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Rachel Clark
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By email only

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OVO's response to 'The Retail Energy Code – proposals for version 1.1 consultation'

Dear Rachel,

OVO welcomes the opportunity to provide comments on the proposals for the Retail Energy Code, version 1.1.

Overall, we agree with the proposals to establish and transition key aspects of the governance framework, ahead of the consolidation that will come into effect on 1 September 2021.

Whilst we support the consolidation and simplification of retail governance regarding switching, we have concerns about the scope and clarity of the transition of metering related provisions from existing Codes to the REC. We have set these out in more detail in our responses to the consultation questions in the accompanying Annex.

Should you have any questions or would like to discuss our response bilaterally please feel free to contact policy@ovoenergy.com.

Kind regards,

Sam Cannons
Regulation Manager

Annex - Detailed response

Company and Code Governance

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

OVO agrees with the process proposed for appointing additional RECCo directors. The use of an independent nominations committee will deliver a robust process and should ensure that there is relevant expertise with director appointments.

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

OVO sees that there could be merit in MEMs becoming a Party to the REC, to improve the degree of assurance around the provision and integrity of data. We understand the rationale set out in the consultation for consolidating the Codes of Practice under the REC. However there needs to be careful consideration of the metering related provisions, for example those set out in the BSC.

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?

The approach taken must deliver clear delineation of provisions, efficiencies in the management of accreditation schemes and ensure there is no overlap or duplication of activities for performance assurance monitoring. It needs to maintain the integrity of the provisions required for each code remit and objectives, with the ability for that code to ensure timely resolution of issues.

We agree that there needs to be an established process to manage ongoing cross-code engagement, and it must include metering related provisions. This needs to ensure that any future development under the separate Codes continues to be robustly reviewed to mitigate risk, for example to prevent duplication in Performance Assurance Regimes and Techniques.

OVO understands that Ofgem is engaging with industry via RDUG to assess three options for moving metering related provisions from the BSC to the REC. We would like to see clarification on the associated gas metering related provisions and performance assurance.

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?

OVO agrees with the need for RECCo to develop and maintain a strategy for REC.

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

OVO agrees with this approach and that RECCo would be required to develop a business case to support proposed budget expenditure.

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

OVO supports this approach as the budget will still be subject to consultation with Parties and would be subject to approval of the RECCo Board, rather than the vote of a specifically convened forum.

Performance Assurance

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

OVO agrees in principle with the proposed composition of the PAB. We would welcome future review of the PAB effectiveness to understand if this needs to be further enhanced.

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?

OVO fully supports that any organisation undertaking activities governed by the REC will be within the scope of the REC performance assurance framework.

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

Given the focus on consumer outcomes, OVO agrees that it seems appropriate for Citizen's Advice to input into the PAB's priorities. PAB will need to ensure that the priority is able to be monitored within the scope of REC activities.

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?

OVO agrees that it is reasonable to reflect the increasingly intensive efforts that the PAB and Code Manager may undertake to influence the Parties' or service provider's behaviour. We would like to understand more about what the PAB will be escalating and how this will be differentiated from other Code performance assurance regimes to avoid confusion.

We agree that PAB should consider and instigate additional PAT's if there is an area of concern, whilst being mindful of other Code processes.

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?

OVO agrees that these provisions should be considered under REC, with appropriate processes to ensure this action is warranted and proportionate.

Change Management

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

OVO fully supports the proposals regarding the production of IAs, clear timetables with incentivisation for the delivery alongside quality assurance of the provided documentation.

We welcome further clarification on the granularity of information relating to the impact assessments of the requirements and associated costs.

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

OVO agrees that the Change Panel should follow the process overseen by the nominations committee, with appointment by the RECCo Board.

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

OVO supports the proposals to increase responsiveness and decision making whilst reducing the administrative burden.

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

OVO supports the proposed categorisation as it provides a proportionate process to assess and determine decisions.

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

OVO agrees with the use of code administrators and managers to raise cross-code impacting changes where these have been identified by the CCSG.

Theft Arrangements

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?

OVO agrees that there should be an objection process to allow Suppliers to complete a theft investigation before the customer switches supply. This will ensure that with the implementation of faster switching, customers where potential theft is being investigated will not be able to avert detection and it will enable suppliers to bill for the theft amount.

Once billed and the theft investigation is closed, any further request to leave supply should fall under normal debt objection processes. We believe that the objection period should align to the current categories of theft investigation timeframe. For example, a maximum of 90 working days for electricity and 80 working days for gas.

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

OVO agrees with the principle of a periodic review of the effectiveness of the incentive scheme. OVO would like to understand the definition of 'scheme effectiveness', the measures under which the scheme will be assessed and where the cost of the periodic review will be met.

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?

OVO supports an adjustment to the target, we would like to understand any suggested logic/ rational on a proposed reduction.

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?

OVO would like to fully understand the scope and definition of an 'Estimation Methodology'. We would need to understand where the cost for the service would be met and what the theft reduction strategy would encompass in totality.

From our experience in relation to TRAS2, any new methodology should consider a wide variety of data sources to determine theft propensity (including data on repeat offenders and crime information). More enriched data would enable suppliers to raise a greater quantity of leads and should result in greater amount of thefts identified.