



Independent Networks
Association

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Ofgem
10 South Colonnade
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E14 4PU

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Consultation for the Retail Energy Code – proposals for version 1.1

By e-mail only

Dear Rachel,

I am writing on behalf of the Independent Networks Association (INA). The INA represents and consists of the UK's leading independent utility network owners and operators who serve the domestic and commercial and industrial sectors across the UK.

Thank you for the opportunity to respond to this consultation concerning proposals for the Retail Energy Code (REC)

Overall, our members are broadly supportive of the principles and themes underpinning the core aspects of the developments being consulted. However, we would like to raise the profile of areas where we feel there are scope for the governance framework to be amended, noting where this aligns with other energy industry codes. Independent networks differ from the incumbent networks, sometimes on a fundamental level, in areas such as business models, activities, business drivers etc. We strongly believe that any expertise utilised in REC governance from the network's constituency should also include the independent networks to enable a fully representative perspective.

RECCo Board

We primarily agree with the principles and responsibilities of the RECCo Board and support the granting of budget approval powers to the Board. The intent to have independent membership, with individuals chosen for their specific skills, is in line with corporate good governance.

However, we do have concerns regarding Ofgem's ambition for the RECCo board. The remit and structure of RECCo is unusual in that it is not a regular company but instead has a specific remit to serve the energy industry and should therefore have sufficient knowledge of the industry parties affected and key drivers and relationships between parties. Therefore, it will be important that the Board membership reflects this requirement and that this is considered by the Nominations Committee. Including this within the terms of reference of the group should be considered to ensure it is embedded within their future considerations. Otherwise, simply having a majority of directors who are independent REC parties could result in the RECCo lacking understanding of the nuances of the energy industry.

Performance Assurance Board (PAB)



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We also support the approach taken for the PAB, agreeing with the scope of the performance assurance framework and the proposed discretion for escalations. However, we are concerned that the single representative for all networks would be unable to provide equal expertise for gas and electricity; incumbents and independents and therefore we believe it would be beneficial to include an independent network representative on the PAB.

This maintains consistency with other industry codes with a performance assurance framework such as the Uniform Network Code in which the PAB provides a seat to an independent gas network. Where the PAB issues resolutions that would benefit from network cooperation, appropriate network representation could prove valuable.

Change Panel

The proposals for version 1.1 of the REC has made several improvements to the change process and governance for the REC, particularly with the introduction of preliminary Impact Assessments.

We are unclear if the Change Panel (Panel), which will be appointed by the RECCo Board, will provide a Panel with adequate expertise in all areas. The proposal that there should be a single representative for all network companies is of concern as it is unlikely that any individual will have the detailed knowledge of all other industry codes to be able to understand compliance requirements and represent the view of all networks. This is exacerbated as there are fundamental differences between incumbent and independent networks.

Following the above rationale, we believe the proposed composition for the Panel is too small and should hold a seat for independent networks. This will at least partially resolve the challenge of selecting an individual who has adequate knowledge of gas and electricity across the two categories of distribution networks.

We look forward to reviewing the decisions and further developments made in this space. Our members are keen to engage with the REC to ensure that the transition of the REC into the standard industry code framework is smooth and efficient.

Yours sincerely,

Vicky Bell

Chair to the Independent Networks Association Regulations Sub-Committee