

Rachel Clark
Programme Director

Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

SSE plc
Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ

07876837522
Victoria.Burkett@sse.com

16 November 2020

Sent by e-mail

Dear Rachel,

The Retail Energy Code – proposals for version 1.1

We welcome the opportunity to respond to Ofgem's consultation on behalf of SSE Business Energy (SSE Energy Supply Limited).

We support the majority of proposals set out in this consultation and, as mentioned in our July consultation response, we continue to believe that the '*Retail Energy Code (REC) services must demonstrate added value which exceed the existing arrangements. In addition to being delivered efficiently and fit for purpose, there must be no unnecessary duplication with existing arrangements and significantly no additional cost in entirety. Through overall scale of fixed costs to industry, the collective ambition must be to maintain the best possible cost to serve on behalf of the consumer.*'

Whilst we fully support the setting up of a REC Performance Assurance Board (PAB) and largely agree with the framework proposals set out by Ofgem, we are concerned that once performance assurance techniques are developed by the REC PAB they may lead to potential instances of double jeopardy, where a party is reported, and potentially penalised, for a single performance failure under more than one code. A potential example of this is a failure to obtain a required percentage of actual readings on change of supplier, which could have both a detrimental settlement and customer effect, and so a party could potentially be reported as being non-compliant under more than one code for one failing. Therefore, it is important that the REC PAB does not cross-over into areas that are the focus of the existing PAB under the BSC and the PAC under the UNC.

We are also of the view that having three separate industry arrangements and sets of meetings, all of which have the aim of monitoring and improving the performance of industry parties, is not the most efficient use of resources. Whilst there may be some hurdles to overcome and governance work required to combine these three industry bodies into one, we do not see these hurdles as being insurmountable, and so the longer term aim of the industry should be to have one PAB or PAC with overarching responsibility for performance monitoring and assurance over all of the relevant industry codes and parties.

SSE plc

Registered Office: Inveralmond House 200 Dunkeld Road Perth PH1 3AQ Registered in Scotland No. SC117119.

Authorised and regulated by the Financial Conduct Authority for certain consumer credit activities.

sse.com

It is not clear within the consultation or supporting Schedules how the invoicing for schemes such as the Theft Arrangements will be managed. At present a separate invoice is provided for each fuel, under the respective codes however we are not aware whether this arrangement will remain in place. Our view is that a combined invoice should be provided for the processes where an invoice is required.

We have provided further detail in response to Ofgem's questions in the attached appendix and would welcome the opportunity to discuss this further.

Yours sincerely,

Victoria Burkett
Regulation Manager

Annex 1

Company and Code Governance

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

We broadly agree with the comments noted for nominations. We support steps being taken to ensure that the RECCo Board continues to have the necessary expertise given that the Nominations Committee will perform a critical role under the REC (i.e. to provide recommendations on appointments to the Board and other relevant governance forums). Given the critical nature of its work we do not believe the Nominations Committee should be responsible for reviewing its own performance as detailed within paragraph 2.18. This should be carried out by an independent review panel.

Please note the following drafting errors within the draft terms of reference:

2.7 The Committee Chair shall be a Director of RECCo who has been charged with this ~~with this~~ responsibility by resolution of the RECCo Board.

2.9 (duplicate numbering) The RECCo Company Secretary (or their nominee) shall act as ~~the~~ secretary...

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

We agree that from a governance perspective MEMs should be a party to the REC providing it is clear which section of the REC confers obligations on MEMs by contrast to other code parties (e.g. suppliers).

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, we believe this is a sensible approach.

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?

Yes, we believe this would be a sensible approach.

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

We agree with this approach although we consider that it is important that there is full transparency on how costs have been identified and calculated (e.g. whether the budget includes any contingency cost provision) to provide parties with the confidence that amendments to budgets (under clause 9.11) will not be required except in exceptional circumstances.

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

Providing there is a clear methodology for the review of the budget, we do not see any concerns with this approach.

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).

Yes, we agree with the proposed composition.

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, providing it does not cut across any contractual obligations that parties may have in the provision of their services.

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

We agree that CAB should be encouraged to make considerations and recommendations to the PAB but we consider it remains important that the final decision on priorities should be made collaboratively by RECCo.

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?

We believe this is a sensible approach due to the liability potentially being below the cost of remedial actions.

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?

Yes, however this should be dependent on what the performance issue is. There should be a clear, unambiguous process that sets out when these restrictions could be applied, how long they will be applied for. It is also important that any appeals are considered prior to the restriction coming into effect.

Change Management

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

Yes, we believe this will allow for a significant improvement to the current code IA's.

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, as we set out in our response to Question 2.1, it is essential that the Change Panel seeks to identify expertise that is relevant for the role.

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

We believe it is a sensible to consider how to make meetings shorter and more effective. However, we do not believe that the proposed fortnightly meetings will in fact reduce the burden. Although we support the intention to reduce the time needed for market participants to attend these meetings, there is a fine line between having 1 full day meeting per month where an array of issues can be discussed or having shorter fortnightly meetings, given the proposal sets out that one will not have a set agenda. We consider it would be more efficient to ensure that monthly meetings operate effectively (e.g. papers prepared and circulated on time) given this also reduces the uncertainty over whether meetings will go ahead as scheduled. Should Ofgem continue with its proposal for fortnightly meetings, consideration would need to be given to the turnaround time for issues being discussed to ensure members have sufficient opportunity to gain the relevant feedback for those sessions to have an informed discussion.

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

As Ofgem note *'it will also be important to ensure that changes to those documents are managed transparently and with a clear focus on accessibility and usability by market participants.'* Our view, as provided in our 2019 consultation response, is that further work is required to facilitate this aim - *'With Ofgem's view that REC should be best in class, we do not believe the current set up of Schedules will achieve this. We appreciate the intent of grouping the processes together however, to provide an accessible and comprehensive set of rules which are as easy as possible to understand, we believe each process should have its own separate Schedule. If we use the example of Resolution of Consumer-Facing Switching and Billing Problems schedule, the contained processes affect the consumer however, when a change is needed for one of the sections, the entire Schedule will need to be reviewed and change assessed. This could cause unnecessary resource burden on Parties to the REC. With the intention of the REC being digitalised, this would seem a more appropriate approach.'*

Our view remains the same for the REC Schedules and the current set up of those. The categorisations detailed within this consultation seem sensible however a methodology would need to be determined to ensure that each categorisation remains accurate for the lifecycle of the Schedule.

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

Yes, we agree with this approach.

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?

Yes. The trigger should start when a case is initiated for that customer, with the period aligning to the Service Level Agreement for each category (A, B or C) as detailed within the DCUSA and SPAA Theft Codes of Practice.

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

Yes, we strongly agree with this approach.

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?

We do agree that the target should be reduced in line with the withdrawal of the current TRAS.

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?

Yes, we agree with this approach.