitalisation" and "digitisation" have different meanings to different people. Consequently, we do not see how digitalisation can be achieved without the development of a clearly defined data strategy for the industry, including developing a common understanding of what is meant by digitalisation.

The development of this strategy needs to be undertaken alongside the development of REC V3 and not be rushed to ensure future solutions and innovations in the market are not hamstrung by the design of the REC.

Question 5.7: Do you agree with our proposals that:

- **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;**
- **The Code Manager should have clear obligations to support the Applicant and coordinate with other code managers; and**
- **Suppliers that undertake a material change to their systems, processes or people should undertake Re-Qualification?**

Yes, we agree with the above proposals. In addition, we believe that the obligations on the REC Manager to coordinate entry with other code administrators/ managers should extend across all code administrators/ managers. This should ensure that other code administrators/ managers co-operate with the REC Manager.

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?

The obligations to obtain and process electricity meter readings for settlement purposes are already included within the BSC.

The MRA presently contains the process for agreeing switch meter readings in the event of a disputed or missing meter reading (MAP 08 – The Procedure for Agreement of Change of Supplier Meter Readings and Resolution of Disputed Change of Supplier Meter Readings). This currently includes the requirements for sending the switch meter reading into the electricity settlement process once it has been agreed between the losing and gaining supplier including some guidance on the processing of that meter reading.

While we can see the argument for potentially moving the “processing” element to the BSC, it is unclear why meter reading is being fragmented into multiple codes at a time of code consolidation. In our experience parties are comfortable with their obligations being in the MRA and have seen no adverse effect on settlement of this consolidated position.

Question 5.16: Do you agree that the REC should refer to existing security standards rather than develop separate and bespoke ones?

The security standards for systems and data belonging to both customers and parties is an important area. MRASCo has always taken such matters extremely seriously and instigated the MRA Security Committee to ensure best practice is always followed. We see no reason to adopt new standards if the existing standards are still fit for purpose.

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?

With regards to issue resolution and the interoperability requirements to resolve an issue, we consider that both the performance-based approach detailed in Model A and the mixture of prescription and principles detailed in Model B would be viable options.

Model A would allow for a more risk and performance-based approach with the PAB monitoring relative supplier performance and using this as a measure to drive performance for outlying suppliers. This would also seem a better fit with Ofgem’s desire for a more flexible approach that would cater for different supplier business models.

By contrast, the Model B approach is more in line with the existing prescriptive approach that suppliers work to under the current arrangements. Consequently, this model would likely be more straightforward to implement in the shorter term, perhaps with a view to migrating to Model A as the performance assurance framework develops under the REC.

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

Yes, we agree that the REC would be a suitable candidate and that the theft provisions should be moved, particularly given the obvious link between REC performance assurance and the incentive schemes that seek to reward suppliers who meet or exceed certain targets for the detection of theft.

Question 6.3: Do you agree that the REC Manager should undertake the (re)procurement of any services due to commence at or after REC v2.0 implementation?

Subject to the necessary novation or transfer of existing services to the REC Governance regime, yes.

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?

Yes, we consider the definition of a consistent set of standards for the transfer of data between industry participants to be crucial to the effective operation of the market.

MRASCo has successfully overseen the Data Transfer Catalogue (DTC) for 20 years and we consider it to be the most widely used, of such catalogues in the industry. It would seem sensible and more cost effective to use the DTC as the basis of consolidation rather than starting from scratch. This would allow messages to be incorporated earlier and more efficiently and could form a solid platform of development as the REC grows.

As the IPR for the DTC lies with MRASCo and it would require the transfer of this IPR to the REC, MRASCo would be keen to oversee this collaborative development.

Question 6.5: Do you think that the REC should have the responsibility of hosting the industry-wide data catalogue?

Yes, the REC would seem to be an appropriate host of the industry-wide data catalogue incorporating the existing DTC after the closure of the MRA.

Question 6.6: Do you think that an industry-wide data catalogue should be developed for REC v2.0 (to enable REC CSS messages to be incorporated from day 1) or should consolidation be undertaken as part of REC v3.0?

Using the DTC as the basis of consolidation rather than starting from scratch, would allow messages to be incorporated earlier and more efficiently and could form a solid platform of development as the REC grows. It could be used from day one or before, under MRASCo or the REC.

Question 6.7: Subject to further development, assessment and consultation, would you in principle support aligning the gas and electricity metering codes of practice under common governance?

It would seem to be an opportune time to align and consolidate codes of practice where possible, including a review of these codes of practice. However, it would not be appropriate to simply combine the two without a thorough review exercise taking place. Our experience with trying to merge the GDAA and the MRA is that parties need to see the detail and to understand the context behind any consolidation. Therefore, such an exercise needs to both be comprehensive and easy to understand. This inevitably leads to a level of detail that takes time to produce.

Question 6.8: If yes, do you consider that the REC would be a suitable vehicle for such common governance?

Yes. We consider that the REC is a suitable governance home for theft and wider retail arrangements.

Question 6.9: Do you consider that the SMICoP should be incorporated into an industry code, and if so, do you agree that this should be the REC?

Yes. We consider the provisions within SMICoP within an industry code as part of code consolidation and cost saving to parties. MRASCo has no preference as to its destination, although a dual fuel code would seem sensible making either the REC or the SEC suitable destinations.

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

Yes. We are supportive of the proposed collaborative approach to consultation and SCR Modification Report development.

Question 8.2: Would you in principle support REC v3.0 code consolidation being progressed as a SCR separate to, but run in parallel with, the Switching Programme SCR?

Based on our experience from the MRA-GDAA merger, we believe it is prudent to progress the REC V3 separately to the Switching Programme SCR, not only to de-risk implementation of the new switching arrangements but also to ensure there is enough time for market participants (e.g. Green Deal Providers) to engage in the development of the REC V3 content given that many of these market participants will not have been involved in the Switching Programme.

We agree that the REC V3 scope needs to be developed and implemented in a consistent and coherent manner under a clearly defined programme governance structure and joint industry plan. However, it is currently not clear what this governance structure would look like and how parties would access relevant information and participate in the development. For example, it may be useful to procure a REC website early to ensure there is a single, easily accessible location for all information relating to the REC.

MEC would welcome further engagement with Ofgem on how they envisage the progression of code consolidation work to occur, to ensure the transition to the new arrangements is as smooth as possible for MRA parties.