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Paper Reference:	SECP_70_1207_19
Action:	For Information

Smarter Markets Project Update

1. Purpose

The Smart Energy Code (SEC), along with other Codes, are providing resource support for Ofgem's Faster Switching Programme. This paper provides the SEC Panel and Parties with a monthly overview of the key activities of the Ofgem Switching Programme Subject Matter Experts (SMEs) provided by SEC. The paper also covers other updates from the Programme that may be relevant to Parties. The Panel is requested to note the contents of this paper.

Appendix A to this paper sets out the impacts of the Retail Energy Code consultation and requests the Panel to agree to respond to the consultation.

2. Switching Programme and Retail Code Consolidation

Ofgem released Switching Programme and Retail Code Consolidation: Proposed changes to licences and industry codes¹ on 17 June 2019. The consultation covers the Retail Energy Code (REC) schedules, their proposed governance, the approach to the Significant Code Review(s) to bring about the implementation, and the timelines and approach for delivery. It also looks at the licence changes and consequential changes to all industry codes to deliver the Switching Programme and Retail Code Consolidation. Appendix A to this paper summarises the impacts of the consultation for the SEC and SEC Parties.

3. SEC consequential changes

Ofgem have published the most up to date information on the Switching Programme consequential changes within their consultation. For SEC, these are in line with the information SECAS provided to the Panel last month, i.e. the changes are limited to impacting the interfaces between the Data Communications Company (DCC) and Network Parties/Registered Data Providers (RDPs), and between the DCC and Central Switching Service (CSS).

A Design Forum meeting was held on 17 June 2019 and the Switching Programme interfaces were discussed. Ofgem plan to bring all discussions about all interfaces impacted by the Switching Programme to the Switching Programme Design Forum. Landmark (CSS Provider) presented the planned Interface Specification Template.

¹ Ofgem, [Consultation: Switching Programme and Retail Code Consolidation](#), 17 June 2019

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Ofgem advised that the next three Design Forum meetings would be of a more technical nature; the Chair requested organisations send their technical experts to attend these meetings. The first of these will be held on 1 July 2019. The DCC published its first version of the interface document on 28 June 2019 - the document will be reviewed, consulted on and refined through participation in this forum only, throughout July. The Programme plan indicates that the final version of the interface document and any change requests required to the Switching Programme baseline documents, will be made available on 5 August 2019.

SEC Subject Matter Experts have been working with the RDP's and the DCC, and the early work will have been fed into the initial draft of the interface consultation. The DCC will also present the proposed design, updated for all relevant and current interface thinking, at the July 2019 Technical Architecture and Business Architecture Sub-Committee (TABASC) meeting.

The baselined interface documentation will form the basis of the consequential changes required to the SEC. These will be drafted in August 2019 for final sign-off.

4. Working Support to Ofgem

By far the largest effort this month by SEC SMEs has been on the continuing analysis of the consequential impacts of the Switching Programme, and ensuring the most up to date information was made available to Ofgem. In addition, time was also spent on analysis of the Ofgem Switching consultation following publication.

In line with the effort as set out above, a total of **11.2** days has been expended on the project by the SECAS SMEs.

5. Recommendations

The Panel is requested to **NOTE** the contents of this paper.

Hannah Brissenden

Smarter Markets Team

5 July 2019

Attachments:

- **Appendix A: Switching Programme and REC Consultation**

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Paper Reference:	SECP_70_1207_19 – Appendix A
Action:	For Decision

Switching Programme and REC Consultation

1. Purpose

This paper provides a summary of the Switching Programme and Retail Energy Code (REC) consultation, highlighting key areas for the SEC Panel to consider in any response. The Panel is requested to determine whether they wish to respond to the consultation and, if a response is desired, provide views on the potential key areas as set out in this paper.

2. Consultation Overview

On 17 June 2019, Ofgem issued a consultation on changes required to establish the REC and deliver faster switching. The consultation covers six main areas:

- REC Governance;
- Delivery Approach;
- REC Operational Arrangements;
- REC Code Consolidation (focus on MRA, SPAA);
- Licence changes; and
- Plan for delivery, engagement and next steps

After reviewing the consultation, we believe three of these sections are relevant to the SEC Panel; those on REC Governance, Delivery Approach and Licence changes.

The section on REC Operational Arrangements sets out how the REC will work on an operational level against the design criteria. Whilst individual Parties should review this in detail, there is no impact on the SEC beyond the consequential changes that are already being developed.

The section on REC consolidation sets out Ofgem's approach to launching a second Significant Code Review (SCR) for the Switching Programme in order to consolidate remaining areas of the Master Registration Agreement (MRA) and Supply Point Administration Agreement (SPAA). It also explores how best to consolidate the Green Deal Arrangements and the Metering Codes of Practice. Again, whilst individual Parties should review this section, we do not believe a direct response is required from the SEC Panel.

The 'Plan for delivery' section summarises in a single place, the dates and approach to delivery detailed throughout the consultation. Any information in this plan relevant to the SEC is covered in the sections below. Therefore, there is no need to additionally comment on this section.

3. Consultation Response

Below we have summarised the sections we believe to be of most interest to the SEC Panel, highlighting areas to consider for inclusion in a response, should the Panel wish to do so.

3.1 REC Governance

The section on REC governance sets out the establishment and accountabilities of the Retail Energy Code Company (RECCo) Board, REC Manager, Change Panel and Performance Assurance Board. On the surface, there is little for the SEC Panel to comment on in this section. However, the consultation appears to create some ambiguity over the appointment of Service Providers and accountability for delivering services.

Whilst the SEC Panel is indifferent over what services are delivered by whom, it might be useful to highlight as part of a response, the issues encountered under the SEC regarding DCC Service Providers not being appointed by the DCC as part of the Smart Meter Implementation Programme. It has been noted at the Panel that some issues with DCC cost and timeliness appear to stem from the DCC inheriting already established Service Provider contracts, rather than having the responsibility for their creation and delivery.

The message could be reiterated to Ofgem that lack of clear accountability and control over Service Providers can lead to inefficiency, increased costs and responsibility for issues being passed on.

3.2 Delivery Approach (consequential changes)

Ofgem have set out that they intend to deliver the required consequential changes on 1 April 2021 via an SCR. The approach to use an SCR seems sensible, as it allows Ofgem to coordinate the necessary changes as a batch, rather than rely on piecemeal updates through the various Code modifications processes.

The aim is to issue a draft of the SEC consequential changes (alongside all other consequential changes) for industry review in Autumn 2019. Once the Autumn 2019 consultation has closed, a "maintenance period" will begin where SECAS will be responsible for ensuring that the drafting is properly baselined against any new changes that may arise. The maintenance period is due to be completed in Q4 2020.

Ofgem will then issue the SEC Panel a notice to progress the required consequential changes as part of a Modification Proposal, with a targeted implementation date of 1 April 2021. A decision on the modification is due to be made in Q1 2021,

The outlined approach will use a phased delivery. The intent is to introduce the changes into the SEC on 1 April 2021, but only make the relevant provisions "Live" once the CSS is fully operational. The approach seems slightly confusing from a SEC perspective and it would be simpler to amend the implementation date to coincide with when the provisions are required to go-live, rather than leaving them dormant in the SEC. However, since the impacts are limited to obligations on Network Parties

and RDPs, SECAS will ensure we have clear communication with these Parties to let them know what obligations apply to them and keep them up to date.

As part of a consultation response it is suggested that the SEC Panel acknowledge the collaboration with Ofgem to date but emphasise the need for clarity and certainty over the implementation of change going forward. It is also suggested to note that, mention of consequential changes to the SEC, are missing from their delivery approach diagrams in the consultation.

3.3 Licence changes

The only relevant changes to licence conditions are those that impact the DCC licence. Amendments to the DCC licence will expand their role to include delivery of the Central Registration Service. It is suggested that the Panel respond by reiterating concerns previously raised, that whilst switching obligations will be delivered under a separate governance regime, the regulatory framework should ensure that there are no conflicts for the DCC in meeting their obligations under both the SEC and the REC. Further, the Panel would like to seek assurance and regulatory oversight to ensure that the additional DCC role does not diminish or detract from compliance with the DCC's obligation to meet its SEC obligations.

There have been some housekeeping amendments to the licence drafting that the Panel have previously reviewed, but they are minor clarifications only. Ofgem intend to issue the complete suite of licence changes for consultation in Q1 2020.

4. Next Steps

It is recommended that the Panel respond to the consultation by issuing a letter to Ofgem, acknowledging the opportunity to respond, and highlighting the key areas set out above. It is not believed that a full response is required to every question in the consultation.

Following discussions at the July Panel meeting, a draft letter will be circulated ex-committee for the Panel to comment upon and then issued to Ofgem in time for the response deadline of 29 July 2019.

5. Recommendations

The Panel is requested to:

- **AGREE** to respond to the consultation
- **AGREE** key areas for inclusion in any response; and
- **NOTE** a draft response will be issued for comment ex-committee.

Adam Lattimore

Smarter Markets Team

5 July 2019