

Modification proposal:	Smart Energy Code (SEC) Modification Proposal (MP) 161: Retail Code Consolidation		
Decision:	The Authority ¹ determines that this modification ² should be made ³		
Target audience:	Data and Communications Company (DCC), SEC Panel, Smart Energy Code Administrator & Secretariat (SECAS), Parties to the SEC and other interested parties		
Date of publication:	2 July 2021	Implementation date:	Retail Code Consolidation ⁴

Background

The energy code landscape is complex and fragmented, making it difficult for market participants to understand and navigate code change processes. Code consolidation will help simplify and make it easier for them to understand their responsibilities and comply with their obligations. The creation of the Retail Energy Code (REC) as a dual fuel retail code will support the introduction of faster and more reliable switching through a centralised switching service. It will also help with efficient management and delivery of code change, supporting innovation, lowering costs and achieving better outcomes for consumers.

In November 2019, we launched the Retail Code Consolidation Significant Code Review (RCC SCR).⁵ Our RCC SCR has the objective of rationalising retail energy codes by closing down the electricity Master Registration Agreement (MRA) and gas Supply Point Administration Agreement (SPAA) and consolidating their requirements into the REC or another appropriate industry code. The REC will also bring together a number of other codes and codes of practice

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² 'Change' and 'modification' are used interchangeably in this document.

³ This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989 and by section 38A of the Gas Act 1986.

⁴ Retail Code Consolidation is the date to be designated by the Authority. The date of Retail Code Consolidation is currently expected to be, and will not be earlier than, 1 September 2021. In the event that the date of Retail Code Consolidation occurs after 1 September 2021, we will work with the SEC Panel to amend the implementation date to the actual date of Retail Code Consolidation in accordance with Section D10.5 of the SEC.

⁵ The [RCC SCR launch statement](#) is on the Ofgem website.

for metering and Green Deal provisions, facilitated by the making of consequential changes to other codes. The RCC SCR also looks to better facilitate cross-code change through the introduction of a Cross Code Steering Group under the REC.

The REC is being developed in phases. Since the designation of Version 1.0 of the REC in February 2019 and our launch statement in November 2019, the REC has been revised to make changes needed to facilitate energy theft consolidation.⁶ Version 2.0 of the REC (REC v2.0) will take a significant step forward in code consolidation and will be implemented through Ofgem's Switching Programme governance, in accordance with Version 1.1 of the REC. We intend for REC v2.0 to take effect on the date of Retail Code Consolidation (RCC). RCC is the date to be designated by the Authority. The date of RCC is currently expected to be, and will not be earlier than, 1 September 2021.⁷

The modification proposal

On 6 May 2021, SEC modification proposal MP 161 (the proposal) was raised by Ofgem as an Authority-Led Variation pursuant to a direction under Section D9A (Authority-Led Variations) of the SEC. The proposal set out the timetable for the SEC Panel and the Change Board to progress it.⁸

The proposal aims to make changes that are necessary, as part of the RCC SCR, to a number of sections within the SEC. These would reflect updated cross-references to the REC and remove references to the MRA and SPAA which are both closing down as part of RCC. It also proposes to introduce the Cross Code Steering Group and its associated mechanism for progressing cross-code changes. The proposal would require the SEC Panel to nominate representatives to the Cross Code Steering Group to coordinate and progress cross-code issues. It also sets out the concept of a Lead Code and Consequential Changes for code changes affecting more than one energy code, allowing the panel for a Lead Code to refer decisions on a package of cross-code changes to the Authority in certain circumstances.

⁶ More information about [energy theft consolidation](#) is on the Ofgem website.

⁷ More detailed information about the underlying policy behind Retail Code Consolidation and our decisions on taking it forward are in our [Decision on REC v2.0](#) (30 April 2021). We have also published an [open letter regarding the SCR modifications for Retail Code Consolidation](#) (30 April 2021) setting out our approach to taking these changes forward.

⁸ Further details about the [Authority direction and MP 161](#) can be found on the Smart Energy Code (SEC) website.

The Authority, as proposer, considered that not making these changes would leave the SEC misaligned with other industry codes when RCC takes effect, and that the proposal would better facilitate the seventh SEC Objective and would be neutral in respect of all the other SEC Objectives.⁹ This is because the proposal would update the SEC to reflect the REC and new provisions for progressing cross-code modifications. The Modification Report states that MP 161 only impacts upon the SEC Administrator and Secretariat (SECAS) in terms of the time and cost required by it to update the SEC and release a new version.

SEC Change Board¹⁰ recommendation

At the SEC Change Board meeting on 26 May 2021, all of the Change Board members present (the consumer representative was absent from the vote) considered that MP 161 would better facilitate the seventh SEC Objective and the Change Board therefore recommended its approval. The Change Board's view is that the proposal better facilitates the seventh SEC Objective for the reasons set out in the proposal.

Our decision

We have considered the issues raised by the proposal set out in the Modification Report and in the Conclusions Report dated 26 May 2021.¹¹ We have considered and taken into account the votes of the SEC Change Board on the proposal which appear in the Conclusions Report as well as the wider aims of the RCC SCR. We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the SEC Objectives than if the proposal was rejected;¹² and
- directing that the change be made is consistent with the Authority's principal objective and statutory duties.¹³

⁹ The seventh SEC Objective is "to facilitate the efficient and transparent administration and implementation of this Code."

¹⁰ The SEC Panel and Change Board are established and constituted pursuant to and in accordance with DCC Licence 22.25(a).

¹¹ The [Modification Report, Conclusions Report and legal text](#) are available on the Smart Energy Code website.

¹² The Objectives in accordance with DCC Licence 22.10-22.17.

¹³ The Authority's statutory duties are wider than matters that the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended and the Gas Act 1986 as amended.

Reasons for our decision

We agree with the recommendation of the Change Board. For the reasons given below, we consider that this modification proposal will better facilitate the seventh SEC Objective and has a neutral impact on all the other SEC Objectives.

The seventh SEC Objective (g) is to facilitate the efficient and transparent administration and implementation of the SEC.

The proposal will update the SEC so that it reflects the REC v2.0 provisions which are due to be implemented at RCC, including the new provisions for progressing cross-code modifications. Ensuring that the SEC is appropriately aligned with the REC creates consistency across energy codes which will better facilitate the efficient and transparent administration and implementation of the SEC.

Adding into the SEC the new framework for progressing cross-code modifications that requires the SEC Panel to nominate representatives to a new Cross Code Steering Group will help with coordination of cross-code issues and avoid piecemeal and staggered change across energy codes. This will also better facilitate this objective as it will introduce a more efficient and transparent arrangement for future cross-code changes compared to the SEC baseline.

Directions and implementation

Pursuant to and in accordance with licence condition (LC) 23 of the Smart Meter Communication licence and Section D9A.11 of the SEC, the Authority hereby: (1) approves and accepts Authority-Led Variation SEC MP 161 'Retail Code Consolidation' (SEC MP 161), and (2) directs that Authority-Led Variation SEC MP 161 be made. Pursuant to Section D10 of the SEC, the SEC Panel must now ensure that the SEC is varied in accordance with SEC MP 161 with effect from the date of Retail Code Consolidation.¹⁴

We note from the Modification Report that the Panel agreed an implementation date of 1 September 2021 provided that a decision to approve is received by them on or before 18

¹⁴ See footnote 4 above.

August 2021. Retail Code Consolidation is the date to be designated by the Authority. The date of Retail Code Consolidation is currently expected to be 1 September 2021.

We expect this to be the last decision in respect of the SEC under the RCC SCR. However, if circumstances change before the end of the RCC SCR, which necessitate further Authority-led modification proposals in respect of the SEC, we will consult further. As set out in our open letter dated 30 April 2021, we submitted all Authority-led modification proposals in relation to the RCC SCR to the panels of all relevant industry codes within a specified time window to ensure that the submissions aligned so far as is possible with the dates on which the relevant panels convened. This means that there is not a single date for Authority decisions on all of the Authority-led modification proposals under the RCC SCR. In due course, we will confirm when we have made our decision on the final Authority-led modification proposal under the RCC SCR and, accordingly, when the RCC SCR as a whole has ended.

Rachel Clark

Deputy Director, Switching Programme

Signed on behalf of the Authority and authorised for that purpose