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E14 EPU

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The Retail Energy Code – Proposals for Version 1.1 - Consultation Response

Dear Rachel

This is IMServ's response to Ofgem's consultation on The Retail Energy Code – proposals for version 1.1, a consultation document dated 19 October 2020.

IMServ is a provider of agent services to the electricity non-domestic sector, including metering as well as data collection and aggregation services. IMServ also holds gas metering accreditations for the delivery of dual-fuel smart meter installations. IMServ's main interest in this consultation is to maintain clear and unambiguous regulation that provides the backdrop for our service delivery. Any significant changes to this regulation need to be thought-through and maintain the knowledge and understanding that underpins the regulations.

Overall, IMServ has found the proposals for Retail Energy Code V1.1 to be light on details in the areas that concern us the most (metering), which makes comment difficult and criticism easy. IMServ would welcome a further consultation when this detail is available.

If you wish to discuss our response further, please do not hesitate to get in touch.

Yours sincerely



Paul Akrill

Business Development Director, IMServ Europe Ltd.

Consultation Questions response:

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

IMServ has no comments on the process to appoint additional RECCo directors.

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

IMServ believes that the supplier agent hub principle operates effectively and therefore there is no need for metering agents to be a Party to the REC. The main driver for making metering agents a Party to the REC appears to be for performance assurance purposes, the sub-text being that penalties directly from the REC PAB will somehow cure all of the “ills” of metering delivery. What those “ills” are, how they affect the retail market, and how the REC PAB will influence them is not discussed, and so IMServ cannot comment on the logic of the argument.

ELEXON have had a group exploring this area through a modification P322 that has sought to make Meter Operators signatories to the BSC and therefore under direct obligation to the BSC PAB. During this exploration of many years, there have been multiple attempts to provide evidence where the existing supplier hub model of agent management is failing. No evidence has been forthcoming.

It would seem that this proposal is following a similar path – seeking to add additional complexity and burden, without detailing and evidencing the reasons why this is needed and the benefits it would bring.

A final consultation should take place in this area when the detail has been provided to enable an informed response to the question.

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?

There is an absence of material information in the consultation on which to comment.

In the absence of detail, considering the concept at a higher-level, IMServ cannot see the benefit of transferring metering agent obligations from the BSC to the REC. What about the current arrangements is the transfer seeking to fix?

The current BSC arrangements have several advantages:

1. Meter Operators and Data Collectors work very closely to deliver successful metering, billing and settlement arrangements. The current BSCPs have all of these obligations in one place and carefully show the detailed interaction between the two sets of agents. Transferring the metering side of this interaction into the REC and leaving the data collection arrangements in the BSC weakens this symbiosis. There may be future failures in this interaction due to incompatible specification. It should also be noted that there are not intra-agent commercial arrangements do not exist, so great emphasis is placed on these current working arrangements.
2. Changes that affects metering and data collection can currently be considered in one place, led by ELEXON. Moving the metering activity away from data collection makes this more challenging, which will slow change and make it more costly to consider and implement for all parties.
3. Accurate metering is a primary driver of accurate settlement (and therefore billing, which is closely aligned). Moving metering obligations to a retail code may weaken these obligations.
4. Current performance assurance works across metering and data collection. Administering performance assurance in silos will prevent the root cause of process failures and reduce effective resolution.

In section 2.21, a statement is made that “we are considering the extent to which the requirements that are currently placed upon metering agents by the BSC could instead be provided through the REC performance assurance regime, while maintaining if not improving upon the levels of assurance required for settlement purposes”.

Please could you consult when there are firm proposals.

The following statement also causes concern: “We recognise that migrating metering agent assurance from the BSC would of itself be a significant change...”.

It is not clear from the materials provided in the consultation what obligations will transfer from the BSC to the REC. As a metering agent, will we have any residual obligations under the BSC? Will these obligations continue to be subject to audit? Will we still need to qualify as a meter operator under the BSC?

IMServ would have expected that at this stage proposals in this area could be much clearer allowing us to comment in detail rather than asking questions to seek clarity.

Overall, it seems that the idea of migrating BSC obligations for metering agents to the REC is poorly formed. Given that in 12 months since this idea was first mooted, there is still ambiguity and vagueness around how it will work, things should be left as they are. The current status quo operates effectively and is clear. The example cited in the consultation affects gas metering. No reasons have been given to alter responsibilities for electricity metering apart from a statement around simplification but without further detail we are unable to comment on whether this is simplification or not. At face value, it is complication.

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?

RECCo should focus on sorting out basic delivery of the documents that it needs before focussing on any future improvements such as digitalisation.

The lack of detail that has been produced in the last 12 months around the responsibilities and obligations of the MEMs under the REC suggests it is failing to do that.

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

IMServ has no comment on the method of budgeting used, except to say that costs should be carefully managed as the cost of governance across the industry continues to climb.

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

No comment.

Q3.1: Do you agree with the proposed composition of the PAB, as set out in the Terms of Reference (see Appendix 2)?

IMServ are pleased to see the representative of a MEM on the PAB, which is essential if the industry proceeds with these plans.

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?

IMServ agrees with the principle, but notes that metering agents need not be a Party to the REC for it to operate successfully. The current arrangements for electricity operate successfully in this area under the BSC.

However, IMServ notes in 3.32 that Ofgem considers the current governance arrangements for metering agents are “generally held to be an inefficient and ineffective means of governance”. This assertion is not substantiated or evidenced.

IMServ's view is that the supplier-hub principle combined with accreditation and audit is actually an effective and efficient tool to manage supplier agents under the BSC. If it is not, what aspects of agent management are expected to be rendered redundant by these changes, or what improvements in effectiveness will follow?

IMServ views the proposals as adding complexity and possibly contradiction. This will make the governance of metering agents less efficient and effective, the exact opposite of what is desired.

One could view the proposals to make metering agents parties to the REC and under sanction to REC PAB as a centralisation of the obligations currently placed on energy suppliers to manage their agents. There is thriving competition in the metering agent marketplace, and this is an important component of competition overall, as it actively reduces supplier costs and improves performance, benefits that are passed onto the consumer. Centralising agent management in this way is detrimental to agent competition, because it changes and potentially dilutes the metering agent to supplier dynamic, and therefore is detrimental to consumer's interests too.

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

IMServ think it would be sensible to use Citizen's Advice's input to inform priorities.

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?

IMServ agree with this principle.

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?

IMServ has comment in this issue.

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

Yes, this approach would help as it is important to establish a clear and unequivocal fact base when considering a change. In fact, it would good to apply these principles to the detail of this consultation.

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

Agreed.

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

Also, agreed to keep the pace of change high.

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

Yes, a tiered approach with appropriate governance is sensible.

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

Yes, this is a progressive approach.

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?

IMServ has no comment.

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

IMServ has no comment.

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?

IMServ has no comment.

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?

IMServ has no comment.