



## **Bulb's response to the Retail Energy Code proposals (v1.1)**

### **Executive summary**

- Bulb supports streamlining code administration to make it simpler and easier for industry parties to engage with regulatory change. The codes have an important role in setting the rules for the future energy market and they must be open to challenge suppliers and new business models.
- Bulb supports the direction of travel outlined in the proposals, as they attempt to reduce administrative costs, time, and enhance collaboration. It is essential that the RECCo seeks to implement changes at lowest possible cost and disruption to suppliers.
- RECCo must balance speed of change - which is absolutely necessary to keep up with technological changes - with the need for fair and transparent processes, allowing sufficient time for consultation.
- Suppliers should be able to object to a switch if they have reasonable suspicion of theft.

## **Full response**

### **Q2.1 Do you have any comments on the process for appointing additional RECCo directors?**

Bulb supports the selection process outlined in the proposals. Adding directors who bring expertise in customer advocacy and digital transformation is essential to greening the energy supply. It is important for all parts of the energy chain to be efficient, including code administrators. We therefore ask for clarity on whether Board members will be remunerated and how the RECCO proposes to hire good quality members while keeping costs efficient.

### **Q2.2 Do you agree that MEMs should be Party to the REC?**

Bulb supports this proposal, if it can be introduced in a cost-effective way. Bringing suppliers and metering agents under the same performance assurance umbrella should reduce the negative effects of activities undertaken by metering agents downstream, such as failed switches due to incorrect or missing MTDs. Reducing asset and rental charges will reduce operating costs for suppliers, allowing us to invest in other innovations to keep bills low and improve member experience. Improving the quality of meter data will allow suppliers to better serve their customers. However, increasing participation will also increase operational costs for the RECCo so we urge Ofgem to ensure the cost is kept within the current projected budget.



**Q2.3 Do you agree in principle that the obligations currently placed upon metering agents by the BSC could be integrated with the REC performance assurance framework, subject to certain conditions being met?**

Bulb supports this proposal. Bringing the regulation of metering agents under the same performance assurance framework would lead to clear and more reliable metering data and would reduce the number of failed switches. However, we would ask for clarity on whether the expanded scope would also increase the cost of the REC, as this could increase costs before the benefit is felt. If MEMs are to participate, and therefore benefit from the code, we strongly encourage a 'user pays' principle to ensure they are contributing towards cost.

We would welcome clarity on the weighting of the decision makers in the budget process. It is important to meet the needs of stakeholders. But other Parties - who are not subject to the costs - should not get an equal say as those who are.

**Q2.4 Do you agree that the RECCo should be required to develop and maintain a Strategy for the REC, including but not limited to digital transformation of REC processes and data?**

Bulb supports transparency and supports digital transformation. We agree that RECCo should develop its own strategy with input from industry parties and Ofgem, with sufficient timeframes and open policy processes for engagement. RECCo should be responsible for the cost of this and not pass this onto REC parties through additional charges.

**Q2.5 Do you agree that RECCo should adopt zero based budgeting from 2021/22?**

If the RECCo adopts zero-based budgeting, it should be in a fair and transparent way to allow scrutiny. The current proposals do not allow this. We therefore ask that:

- The 15 day period to comment on the draft strategy is extended to 30 days
- The 10 working days to appeal the draft budget items is extended to 20 working days
- The scope of the appeal is widened to allow REC Parties to allow proper scrutiny and comment on the whole budget

**Q2.6 Do you agree that future RECCo budgets should be decided upon by the RECCo Board, subject to appeal by REC Parties?**

Bulb supports an appeals-based process to ensure the budget is not held up by opposing views. This also gives a fair escalation pathway for Parties. We would expect Ofgem to oversee the process as a neutral arbitrator. The current conditions limit the scope too much - ruling out anything that was included in the consultation or 'reasonably considered by the Board' means any contentious issues will be decided by the Board alone. In reality, this is where Ofgem may need to step in.

To be fully transparent, we ask that the appeal conditions for the RECCo budget are widened. This is to allow fair comment on measures which may not fall under the scope of the current appeal conditions, but are still relevant. Detailed plans should also be consulted on alongside the budget.

**Q3.1 Do you agree with the proposed composition of the PAB, as set out in the Terms of Reference?**



Bulb strongly supports the inclusion of consumer representatives on the PAB if this can be managed in a cost-effective way. This will ensure RECCo actively considers the consumer perspective on the retail energy market. We also support MEM representation on the PAB as this will encourage collaboration between Parties.

**Q3.2 Do you agree that any organisation undertaking an activity governed by the REC would be within scope of the performance assurance framework in respect of those activities?**

Bulb supports the regulation of energy companies, meter companies and third parties under a single framework. Organisations will better understand obligations on other market participants, and it may improve collaboration. However, RECCo must balance its broad remit with an obligation for cost-effectiveness and maintaining value for money.

Bulb supports the creation of the Risk Register to improve transparency and accountability. Furthermore, we would ask that risks declared on the Register should be categorised and that there is clarity on the materiality threshold for such declarations.

**Q3.3 Do you agree that at least one of the PAB's priorities should be determined by Citizens Advice?**

Bulb supports an increased role for the consumer in future energy market regulation. To achieve this, we agree that one of the priorities for the PAB should be influenced and/or determined by Citizens Advice. However we would ask that these priorities are developed in consultation with energy companies to ensure they are achievable.

**Q3.4 Do you agree that the PAB should have discretion to escalate liabilities within a defined range if the earlier application of charges does not achieve the desired effect?**

Bulb accepts the need for performance assurance (PATs). However, we have several concerns regarding the current proposals:

- Remedial plans may be extremely onerous to produce. We also need clarity on the time frames for producing and implementing plans.
- Inviting peer comment will inevitably affect competitive differentiation - innovations are more likely to be imitated by other suppliers, leading to near-identical offerings
- Uncapping supplier charges may increase compliance to the detriment of overall operational capability - for instance, if the liability charge prevented the supplier from hiring headcount to address the issue(s)

**Q3.5 Do you agree that suppliers with serious performance issues should face restrictions on their ability to acquire new customers until those issues are resolved?**

Bulb agrees that suppliers should be prevented from acquiring new customers until serious underlying issues - which may undermine supplier operational capability - are addressed. This would prevent further consumer harm. This also aligns with the proposed requirements for suppliers in the August 2020 Supplier License Review statutory consultation.

**Q4.1 Do you support our proposals regarding the production of preliminary and detailed IAs?**



We are concerned that the cost of producing a detailed IA may be very high dependent on the issue under investigation. The REC Party raising a change should front the cost of the IA or produce an initial IA themselves for other parties to comment on. The IAs produced by other Parties should be proportionate to the size of the change proposed. We also suggest that RECCO either consider a cap on the number of changes that one party can raise each year, or allow Parties to appeal a large change before work begins.

**Q4.2 Do you agree that the Change Panel should be appointed by the RECCo Board, following a process overseen by the nominations committee?**

Bulb supports the appointment of the Change Panel.

**Q4.3 Do you agree that the REC should encourage shorter and more frequent Change Panels, to be held remotely where possible?**

Bulb supports the agile way of working outlined in the proposals, and we agree the meetings should be held virtually to encourage participation. However, if companies need to produce an IA each time a change is proposed, this could lead to an unsustainable - and hard to plan - increase in workload. Missing IA deadlines could carry potential charges and liabilities for parties, diverting resources away from the proposed change.

We also need clarity on whether more frequent Change Panels would increase administration costs and therefore increase regulatory charges.

**Q4.4 Do you agree with the proposed categorisation of REC documents and associated change paths?**

We accept the categorisation of the REC documents.

**Q4.5 Do you agree that code administrators and managers should be able to raise any changes identified as necessary by the CCSG?**

We accept this proposal. We would urge Ofgem to pay special regard to the CCSG selection process to ensure it is fair, and not over representative of any individual or small group of stakeholders.

**Q 5.1 Do you agree that we should extend the valid reasons for an objection to include ongoing and time-bound theft investigations, and subject to monitoring by the PAB? Do you have any suggestions for the period of time during which it should be possible to maintain investigations as a reason for an objection and what should trigger the start of that period of time?**

Bulb supports this proposal. Suppliers should be able to object to a switch if they have reasonable suspicion of theft. We recommend that a time period of 60 days would be sufficient as this covers the time taken to investigate and process a Category C case, ensuring the supplier can initiate repayments for the energy stolen. The 60 day period should be triggered from the day a theft investigation is raised. We have been discussing a 60 day period with the Energy Theft Working Group. The investigation period should be triggered by the supplier, using the date of investigation raised to their Revenue Protection partners.



**Q5.2 Do you consider that the RECCo should be required to periodically review the effectiveness of the incentive scheme(s)?**

We agree that incentive schemes should be independently reviewed to ensure they continue to be effective. This review should also consider direction from the Theft Steering Group.

Parties need clarity on whether the review would increase costs for the REC. We also need further information on whether periodic changes would be conducted through the REC change management process, and therefore require us to provide IAs. If so, this could materially increase costs for suppliers.

**Q5.3 To what extent, if any, do you consider that the Theft Target should be reduced pending the replacement of the Theft Risk Assessment Service?**

Currently, TRAS leads account for 5% of our lead sources. TRAS leads are used more frequently by suppliers who are developing other theft detection systems, therefore offering no reduction in the theft target would be favourable to suppliers with established revenue protection teams. A small reduction in the Theft Target should be in place for the year.

**Q5.4 Do you agree that the RECCo should procure a theft methodology, and use that to assess the effectiveness of a Theft Reduction Strategy, which it should also develop?**

Bulb strongly agrees RECCo should procure a theft methodology which is shared with REC Parties, if this can be done in a cost-effective way. We recommend that the estimation of cost is subject to an objection window to allow Parties to comment before final publication.