

To: Rachel Clark

Switching Programme
Ofgem
10 South Colonnade
London
E14 4PU
Email: switchingprogramme@ofgem.gov.uk

Prennau House,
Copse Walk,
Cardiff Gate Business Park,
Cardiff, CF23 8XH.

info@sms-plc.com
Tel: 029 2073 9500
Fax: 029 2073 9501

www.sms-plc.com

Date 13/11/2020

Dear Rachel,

RE: Consultation - The Retail Energy Code – proposal for version 1.1

We write to you today in response to your consultation published in October 2020 on your proposal for The Retail Energy Code.

SMS is an accredited non half hourly and half hourly meter operator, data collector and data aggregator in the electricity industry and Meter Asset Manager in the gas industry. SMS operate metering and data services on over 2m gas and electricity supply points in the UK to both business consumers direct as well as non-domestic and domestic energy suppliers to support their own customers' requirements.

We are grateful for the opportunity to express our views on the consultation. Accordingly please find below our formal written response to the consultation for your review.

In the meantime, should you require any further information from SMS in support of these responses, please do not hesitate to contact me.

Yours faithfully,

Kristina Leary
Settlements Change Manager

2. Company Code and Governance

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

The appointment of RECCo directors should ensure that there is a fair representation of industry experience as outlined in the consultation, i.e. Agents and Suppliers.

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

No - SMS would welcome evidence that the current governance is “inefficient and ineffective”. MEMs are subject to strict performance measures and comprehensive audits to ensure we are compliant with codes of practice. There are mechanisms to ensure, where applicable, improvements are monitored and improved (e.g. the Error Fault Resolution process). The accreditations, audits and performance measures are by no means “arms-length”.

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?

Yes, SMS see no reason why current obligations on metering agents could not be integrated with the REC performance assurance framework. This can be achieved without MEMs being a Party to the REC. SMS believe agents should be subject to a single performance assurance mechanism i.e. either REC performance assurance measures or BSC performance assurance measures, not both.

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?

The RECCo should be required to outline a strategy for the REC that is subject to appropriate consultation and approval, taking into consideration cost, benefit and supporting an innovative, competitive and resilient industry.

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

Whilst SMS agree that a zero based budgeting method should be adopted, the budget must deliver value for money.

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

Yes – however budgets should be made available to agents required to meet REC obligations and all agents have the right to appeal.

3. 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).

SMS agree with the proposed composition of the PAB however the MEM should fall under “other” rather than “REC 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?

Yes – SMS support this approach which does not require MEMs to be Parties to the REC. This currently provides performance assurance under BSC. However, as mentioned above, performance assurance should only sit under REC or BSC, not both.

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

No – Priorities should be determined by an agreed mechanism and should not be determined by any single entity.

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?

Yes – PAB should have this discretion, but we have seen many Suppliers failing in recent times. Escalation of liabilities should be considered in conjunction with consideration of the plan put in place to rectify the issue.

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?

No - Performance issues should be assessed, and appropriate action taken to mitigate the impact of the issues until resolved. If in acquiring additional customers, this will impact Supplier performance or the customer negatively, then this may be an appropriate measure, but should not be taken lightly.

4. Change Management

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

Yes

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

Yes

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

Yes

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

Yes

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

Yes

5. 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?

SMS have provided a response to this question

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

SMS have provided a response to this question

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?

SMS have provided a response to this question

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?

SMS have provided a response to this question