

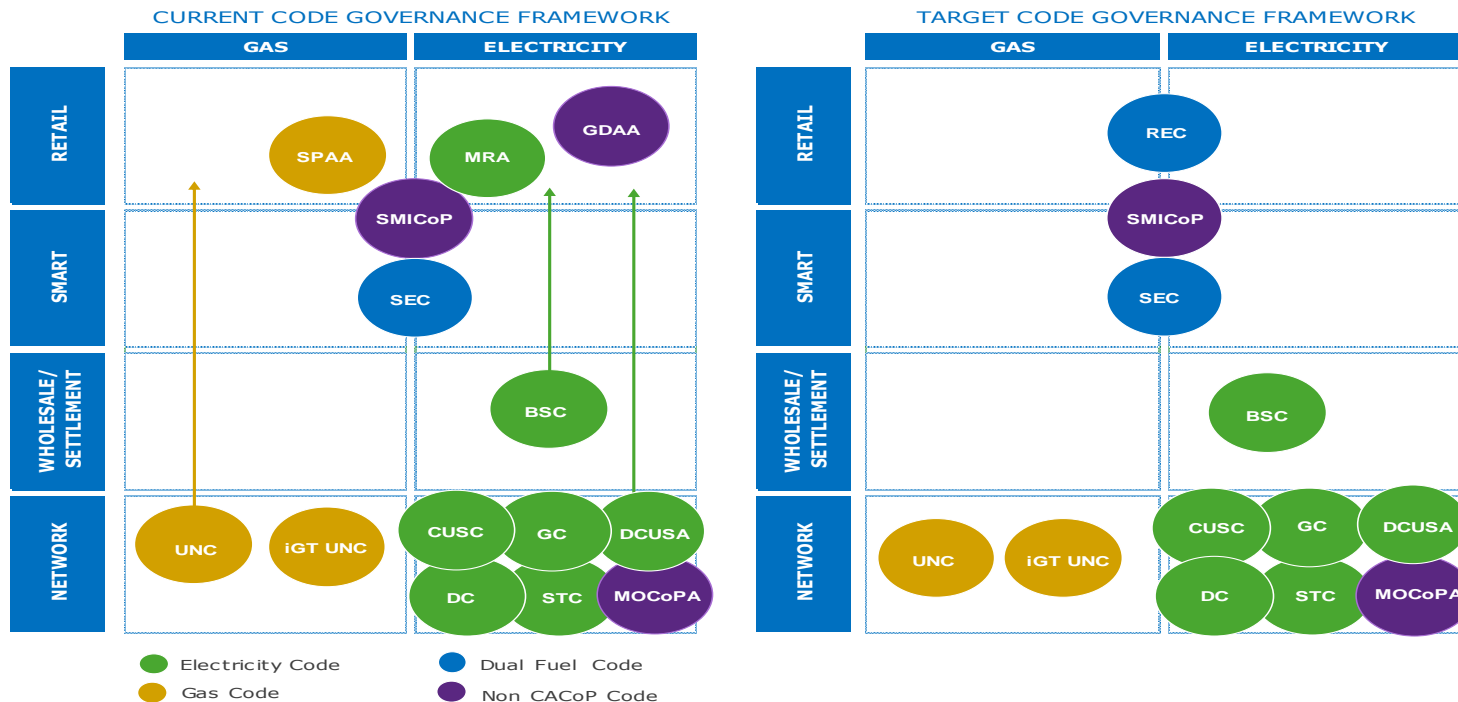
Switching Programme: development of the REC, SCR process and interim governance

IGT UNC Panel update – Nov 2018

ofgem

Recap: What is the Retail Energy Code?

- REC was necessitated by the need to provide governance around the new CSS market role;
- This provides opportunity to simplify retail governance more generally:
 - replacing SPAA and MRA in their entirety;
 - elements of other codes to be determined on the basis of primary relevance;
 - simplified and accessible modification process;
 - proportionate, facilitating innovation and disruptive models;
 - future versions to be digitalised



Recap: How are we developing the REC?

V1.0

- Interim constitution
- Transitional requirements
- Interpretation
- **Baselined schedules** (not at this time in effect):
 - Address management
 - Change management
 - Data management
 - Registration services
 - Interpretation

Ofgem designates new code:

- working from a blank page, there is nothing to 'modify' – consultation on draft text is bespoke and informal;
- Statutory consultation applies to the modification of the licence only – code drafting to be published alongside for sake of transparency and certainty;
- designation gives REC v1.0 formal effect – changes to drafting thereafter subject to formal change control programme-led for transitional phase

V2.0

- Enduring constitution
- CoS Meter Readings
- Exceptions
- Enquiry Services
- Performance assurance
- DAP
- PPM provisions (smart and legacy)?
- Entry and re-assessment

Ofgem leads an end-to-end process:

- working with relevant stakeholders and code bodies, we develop code the modification(s);
- the standard industry process for modification proposals would not apply;
- we would lead consultation and engagement.

V3.0

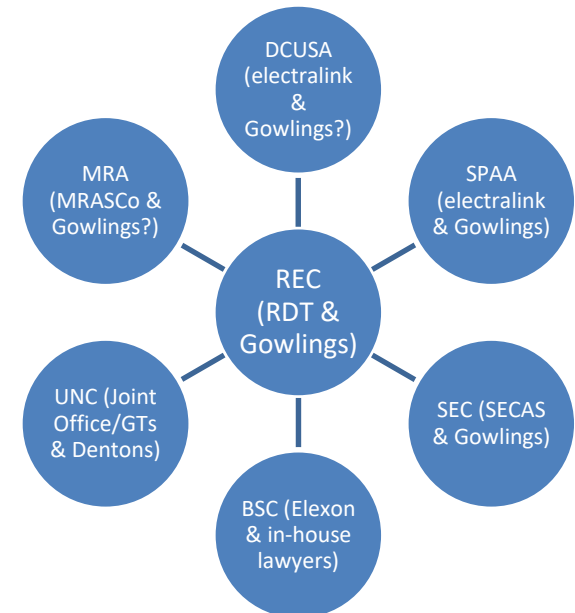
- Residual non-switching activities, i.e:
 - Prepayment
 - Green Deal
 - Theft
 - Retail Data Catalogue
 - Settlement Data Catalogue?
 - Market Participant MDD?
 - Other MDD?
 - Agent Appointment and Meter Data Updates?
 - Metering Codes of Practice?
 - Meter Point Administration / Registration?

Progressed through normal modification process:

- non-switching related consolidation falls outside of scope of current SCR;
- Further consolidation could be achieved through normal modifications being raised to REC and other codes. However:
 - Possibility of a further SCR specifically focused on code simplification and consolidation.

Approach:

- Prior approval for review to be sought from, and timeline agreed with relevant Panels/ECs;
- Work to begin in earnest once stat con and accompanying REC text is published (schedule for 4 Oct);
- Consequential changes to others codes to be developed alongside iterations to REC during Oct - March (changes can be prompted in either direction);
- Initial (consequential) impact assessment to be undertaken by CA/SME and relevant lawyer(s);
- Initial findings (anticipated scope of changes) and draft instructions to be discussed and sense checked at workgroup (< Xmas where possible – IGT UNC to follow UNC?);
- Individual code drafting to be undertaken by relevant lawyers in collaboration with Gowlings (hub and spoke model) – QA to be dual key;
- **Q: to what extent do we consult/seek sign-off before 'baselining'?**
- Workgroups (and CAs/lawyers) to report back to respective Panels.



Approach:

- Complete package of text to be published and baselined (end of FY), including:
 - REC v2.0 & (as far as possible) v3.0;
 - Consequential changes to other industry codes;
 - Anticipated future (2021/go-live) licence modifications.
- SCR still live – any modifications to codes will be assessed for impact on the programme:
 - Those which are contrary to direction of travel will be stopped;
 - Any which do not impact switching may proceed;
 - Those which impact affected code areas but consistent with aims and may be beneficial to implement ahead of go-live may proceed to development:
 - Impacts on switching programme to form part of ToR;
 - Parallel development of legal text (collaborative approach, as per initial development);
 - In addition to RO's, proposal assessed against impact on switching design (Design Authority (DA)):
 - Those with an impact will form a change request
 - DA assessment may feed into draft report and be consulted upon
- Combined decision to be taken on code modification, change to baselined text and any CRs;
- Periodic baseline re-release (i.e. REC v2.01) capturing any changes resulting from CRs and or wider modifications.

Approach:

- Programme Board agree E2E test milestone passed and confirms go-live date (need to confirm expected lead time on this);
- Ofgem raises necessary SCR modifications (incorporating baselined text by reference);
 - Proposed implementation date will be directed go-live date;
 - Each CA to follow relevant procedure in their code for producing FMR (currently differ slightly across code) – no development required/no alternatives sought/permitted;
 - **Q: would it be feasible to have a joined up approach rather than duplicate across several codes – e.g. if consultation is to be undertaken (to the extent permitted under any code)?**
 - **Q: would it be appropriate to have a combined FMR, with individual sections tailored to relevant codes and relevant objectives (expect all changes to be assessed against promoting competition and efficiency)?**
- Each Panel to make a recommendation based on assessment of modification against relevant objective:
 - No duty or obligation to approve – SCR still provides avenue for appeal of Ofgem decision;
- Ofgem make decision, ensuring each element furthers RO's and in aggregate consistent with statutory duties and Directs changes be made, if appropriate;
 - Decision letter to include statement formally closing the SCR.

- REC v1.0 has been created solely to provide strengthened governance for the DBT phase of the programme, learning lessons from previous programmes:
 - Minimal and hopefully future-proof drafting incorporating programme documents by reference;
 - designation expected circa mid-Jan 2019.
- We do not anticipate that any modifications will be required to REC v1.0 post-designation, until such time as we give effect to the SCR modification:
 - The interim change control will therefore also be minimal - progressed as a programme Change Requests;
 - Not necessary to stand up a 'change panel' for v1.0
- Our June document also proposed an interim RECCo Board, made up of existing SPAA Ltd and MRASCo members until such time as there is sufficient business for a bespoke REC one to be fully constituted:
 - Main requirements of the interim RECCo Board will be to take over (from SPAA and MRA) the funding of the Ofgem procured programme roles, and oversee the procurement of a REC Manager;
 - Once the REC Manager is in place, they will support the RECCo Board (and procurement panel where appropriate) and ourselves in further and ongoing activities such as:
 - Procuring a REC website (which may also assist with communication of programme-related material);
 - Co-ordinating on-going maintenance of the REC drafting throughout the SCR period;
 - Development of a REC digitalisation strategy;
 - Overseeing the collection and distribution of funds (recovery their fees, those of the programme coordinator, legal support, etc).
- Given the support for this approach from respondents, subject to the agreement of SPAA EC and MEC, and identifying individuals willing to serve on an interim RECCo Board, we intent to pursue this option.

Date	REC set up	RECCo	Procurement
30 Nov	Licence modifications directed		
December		Consult on RECCo budget	
25 Jan	Licence comes into effect REC v1.0 designated		
1 Feb		Appoint interim RECCo Board Appoint interim RECCo Chair	
15 Feb		Approve 2019/20 RECCo budget	Approve procurement initiation (high level plan)
End of Feb	Complete accession agreements	Issue initial invoices	Establish procurement panel
1 April	Ofgem chase up any late accessions/payments	First RECCo payments due (RECCo can start incurring costs)	Procure PM support if required
1 May		Approve REC Manager Requirements and authorise RfP	Define REC Manager requirements (having undertaken complete review of consolidated v2.0/3.0 text); Issue RfP/commence procurement phase
1 July		VAT registration (need evidence of revenues)	
1 Nov		Initiate 2020/21 Budget consultation	Negotiation and BAFO
1 Dec		REC Manager appointment made	
1 Apr 2020	Transition of responsibility from Ofgem/programme to REC Manager		