

Dear Rachel,

## **REC v1.1 Consultation**

Please find below Stark's response to the REC v1.1 consultation. We have chosen to only respond to the questions that directly relate to Stark as a Metering Equipment Manager (MEM).

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

We do not think it is necessary for MEMs to be Party to the REC to achieve Ofgem's goals.

MEMs play an important role in the consumer experience of the retail energy market. Across both utilities, stewardship of meter-point information supports the switching process, and maintenance of metering equipment (including communications) ensures that consumers can achieve the full benefits of an innovative market. Assurance of these activities through existing governance structures has been more effective in the Electricity sector than in the Gas sector<sup>1</sup>.

Alongside an annual MOCOPA audit, an electricity Meter Operator (MOA) is additionally subject to the Balancing & Settlement Code (BSC) Performance Assurance Framework (PAF). Under this framework, retail and settlement processes are audited annually and on-going compliance is monitored through regular performance reporting. Performance Assurance Techniques (PATs) can be deployed to address underperformance, including; Re-Qualification, Removal of Qualification, Error & Failure Resolution, Peer Comparison and Technical Assurance Audits<sup>2</sup>. For 20 years, this has proven to be an effective means of holding MOAs to account for performance without requiring them to be Party to the BSC.

Comparatively, a gas Meter Asset Manager (MAM) is only subject to an annual MAMCOP audit and is not currently recognised as a Performance Assurance Party (PAP) in the emerging PAF for the Uniform Network Code (UNC). This results in weaker governance of processes that support retail and settlement activities, decreased accountability overall and a lack of appropriate controls to address underperformance.

In proposing to make MEMs Party to the REC, Ofgem appears to seek to address this imbalance. As outlined above, the blueprint to achieve this exists in the BSC PAF, where MOAs are PAPs and can be held to account as a condition of their qualified status. This should be replicated in the emerging PAF for the Uniform Network Code (UNC). This would be simpler than creating a new category of Party under the REC and expanding the scope of the REC PAF.

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<sup>1</sup> Ofgem acknowledge this in their reference to the 2016 investigation into competition in the non-domestic gas metering market in paragraphs 2.14 – 2.16.

<sup>2</sup> See the full list of PATs here: <https://www.elxon.co.uk/reference/performance-assurance/performance-assurance-techniques/>

***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?***

We do not believe this is required to achieve Ofgem's goals.

Through the BSC PAF and annual MOCOPA audit, the governance of Electricity MOAs has worked effectively for over two decades. If Ofgem have identified defects they should engage with Elexon to explore ways to strengthen controls in the BSC. Migration of BSC obligations to the REC could unnecessarily disrupt existing performance assurance activity, create ambiguity and reduce the BSC's ability to govern MOA activity that is important to the settlement process.