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for energy consumers

DCC, REC Board, REC Code Manager,
REC Parties and other interested parties

Email: industrycodes@ofgem.gov.uk

Date: 21 March 2024

Dear Colleague,

Decision to reject an appeal by the Data Communications Company (DCC) against the Self-Governance decision of the REC Technical Expert Panel to approve REC Change Proposal R0093: Uplift to CSS Maximum Demand Volumes during MHHS Migration Period

On 8 February 2024, Ofgem¹ received an appeal² from DCC ('the appellant') in relation to the decision of the Retail Energy Code (REC) Technical Expert Panel to approve REC Change Proposal R0093: Uplift to CSS Maximum Demand Volumes during MHHS Migration Period. Having considered the arguments and evidence submitted by the appellant and the Code Manager, we have decided to reject the appeal. This letter sets out the reasoning for our decision.

Background

The Market Wide Half-Hourly Settlement (MHHS) programme is responsible for the detailed design and implementation of the MHHS Target Operating Model. In accordance with the MHHS programme plan, Electricity Suppliers will be required to migrate all electricity Metering Points to MHHS over a 12-to-18-month period beginning in April 2025.

The migration process will involve the appointment of MHHS supplier agents - Metering Equipment Managers (MEMs), Data Services and Smart Meter Data Retriever (SMDRs) – and the de-appointment of legacy Supplier Agents – existing MEMs, Data Collectors and Data Aggregators. These activities may occur as part of a switch or as a separate planned

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.

² The appeal was made in accordance with Clause 22 of the REC Change Management Schedule.

migration activity by the Supplier. 'Reverse migration' may also occur on a Switch, whereby a Meter Point Administration Number (MPAN) will be able to revert to legacy settlement arrangements if switching to a Supplier that is not yet qualified for MHHS.

All central systems, including the Central Switching Service (CSS), will need to manage an increased volume of messages during this period, to accommodate the migration of approximately 31 million MPANs, in addition to handling business-as-usual (BAU) requirements. The CSS is currently required to be capable of processing, as a minimum, the following volume of Switch Requests and changes to Supplier Agents:

- average daily volume of 42,300;
- peak daily volume of 281,600;
- average hourly volume of 3,500;
- peak hourly volume of 25,300; and
- annual volume of 15,450,000.

The volume of messages during the MHHS Migration Period will exceed these volumes significantly. The CSS Provider must be capable of managing any additional volumes required during this period to ensure that there is no detrimental impact on both the MHHS migration process and the switching arrangements. However, the CSS Service Definition does not currently require the CSS Provider to be capable of processing these additional volumes.

The Change Proposal

R0093 was raised on 8 February 2023 by the Retail Energy Code Company (RECCo) as a supporting change to the MHHS programme. R0093 seeks to modify the REC to ensure that the CSS Provider is appropriately prepared for the increase in message volumes that will be created during the MHHS programme migration period. It does so by introducing a new obligation within the CSS Service Definition, under paragraph 7.3 and a new paragraph 7.11.³ The proposed new obligation stipulates that the CSS Provider shall be capable of processing, within existing service levels, the volume of messages associated with changes to electricity Supplier Agents and Smart Meter Data Retrievers, in accordance with the maximum daily migration volumes published in the MHHS Migration Plan. Failure to achieve the required service levels shall be considered as a failed Performance Level in accordance with Annex A of the Performance Assurance Schedules.

³ For details of the existing CSS Service Definition and the changes proposed to it by R0093, see the redlined legal text, which is available at the foot of the [REC Portal](#) page for this Change Proposal.

The Change Proposal also sets out explicitly that the CSS Provider shall have sole responsibility for:

- ensuring active engagement with the MHHS programme
- identifying any changes to the daily migration volumes, and
- actioning any necessary steps to manage and support volumes accordingly.

By stating this explicitly in the REC, the intention is to ensure that the CSS Provider has clear requirements, roles and responsibilities during the MHHS Migration Period.

R0093 does not seek to define the actual volumes associated with MHHS migration as these are to be determined by the MHHS Programme. Consistent with its responsibilities, the CSS Provider would need to engage proactively in the MHHS Programme as regards the volumes and their impact on the CSS.

REC Responsible Committee decision

The REC Technical Expert Panel (TEP) was identified as the Responsible Committee for R0093 in accordance with the REC Baseline Statement.⁴ Following industry consultation, the Code Manager submitted the Final Change Report (FCR) to the TEP on 12 January 2024. In it, the Code Manager recommended approval of R0093 on the basis that it would better facilitate the REC Objectives:⁵

- to ensure the REC operates and evolves in a manner that facilitates the achievement of its mission statement
- to ensure customers' interests and data is protected in the operation of the REC, and
- to drive continuous improvements and efficiencies in the operation of the REC and the central systems and communication infrastructures it governs.

Following publication of the FCR, the appellant submitted comments for consideration by the TEP. The Code Manager assessed the comments and shared them with TEP members. These were considered as part of the decision. Consistent with the Code Manager's recommendation, the TEP voted, via an ex-Committee procedure, to accept R0093 on 24 January. Parties were notified of the decision on 25 January.

⁴ The Technical Expert Panel is established and constituted pursuant to and in accordance with the REC.

⁵ As set out in Standard Condition 11B.6 of the Electricity Supply Licence and Standard Condition 11.6 of the Gas Supply Licence.

Appeal to the Authority

The appellant appealed the decision on 8 February. The appellant did so on the basis that, in its opinion, R0093 implementation will not better facilitate the REC objective to drive continuous improvements and efficiencies in the operation of the REC and the central systems and communication infrastructure it governs. On 15 February, the Code Manager sent a referral letter to Ofgem alongside the appeal and other supplementary information including the FCR.

Our decision

We have considered the issues raised in the FCR dated 24 January and in the appeal documentation submitted to us. We have taken into account the responses to the industry consultation and impact assessment, which are available via the REC Portal.⁶ We have also had regard to the eligible grounds for appeal in this matter⁷ as well as our principal objective and statutory duties.⁸

We have concluded that implementation of R0093 would better facilitate the achievement of the REC Objectives. We agree with the original decision of the TEP and the associated Code Manager recommendation. We have therefore decided to reject the appeal and to uphold the TEP's original Self-Governance decision to approve R0093.

Reasons for our decision

In reaching our decision, we have assessed R0093 against the eligible grounds for appeal of a REC Self-Governance Change Proposal, as set out in electricity supply standard licence condition (SLC) 11B.11 and gas supply SLC 11.11. This includes, among other things, an assessment of R0093 against the REC Objectives. As noted above, we consider that R0093 would better facilitate all the REC objectives that were referred to in the FCR. It follows that we do not agree with the appellant that R0093 would not facilitate the REC Objective to drive continuous improvements and efficiencies in the operation of the REC and the central systems and communication infrastructures it governs. We set out more detail below.

⁶ See the [REC Portal](#) for documentation relating to this Change Proposal.

⁷ As set out at Electricity Supply Standard Licence Condition 11B.11 and Gas Supply Standard Licence Condition 11.11. Licence conditions can be found on our [Electronic Public Register](#). See also [Ofgem guidance on self-governance modification appeals](#).

⁸ Electricity Act 1989 s.3A and Gas Act 1986 s.4AA.

Relevant objectives

Ensure that the REC operates and evolves in a manner that facilitates the achievement of its mission statement⁹

R0093 is intended to help ensure that the CSS Provider prepares appropriately for, and fully supports, the migration activity required by the MHHS Programme Migration Approach. As noted in the FCR, it is essential for the CSS Provider to maintain service levels throughout the MHHS migration period.¹⁰ We agree that a specific obligation for the CSS Provider in the REC will provide confidence and a clear expectation of the roles and responsibilities of the REC Parties, the MHHS programme, RECCo and CSS Provider itself. To that extent, R0093 will facilitate the efficient implementation of MHHS. MHHS itself will place strong incentives on the electricity retail market to operate more efficiently and effectively, and encourage innovation, leading to positive customer outcomes. On that basis, Ofgem considers that R0093 will ensure that the REC operates and evolves in a manner that facilitates the achievement of its mission statement.

Ensure that customers' interests and data are protected in the operation of the REC

R0093 is intended to ensure that the additional CSS message volumes arising from MHHS Migration can be managed *without reducing the performance of the switching service*. It therefore protects consumer interests by maintaining the operation of the retail energy market throughout the MHHS Migration Period. However, as the Code Manager notes, it will be critical to have a planned approach for the maintenance of the switching service during migration to ensure that customer switches are not detrimentally affected.

R0093 introduces a specific obligation for the CSS Provider to process these volumes within existing service levels and sets out that any failure to do so shall be considered as a failed Performance Level in accordance with Annex A of the Performance Assurance Schedules. Consequently, Ofgem agrees that R0093 will provide confidence and a clear expectation for REC Parties and RECCo that consumer interests will be protected in the operation of the REC throughout the MHHS Migration Period.

⁹ The REC's mission statement is to "facilitate the efficient and effective running of the retail energy market, including its systems and processes...through promoting innovation, competition and delivering positive consumer outcomes".

¹⁰ In this context, we note that R0093 is not intended to (and does not) amend the baseline maximum daily message volumes that the CSS Provider is expected to be able to handle. The latter is being considered under R0092 'DCC Service Level Agreements for the Switching Incentive Regime'. For details of R0092 (and the alternative R0092A) see the [REC Portal](#).

Drive continuous improvements and efficiencies in the operation of the REC and in the central systems and communication infrastructures that it governs

R0093 is intended to support the future development of operations and systems governed by the REC by placing clear obligations on the CSS Service Provider to take the actions necessary to ensure that it can process the volumes required to deliver the MHHS migration, according to the MHHS implementation plan, with no adverse effect on its handling of switching volumes. As noted in the FCR, successful migration, supported by effective management of associated CSS message volumes, is essential to MHHS implementation.

As noted in the FCR, the CSS was always intended to be a flexible, scalable and dynamic service that would support future retail market innovation. Ofgem fully agrees with the Code Manager that responding in a timely way to support the implementation and transition of MHHS is an example of the innovation that the CSS Provider should be well established to support. Ofgem considers that, by placing clear obligations on the CSS Service Provider to engage actively with the MHHS programme, identify any changes to the daily migration volumes, and action any necessary steps to manage and support volumes accordingly, R0093 facilitates improvements and efficiencies in REC operations and in the systems it governs.

Additional remarks

Ofgem also agrees with the Code Manager that R0093 incentivises the CSS Provider to comply with its licence obligation to cooperate with and facilitate the successful implementation of MHHS, including by taking all reasonable steps to meet key programme milestones.¹¹ We fully share the Code Manager's expectation that the CSS Provider will deliver the requirements of R0093 as part of its operational activity through existing and any future engagement with the MHHS programme as a central services participant of the programme. The onus is squarely on the CSS Provider to engage effectively with the programme and to understand the impact of migration volumes to ensure that its service can support these volumes without detriment to its BAU performance.

The CSS Provider raised concerns about the changes to the current targets and Service Level Agreements under Change Proposal R0092 'DCC Service Level Agreements for the Switching Incentive Regime'. However, we note that during the progress of R0093 it was always explicitly assumed that any changes made to the baseline under R0092 will not affect the requirement for the additional volumes for MHHS migration to be managed. On that basis, we agree with the Code Manager that it is not necessary to defer a decision in relation to R0093 until after there has been a decision on R0092.

¹¹ See condition 21 of the [Smart Meter Communication Licence](#).

Finally, we note the Code Manager's view that the CSS Provider did not take the opportunity provided during the impact assessment period for R0093 to consider the changes required and the impact to Service Level Agreements, based on estimated volumes. We further note – and share – the Code Manager's expectation that the CSS Provider will raise any required change activity directly with RECCo under operational planning and budget submissions, subject to the costs associated with it being economic and efficient. We note that RECCo is supportive of CSS performance testing against the revised volumes and has proposed that this be managed through a Change Request process separate to R0093. Ofgem would support such an initiative.

In the meantime, we agree with the Code Manager that R0093 should be implemented at the earliest opportunity to give the CSS Provider the longest possible lead time to prepare for the enhancements to the service it provides.

Decision notice

In accordance with Standard Condition 11B of the Electricity Supply Licence and Standard Condition 11 of the Gas Supply Licence, the Authority has decided to reject the appeal made by DCC regarding REC Change Proposal R0093: Uplift to CSS Maximum Demand Volumes during MHHS Migration Period.

A handwritten signature in black ink that reads "Melissa Giordano". The signature is written in a cursive style and is positioned above a horizontal line that extends to the right.

Melissa Giordano
Deputy Director, Retail Systems and Processes

Signed on behalf of the Authority and authorised for that purpose