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Action:	For Decision

Ofgem Switching Programme Consultation

1. Purpose

This paper provides the Panel with an overview of the content of the latest Ofgem Switching Programme Consultation titled, '[Switching Programme: Regulation and Governance – way forward and statutory consultation on licence modification](#)' that was issued on 15 October 2018.

This paper also provides a draft Panel response to the consultation (provided as a confidential Appendix A) for review and comment prior to submission by 16 November 2018.

2. The Ofgem Switching Consultation

On 15 October 2018, Ofgem issued a new consultation in relation to the Switching Programme. The consultation responds to comments raised in the previous June 2018 [Switching Programme Consultation](#), and also sets out new details and policy in support of the developing Retail Energy Code (REC) and associated changes to the Standard Licence Conditions (SLCs).

2.1 Areas covered within the consultation

Below is a summary of the areas covered within seven of the eight consultation chapters (Chapter 1 being an introduction):

Chapter 2 - Licence modifications

This section provides details of the changes to the SLCs. The drafting places requirements for licenced organisations to:

- Accede and comply with the requirements contained within the REC; and
- cooperate with designated programmes, and in particular those that require large scale and mutually dependent system changes.

Chapter 3 - Transitional Switching Programme requirements

The consultation provides details of changes made to the draft REC v1.0 content, following responses to the June 2018 consultation.

It also provides a further opportunity for interested parties to comment on the REC v1.0 content in advance of the planned designation occurring.

In addition, key things to note from this chapter are:

- REC v1.0 is being created to provide strengthened governance for the Central Switching Service (CSS) Design, Build and Test (DBT) phases. It is designed to be futureproof, thus requiring little or no further modification once designated as any key details (e.g. testing approaches) will be captured in referenced documentation not in the REC itself.
- Details of an interim REC Company (RECCo) Board, that may be constituted of existing Supply Point Administration Agreement (SPAA) and Master Registration Agreement (MRA) Executive Committee Members and may be augmented by independent Board Members.
- The approach to procuring the REC Manager has been provided, including details of the establishment and use of a procurement panel to aid the RECCo Board in the appointment activities.

Chapter 4 - REC v2.0 Enduring REC Governance

This section provides details on the enduring REC governance. This includes the role and powers associated with the RECCo Board, REC Manager and the REC Panel.

The key things to note from this section are:

- The composition of the RECCo Board is still to be defined. Feedback is being sought on the level of involvement from Ofgem in ratifying the appointment of RECCo Board Members on an interim and enduring basis.
- Details of how the RECCo will be accountable to Ofgem. This includes the production of an annual report setting out how the RECCo Board objectives have been delivered and the RECCo Board plans for subsequent years ahead.
- Details of the RECCo Board supporting bodies, including:
 - The REC Manager which will provide the operational and executive functions of the REC;
 - The RECCo Change Panel, which will oversee the decision process for REC modifications; and
 - The REC Performance Assurance Board (PAB), which will consider risks associated within the operation of the REC and monitor REC party compliance.
- Details of how the REC change management process will work, including who can raise modifications to the REC. The consultation specifically draws out that in addition to REC parties, the REC Manager, the Authority (in relation to Significant Code Review (SCR) outcomes) and/or such other persons as designated by the Authority will be able to raise modifications to the content of the REC.
- The REC Manager will have a more proactive role in progressing REC modifications with a potential shift to use fewer face-to-face modification working group meetings to develop modification solutions. Instead the REC Manager will develop and assess changes (along with prioritising them as applicable). Working groups would be used to inform and steer the work of the REC Manager, but any modification reports would not need formal working group sign off prior to submission to the REC Change Panel. The goal in the approach to REC changes is to increase the efficiency and reduce progression timescales of developing and implementing REC changes.
- Details on the functions of the REC PAB, including the monitoring of REC Party compliance and the creation and maintenance of the retail activities risk register.

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Chapter 5 - REC v2.0 Enduring Switching Arrangements

This section details the enduring requirements for the switching arrangements and provides the REC v2.0 drafting completed so far via a number of schedules.

It also sets out further considerations of the intent for the REC to be a 'best in class' code that is accessible to all interested parties. The consultation expands on the details for the REC to be in a plain English format that can be web-enabled, and digitalised to make its content accessible and interactive.

Chapter 6 - REC v3.0: Wider consolidation

This section set out details of the move to reduce the complexity of retail governance through consolidating and reducing the number of existing industry codes.

Key things to note are:

- Proposals for the merging of the existing Theft Risk Assessment Service (TRAS) details currently managed under the Distribution Connection and Use of System Agreement (DCUSA) and SPAA governance into the REC.
- Considerations on where to move the existing Green Deal Arrangement Agreements (GDAA), which are currently in the MRA.
- The merging of existing data catalogues in the form of the MRA and the Balancing and Settlement Code (BSC) owned electricity Data Transfer Catalogue (DTC), the SPAA owned retail gas Data Flow Catalogues, the data flows in the gas settlement UK Link Manual and SEC owned dual fuel smart metering data flows.
- Changes to the Meter Point Administration Service (MPAS) arrangements to enable electricity distributors to continue to discharge their licence obligations in light of consolidating the MRA into the REC.
- Aligning the gas and electricity meter operator codes of practice and moving them under the REC governance.
- Moving the governance of the Smart Metering Installation Code of Practice (SMICoP) under the governance of the REC, subject to a content review as part of such move.

Chapter 7 - The DCC

The section further details the licence changes that will be applied to the Smart Communications Licence to extend the role of the DCC to DBT and undertake steady state operation of the CSS.

It also sets out details of the proposals around margin and incentive regimes for the DCC when undertaking DBT activities. The incentive regime is similar in style and approach to the Release 2.0 incentive scheme put in place by BEIS, that the SEC Panel has been overseeing.

Chapter 8 - The way forward

This section sets out how Ofgem plan to proceed with the parallel development of REC v 2.0 and REC v 3.0. This development will also take place alongside the necessary changes to other industry codes and any further licence modifications.

The consultation provides details of the proposal to commence another SCR, that would run in parallel with the Switching Programme SCR, to capture and drive forward the necessary code

consolidation activities that do not sit within the scope of the existing SCR. The consultation sets out expectations that relevant codes (including the SEC) will have completed impact assessments of the likely impacts by the end of the year, to then enable the necessary REC drafting and other code change drafting to be completed by March 2019. To do this close collaborative working will be needed between code bodies and advisors.

Assuming this initial work is completed to enable a package of legal drafting to be prepared by the end of March, the next phase proposed would involve the:

- Completion of REC v2.0;
- Completion of a majority of the drafting of REC v 3.0;
- Progression of the consequential changes to other industry codes; and
- Provision of the drafting that would bring into effect the CSS and the associated go live date for REC v2.0.

It is expected relevant changes would go live in Quarter 1 of the 2021/22 Regulatory Year. In addition, it is proposed that a joint consultation, and associated joint reports, are produced that would cover all affected Codes, so that fewer consultations on the changes are required. The outcome would be a single modification report that would then be submitted to the Authority for determination on behalf of all Codes.

3. Next Steps

Following a review of the content of the consultation a draft response has been prepared for review and consideration by the Panel. The response is provided in the confidential Appendix A.

Subject to Panel comments on the draft letter, the response will be submitted to Ofgem in advance of the deadline of 16 November 2018.

4. Recommendations

The Panel is requested to **AGREE** the SEC Panel response to the consultation, subject to the inclusion of any revisions.

David Barber

SECAS Team

2 November 2018

Attachments:

Appendix A – Draft Panel Response (**AMBER**)