



Rachel Clark  
Ofgem  
10 South Colonnade, Canary Warf  
London  
E14 4PU

Name Andy Baugh  
Phone 07989 493361  
Email: [andy.baugh@npower.com](mailto:andy.baugh@npower.com)

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### **Switching Programme: The Way Forward Statutory Consultation October 2018**

Dear Rachel,

npower welcomes the opportunity to respond to this consultation.

We agree with the requirement for parties to have a duty to co-operate with significant code reviews, however, reasonableness must be judged and dependent upon the amount of SCRs running at any given time. A key enabler here would be the Strategic Direction and other improvements proposed through Ofgem's Code Governance Review so we urge Ofgem to focus attention on delivering these.

A potential area of contention could be the determination of 'reasonable steps' so clear interpretation of this term will be critical.

We also note that in the context of price cap Ofgem remains bound by the Electricity and Gas Acts as drafted (as amended from time to time)

From our assessment of the REC elements we mostly agree with the proposals but because of the short response period there is a risk some lower level details may have been missed. We believe a more pragmatic approach would have been to concentrate this statutory consultation on REC V1 as that is the priority, then focus on REC V2 and REC V3 at a later date. Overall, we believe the REC will bring improvements and efficiencies to the industry code landscape.

I trust you find this response gives you the required information you seek, however, if you require anything further, please do not hesitate to contact me.

Yours sincerely,

*By email*

Andy Baugh  
Future Regulatory Developments Manager

**Npower**  
Npower Group plc  
Trigonos  
Windmill Hill Business Park  
Whitehill Way  
Swindon  
Wiltshire SN5 6PB  
[www.npower.com](http://www.npower.com)

Registered office:  
Npower Group plc  
Windmill Hill Business Park  
Whitehill Way  
Swindon  
Wiltshire SN5 6PB

Registered in England  
and Wales no. 8241182

## **npower responses to the consultation questions**

### **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.**

No

We agree that Ofgem could have a role in ratifying the appointments of the first Board but future Board appointments should be left to the industry to manage. We cannot see any need for Ofgem to be involved in this process.

### **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.**

Yes.

REC parties will fund and be bound by the REC so should have a role in appointing the first and subsequent Boards. With the introduction of the REC Manager role with a scope of responsibility that is new in the industry, we believe it is important that the RECCo Board appointments follow a robust process, with REC Party ratification. The REC Manager and their performance will be accountable to the RECCo Board and the success of the REC is in some part dependent on the REC Manager operating in a highly effective way.

### **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?**

Partly yes

Whilst empowering the REC Manager to raise and progress change proposals would in our view be helpful in many cases in speeding up the change process, the effectiveness of modification development often hinges on industry expertise, experience and constructive challenge and debate from a wide variety of industry participants. If the REC Manager was empowered to take on some of the development role, we would not want the process to be less effective because of a lack of expertise or lack of multiple perspectives from different roles.

We recognise that having fewer face-to-face meetings will help smaller suppliers engage in REC code changes, and will enable industry to focus on provision of resource and expertise where it is most beneficial. Consideration should be given to new methods of interacting with industry players to provide visibility of and input into change – this is something which the REC Manager should be required to take forward.

In addition, we consider that it is important for the REC Manager to maintain its independence and secure the trust of REC parties. In raising and developing change, it is important that this independence and trust is not compromised.

**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?**

Our view is that industry is best-placed to take decisions on most changes under the REC and self-governance processes should therefore apply to most change. The composition of the REC Panel is key here, and we look forward to hearing Ofgem's proposals for this in due course.

As mentioned in our response to question 4.3 above, industry must have the ability to provide input and expertise into the development of changes, and equally must have the opportunity to vote on changes that will impact industry processes and systems, and create costs for industry participants. We therefore look forward to having more information about the end-to-end change process under the REC.

In addition, we do not believe that Ofgem should be involved in decision-making on Code changes, when it may be required to determine the outcome of appeals raised by parties and has a duty to uphold the structures of governance.

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

Yes

This seems a solid set of principles to make sure a Performance Assurance Board (PAB) for REC can function from the start of the process, and has incorporated lessons from the problems encountered in the UNC Performance Assurance Committee (PAC). We support the approach and would welcome the opportunity to engage in its development. It is important that learning can be shared from the development of not only the UNC PAC but also from the recommended changes that are evolving through the BSC PAF Review work. The over complication of performance assurance can lead to disengagement from parties and we would like to see that the REC is mindful of this from the outset. Any sanctions available to the REC PAB should be proportionate to the risk/issue they are seeking to mitigate.

Also, we suggest that Clauses 8.1 and 8.2 in Schedule 4 should be combined into one because the drafting is almost identical and they could easily be merged together. If the clauses must remain separate, then 8.2 incorrectly refers to the "composition of the Board" instead of "the procedural rules of the Board" and this will need to be corrected.

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

Yes

This will help both current and new market entrants to navigate, understand and engage with the REC.

**Question 5.2: Do you agree that the draft Registration Services Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved?**

Yes

For completeness, the objections section should make reference to the Debt Assignment Protocol schedule.

**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?**

No

We broadly agree with the schedule but have a few comments:

- The schedule states the MIS will be updated when amendments to a REL is made but we feel a more robust process would be for suppliers to receive direct notification
- The schedule states the supplier raising a REL change is notified when this has been accepted but does not do the same when a REL change request is rejected. Suppliers would need notice of both.
- For completeness we suggest this schedule includes processes and requirements for provision and changes to the MPL address

**Question 5.4: Do you agree that the draft Data Management Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved?**

Partly yes

If there is a direct interface between parties such as the Gas Retail Data Agent, Gas Market Intelligence Agent, Electricity Retail Data Agent and Electricity Market Intelligence Agent, would it be more appropriate for these to accede to and become REC parties?

**Question 5.5: Do you agree that the draft Interpretations Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved?**

Yes

We would recommend other industry codes be assessed to determine where references to these are required or changes made within those codes accordingly.

**Question 5.6: Do you agree that the draft Entry Assessment and Qualification Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved?**

Partly yes

We agree with the proposal for the Entry Assessment and Re-Qualification process to differ dependant on Market Role. However, we seek further clarification on the proposal "The Entry

Assessment process will be tailored to the applicant and may differ depending on the risks that are identified by the Code Manager” and how the Code Manager will determine that level of risk.

Clarification is also required on the requirements for requalification and testing. For instance would there be different testing requirements dependent on the size of the supplier portfolio, would actual or dummy data be used and would the testing volume be based on an absolute number of a percentage of the supplier portfolio size.

The schedules suggests requalification may be required in some instances of industry wide change. We agree in principle but this would be dependent on the size of the industry change. We would not want to see unnecessary requalification as this would cause burden and cost to the industry.

We believe it is important for the market to have consistent criteria and requirements for market roles yet at the same time balance requirements against risk. We would welcome further discussion on how the REC Manager would manage this balance.

**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 would promote the consistent benchmarking of qualification standards across gas and electricity suppliers, regardless of size, to ensure a level playing field. This will ensure a consistent standard & solution that this ‘fit for purpose’.

- a) Yes. Allowing PAB to feed this information through to the REC Manager will support a targeted and risk-based approach to Entry. In a constantly evolving market, the risks will change over time and the experience of the process could lead to refinement
- b) Yes, assuming that Code Manager refers to Code Administrators.
- c) In principle yes but this would be dependent on how Material Change is determined at that time. We feel that any requirement for Supplier Re-qualification should be proportionate to the risk posed to consumers or other REC parties. We would also welcome more detail on how this process would work where there are industry code changes that will impact Suppliers at the same time.

**Question 5.8: Do you think that PAB and the REC Manager should work with service providers to identify and mitigate risks associated with material changes to their systems, processes or people?**

Yes

This would strengthen the performance assurance function under the REC. Where there is possible risk to consumers and REC Parties, we believe that processes should be created to ensure that service providers are subject to this type of assurance activity.

**Question 5.9: Do you agree that the draft Service Management Schedule meets the required standards set out in the Regulatory Design Principles including whether we have set out clear and workable roles and responsibilities for Market Participants, service providers and the Switching Operator that will support the effective operation of the new switching arrangements? If not, please describe how you think it should be improved?**

Yes

We have a few comments from reading the schedule:

- Should the titles 'normal change' and 'standard change' be amended to be clearer because unless the user reads the schedule in detail the difference is not apparent
- Section 7.2 on bulk transfers – this seems reasonable but does the quantity of 'bulk' need defining?
- Section 7.3 How would the Switching Data Service Provider or Switching Network Service Provider notify the Switching Service Desk? Would this be via the Switching Portal?

From the below sections, can Ofgem confirm that the REC Change Board and the Switching Operator Change Advisory Board are different entities:

*"6.5 The Switching Operator shall establish and manage a Change Advisory Board to assess the impact of changes on the Central Switching Service or other components of the Switching Arrangements."*

*"6.6 The terms of reference for the Change Advisory Board will be approved by the REC Panel; however, the Change Advisory Board will not be a Sub-Committee."*

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

The proposed service levels appear appropriate

**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?**

Partly yes

We do not agree the standard process for obtaining gas and electricity Switch Meter Readings should be detailed in the UNC and BSC respectively.

The Escalation Summary in Appendix A ends with the final escalation stopping at Contract Manager. What action should be taken if after this escalation the situation remains unresolved (e.g. would it be escalated to REC Manager or REC PAB)?

**Question 5.12: We welcome views on whether we should retain or amend the remit of the proposed Switch Meter Reading Exception Schedule beyond domestic consumers and electricity NHH consumers.**

We believe this should be extended to HH customers and non-domestic customers on the basis: Firstly it is very likely that the majority of the industry will be settling HH in the near future and this includes small SME; Secondly, that there are a reasonable number of HH settled SME type customers today and; Thirdly, that as a supplier we generally use the industry escalation procedures so would recommend that all suppliers adopt a level playing field in a competitive market.

**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?**

No.

We understand why this would be proposed but the BSC for instance is primarily concerned with settlement accuracy yet reads are required for processes other than settlements. We feel requirements for obtaining readings should sit outside of the BSC.

**Question 5.14: We welcome views on whether the Switching Meter Reading Exception Schedule should make specific provisions for consumers with smart gas meters.**

Yes

There should be a consistent common understanding and approach for both fuels where possible.

**Question 5.15: Do you agree that the draft Debt Assignment Protocol Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved?**

Yes

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

Partly yes

Industry parties should have a clear expectation of required security standards, either signposted to existing obligations, or housed within the REC. If current security standards are deemed appropriate then yes it would be sensible to retain them.

**Question 5.17: Do you agree that a consolidated PPM Schedule should be developed and given effect as part of REC v2.0?**

Yes

**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?**

Model B (Mixture of Prescription and Principles) is the pragmatic preferred option from the pro’s and con’s listed in the table below.

Model A +	Model A -	Model B +	Model B -
<p>Allows the focus on the outcome, and therefore development of bespoke routes to achieve positive outcomes</p> <p>Gives agility and versatility to resolve</p> <p>Keeps the customer at the heart of the outcome “must ensure the outcomes are always relevant”</p> <p>Clear focus on performance outcome, rather than just following the steps</p>	<p>As the industry follows ‘rules’, without a clear process framework there could be some uncertainty as to which steps/when are required to reach an overall outcome in the consumer interest.</p> <p>Failure to specify procedures could lead to delay in resolving issues and gaps developing where it is unclear who is responsible for rectification.</p> <p>It is essential to ensure that customers are protected and there are many areas in which interaction between parties must be clearly specified to avoid customer detriment.</p>	<p>Similar to A but with more prescription - so easier to follow and not open to interpretation</p> <p>Retaining some prescription in an otherwise principles-based approach helps to maintain a process framework (and avoid industry participation ambiguity)</p>	<p>This is potentially restrictive and makes industry follow rules for the sake of following rules</p> <p>May stifle innovative methods that could be developed under a pure performance based approach</p>

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

Yes

**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?**

Yes, but with the oversight of the RECCo Board.

**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 welcome clarification on how this would be developed. For instance, a simple 'lift and shift' approach could be achieved quickly and efficiently but reconstructing of all dataflows would need to be carefully explored with cost benefits analysis. Also, is the intention to have a separate catalogue for electricity and one for gas or a combined one covering both using the same framework?

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

Partly yes

We understand the reasoning for this proposal and before a decision can be made there would need to be a thorough impact assessment to determine feasibility and impact on all of the affected industry codes.

**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?**

Partly yes

See response to Q6.5

**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?**

Partly yes

Generally we are cautiously in support of this. We agree this should be assessed with a thorough review undertaken recognising the complexities of how the two markets operate (customer element and technical element) and understanding the associated impacts.

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

Partly yes

As with Q 6.7 we agree this should be explored. In principle yes and as the REC is more customer focussed we must ensure we do not distract attention from the technical requirements, ensuring the impressive safety record the industry has achieved does not deteriorate. The outcome must add value in context of metering.

**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

SMICoP was originally implemented to support the smart rollout and even though REC V2 is due to go live after the current smart rollout deadline we do believe there are benefits in making SMICoP an enduring element of the REC. SMICoP is focussed on customer experience and meant to be readable for the public to understand so the REC plain English approach should suit. However, we don't feel a simple 'lift and shift' would be appropriate because the current SMICoP is too prescriptive.

By the scheduled REC v2 implementation date suppliers of all sizes should have a thorough understanding of SMICoP requirements, again requiring less prescription.

**Question 7.1: Do you agree with the five incentivised milestones identified? Do you think any milestone should be given greater importance and therefore a larger proportion of margin placed at risk?**

Yes

The milestones seem logical and sensible milestones with appropriate weightings.

**Question 7.2: Do you agree with our proposals for the shape of the margin loss curves. Do you have any suggestions for other margin loss curves which may better incentivise DCC to achieve its milestones in a timely manner while encouraging quality?**

Partly yes

As stated in our responses to consultations on DCC pricing methodology, we believe margin loss curves should be set in such a way as to ensure that the DCC do not receive any margin reward for extended periods of time. Effectively these curves should drop off steeply after a reasonable period of time and not tail off.

Our experience of DCC operation to date has seen a large difference between forecast budget and actual spend. We would expect Ofgem to ensure this does not happen with the management of the CSS. We would also welcome transparency and strong controls over incentives, rewards and penalties.

**Question 7.3: Do you agree with our proposal for a potential recovery mechanism? Please give reasons. What types of criteria could be considered for demonstrating**

**clear, transparent communication and what portion of lost margin should be available to be recovered?**

Partly yes

There is a need to determine and demonstrate that should this be invoked, that the delay was in the wider interests of the overall industry. We would look to see demonstrable what if scenarios around had the delay not happened, what the impacts could be and to allow us to reflect on these in advance through timely communications.

**Question 7.4: Do you agree with our proposals for a discretionary reward where it can be demonstrated that DCC has gone above and beyond established requirements for REL Address matching? Please give reasons.**

Partly yes

One would expect the DCC to thrive towards this without the need for extra reward. That said, any discretionary rewards must have clearly documented parameters ensuring no ambiguity or grey areas. These must be agreed in advance and aligned to quantitative and qualitative outcomes that reflect underlying benefits to the industry and its customers.

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

Yes

In addition, we would welcome consideration on how changes are referenced and signposted to the consultation proposed approach (as in section 8.12) under the Maintenance phase, for example, will these be marked whether there is impact to the Switching Programme?

Further, is there an intention for all change to be centrally consolidated, to assist with visibility and co-ordination during the Maintenance process?

**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?**

Yes

Timing of the additional SCR will be critical and must to be planned appropriately. As mentioned in our covering letter, Ofgem's proposed Strategic Direction under the Code Governance Review would be a sensible and welcome control enabling sufficient planning of large scale industry change.

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