REC Performance Assurance

Annual Report 2022/23 (FINAL)

September 2023

RETAIL
ENERGY
CODE

1 PERFORMANCE ASSURANCE ACTIVITY

1.1 WHAT IS THE ROLE OF THE PERFORMANCE ASSURANCE SERVICE?

The Performance Assurance team monitor Party and Service Provider performance and intervene to help improve market performance - either at an individual level or market level. One of the key techniques is only providing access to REC Services once a Party demonstrates they are competent, known as market entry assurance. Our services are focused on some of the most important areas in which customers interact with the UK energy system, as shown below.
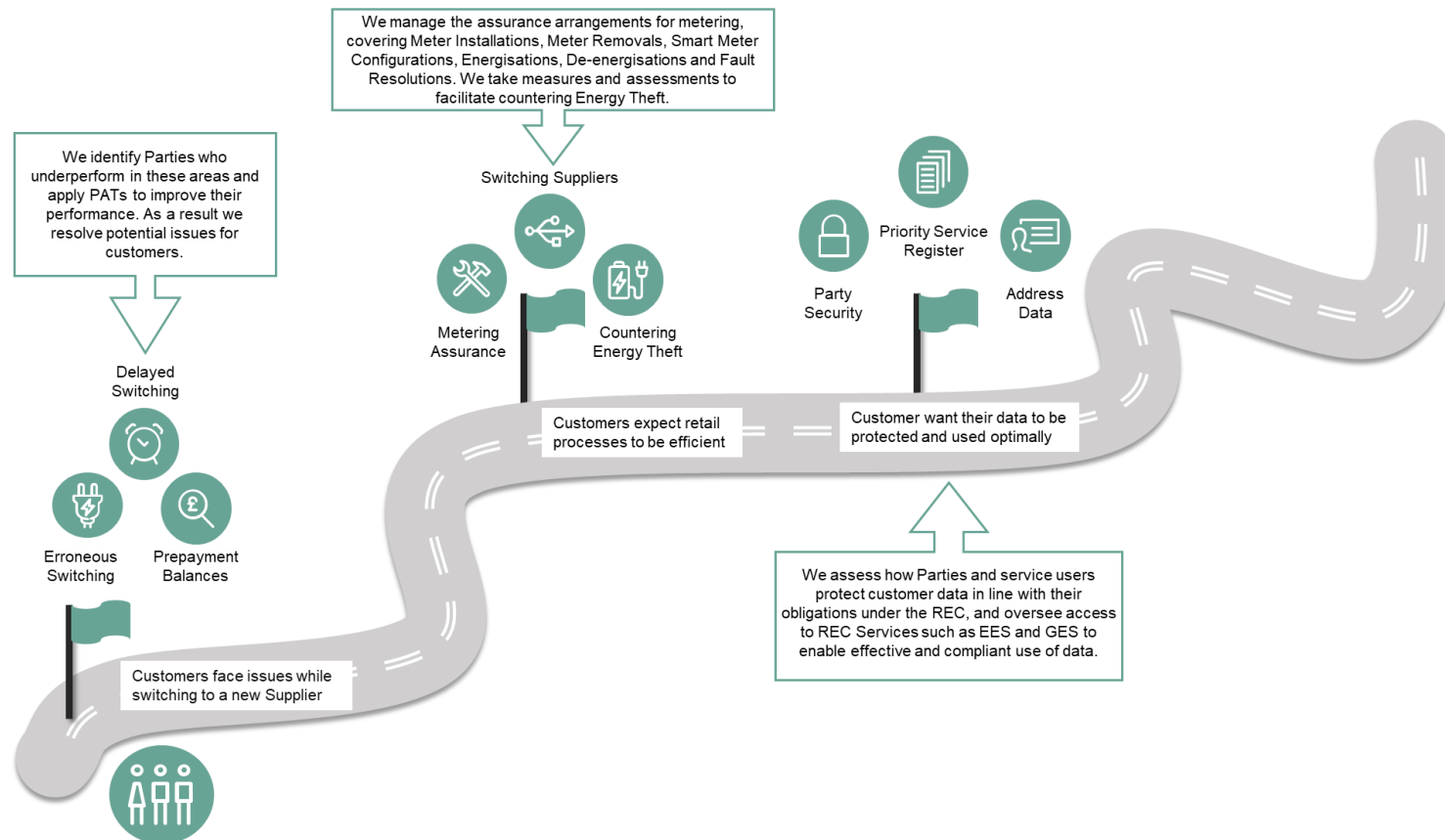
1.2 KEY PERFORMANCE ASSURANCE ACTIVITIES 2022/23

The Performance Assurance Dashboards were launched in November 2022, providing REC Parties and Service Providers visibility of their performance. The dashboards have since been iterated, with several new features and enhancements being released, some of which built on feedback collected from Parties. The dashboards will continue to be enhanced over the coming year, with several updates in development at present, and we will continue to seek further feedback. Overall, the dashboards have produced the intended effect, with Parties proactively monitoring their performance and self-serving the data they need to do so.

Transparency and accountability are key priorities outlined by the PAB, with this being driven primarily by increased data sharing and the release of the Performance Assurance Dashboards being the first key step. An incremental approach to sharing data more widely has been agreed with the PAB, whereby we will be gradually moving from data being provided to individual Parties only or on an anonymised basis to data eventually being shared publicly on an unanonymised basis. This process has recently begun with the Overall Party Score dashboard tab, in which data is provided to all Parties at an anonymised level.

We introduced new functionality into the REC Portal to allow for real-time, automated validation of Performance Assurance data items submitted by Parties over the period from October 2022 – February 2023. The introduction of the functionality initially drove a high number of queries in relation to files submitted by Parties being rejected on upload, however, we invested significant time engaging with Parties via the helpdesk and through calls to help bring data submissions in line with the requirements. Since its introduction, we have seen a notable improvement in data quality, which has allowed us to further automate and improve our reporting process. It has also reduced the level of back-and-forth communication with Parties following data submission.

We have broadened the scope of our Service Provider assurance activities, with many Switching and gas focused services coming under REC governance in 2022. Due to the level of integration of switching services, with service level issues outside of CSS often requiring CSS fixes, we have had to devote additional time to monitor Service Providers than in the previous year.

The Priority Services Register (PSR) self-assessment for DNOs and GTs fed into the RECCo-led market reform. In March, the Code Manager issued a self-assessment on PSR requirements to all GTs/IGTs and DNOs/IDNOs to evaluate the PSR information management process. This self-assessment covered awareness of REC obligations, procedures to identify and share PSR information, and macro issues noted by DNOs and GTs. Additionally for DNOs, procedures to meet requirements for maintaining PSR information were covered. Early engagement with Parties brought about good response rates with 100% of the DNOs and 72% of the GTs completing this self-assessment. The Code Manager has also fed insights from this self-assessment into the business

process mapping exercise being conducted by RECCo to drive improvements in how PSR information is captured and shared across the market.

The Code Manager is in the process of piloting a new approach to assuring the performance of MEMs against their metering operation obligations as a significant proportion of MEM information flows take place bilaterally rather than using the DTN from where we obtain MEM transaction data. Depending on effectiveness of the pilot, the Code Manager will look to expand this approach to additional MEM metering operations in the coming year.

1.3   KEY CHALLENGES FACED 2022/23

Parties consistently report demands from other areas of the industry which make it hard to keep on top of REC obligations. Whilst many are able to fulfil their obligations, both small and large organisations have struggled to appropriately engage with Performance Assurance.

Ofgem's Market Stabilisation Charge, live from April 2022 has acted as a disincentive for Suppliers to acquire domestic customers, a key area of focus for REC Performance Assurance. Despite this we have identified key issues in the first year of operation and driven significant improvements.

The Code Manager has worked to improve positive engagement to demonstrate the value of Performance Assurance to those who, for the right reasons, have not needed to interact with us. New Switching Services have needed both support from the Code Manager as well as intervention to improve performance. The Code Manager has worked closely with DCC, in conjunction with RECCo, to deal with CSS performance issues. Getting the balance right has at times been challenging, but we have sought to take a robust approach to dealing with issues without distracting from fixing the immediate problem.

The MHHS Programme is a major reform within the Electricity sector sponsored by Ofgem and led by Elexon with the objective to develop and then implement an enduring process for MHHS that delivers benefits for consumers by maximising the opportunities provided by smart metering in enabling an intelligent, flexible electricity system. MHHS will change many processes that are governed under the Balancing and Settlement Code (BSC). However, it will also result in changes under the REC, which will need changes to processes for Suppliers, electricity MEMs, DNOs, EES and CSS, with associated technology changes. The MHHS Programme does not deliver the Qualification activities, required to assess whether Programme participants that plan to operate in MHHS arrangements, have the appropriate systems, processes and controls in place to undertake relevant BSC and REC processes. This responsibility remains with the Balancing and Settlement Code Company (BSCCo) and the REC Code Manager. BSCCo and the REC Code Manager are jointly developing the Qualification process and requirements for MHHS Programme to ensure the nature and extent of assurance is appropriate and cost beneficial.
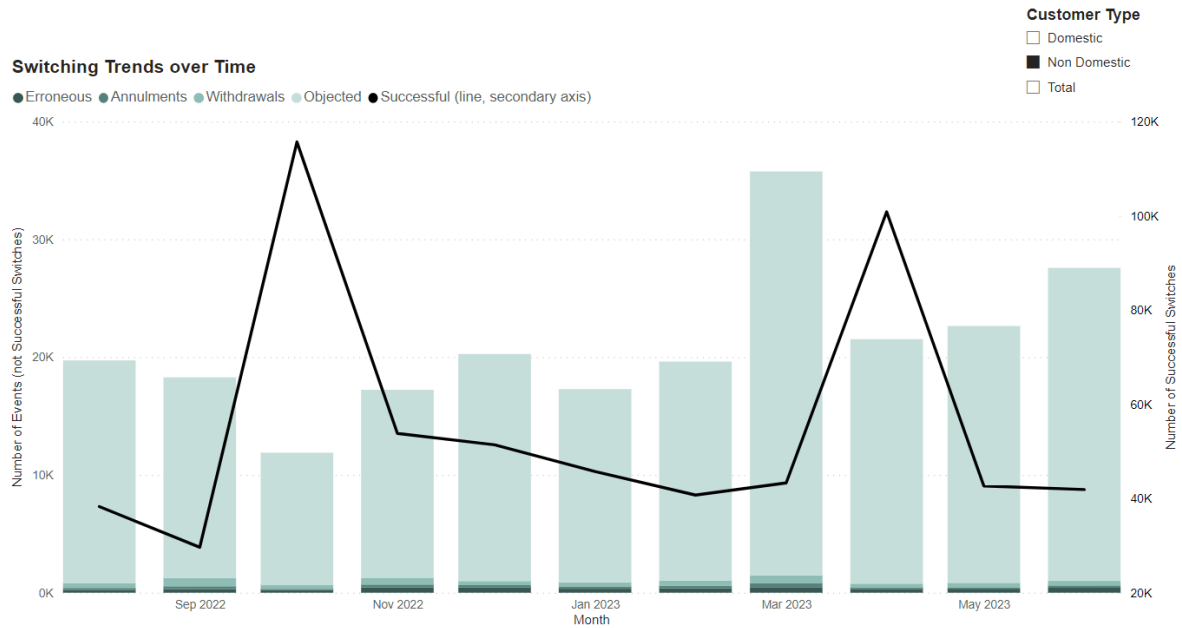
1.4 WHAT DOES THE WORK TO DATE TELL US ABOUT THE EFFECTIVENESS OF THE RETAIL ENERGY CODE?

Switching has continued to be impacted by the price cap and market stabilisation charge throughout the period, resulting in the Central Switching Service (CSS) going live taking place in a quieter market. The data we get from CSS is available a few months after switches take place, but they show several million domestic switches have taken place, and exception routes are a relatively low proportion of switches. We monitor exception routes, such as objections, withdrawals and annulments primarily because the REC requires these queries between Parties to be resolved quickly, so that the customer can reach the appropriate outcome without delay. However we also monitor them because high rates can indicate an issue. Domestic trends are set out below.
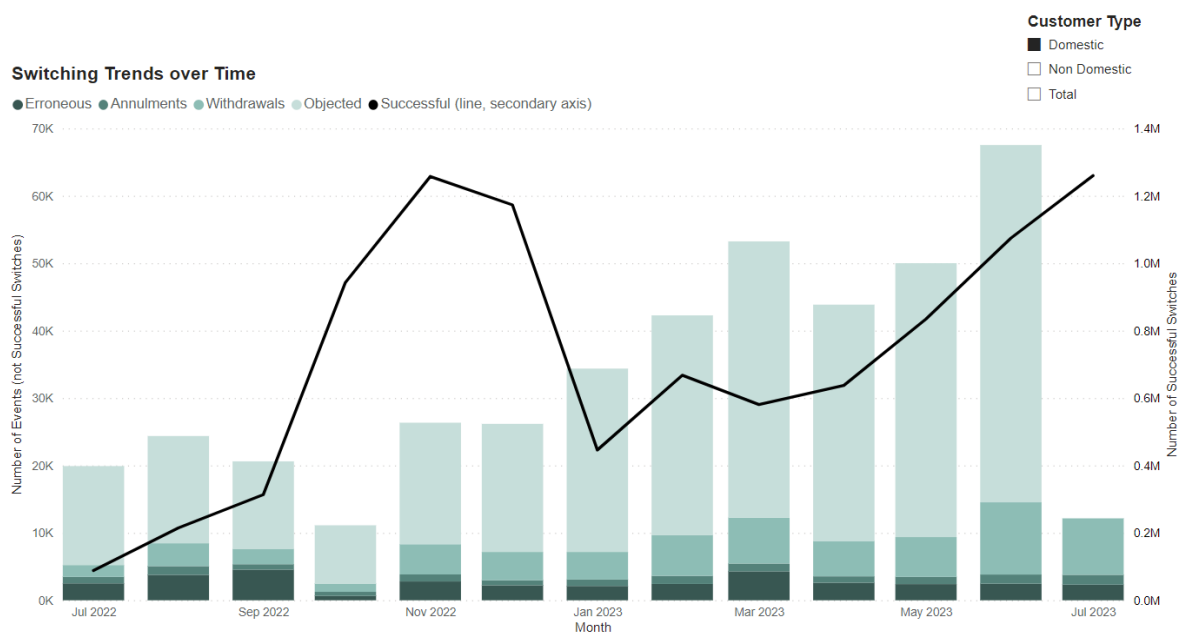

We did higher exception rates close to go live, and identified that some Suppliers did not understand which process to use in which scenario. This required engagement with Parties through RFC to understand the route cause, followed by better guidance and clarification at the REC Issues Group. The REC Change Team are also working to improve the Code, so it is clearly worded without further guidance.

In the non-domestic market, switching processes are similar, but the market has significant peaks around contract renewal times and a higher rate of objections, as many contracts allow for a Supplier to reject to a switch during a fixed period. The graph below indicates these trends:

Switching Trends over Time

● Erroneous ● Annulments ● Withdrawals ● Objected ● Successful (line, secondary axis)

Customer Type
☐ Domestic
■ Non Domestic
☐ Total

A key challenge for us in this market has been overseeing objections, because even though we expect higher rates we identified a small number of organisations with very high objection rates. In some specific cases the PAB has acted to address consistent misuse of the objection process, protecting customers, other suppliers and Third Party Intermediaries (TPIs) from this practice. Through our engagement with TPIs as part of RECCo's work to define a TPIs code of practice we did identify ambiguities which make it both hard for microbusinesses to switch when there is a change of tenancy, and hard for Suppliers to assess if a change of tenancy is genuine. We will work with RECCo on this challenge, providing better more consistent guidance to make this process more predictable for customers without opening Supplier's up to abuse.
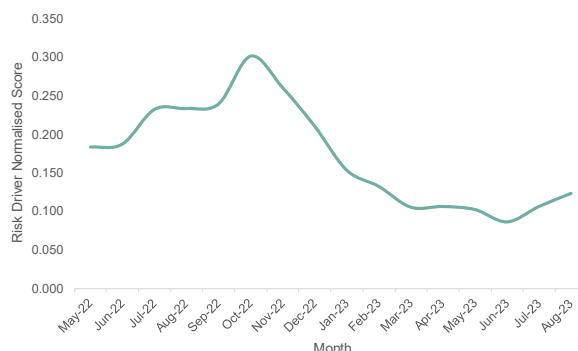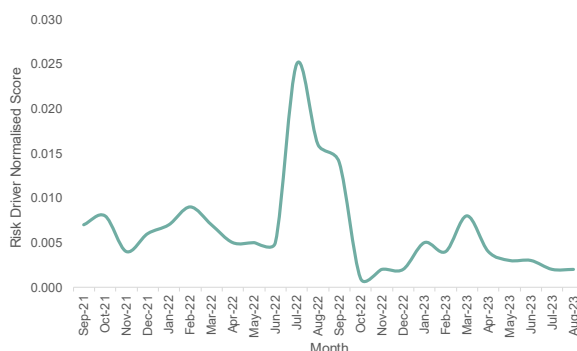
Our data monitoring has demonstrated several parts of the Switching journey that are working well:
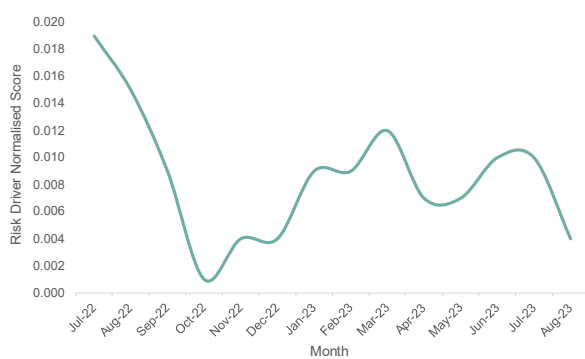
Withdrawal rates are stable and low
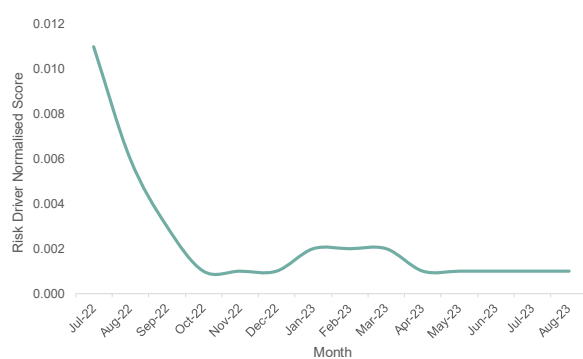
Annulment rates are stable and low

Erroneous switching rates are much lower than before CSS, and pleasingly the proportion of them that get resolved in line with the Code has improved dramatically.

Most encouraging of all, one of our highest areas of focus before CSS go live was on switch request errors, where we monitored if Parties were sending appropriate messages. Whilst there were short lived issues at go-live, this has not materialised into an issue that affects consumers, and we have not needed to intervene:
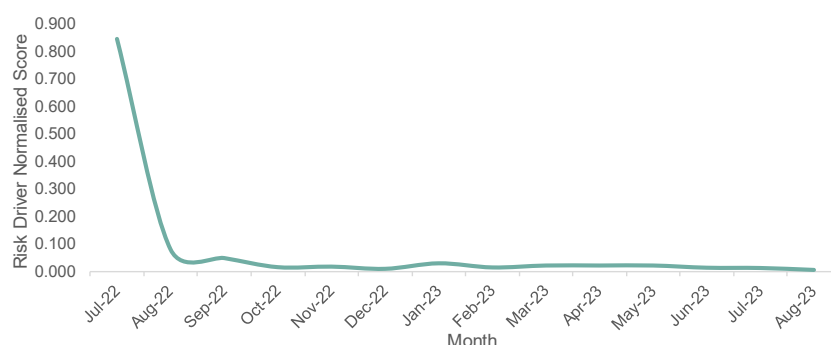
Whilst there have been issues related to the performance of the CSS and Switching Operator service, the information that we receive demonstrates that switching processes are working well, in a market that is less active but not inactive.

The implementation of CSS has resulted in faster switching, with switches taking an average of 3.8 days. However, the subdued level of switching has meant that this has not yet yielded the anticipated consumer benefits related to greater competition for customers.

The number of confirmed thefts seen in the 2022/23 operating year was again lower than targets but comparable to 2021/22, indicating the need for greater incentives as well as enhancements to the Theft Strategy. The Code Manager has implemented improvements to the operation of the Theft Detection Incentive Scheme and has taken over responsibility for the Theft Target Methodology, while RECCo is progressing a wider review of Theft under the REC.

Only 16% of requests to transfer prepayment debt were agreed within 28 working days

There continues to be significant appetite for access to REC data, with many new types of organisations looking to enter the market. This indicates a need for further enhancements to access approach.

Our assurance of the REC change process has confirmed that while early releases complied with the Code, there was limited focus on the enduring Industry benefits to making specific changes. We will focus in coming months on assessing that changes are made promptly, the process to develop them is sufficiently sophisticated, and clarity over ongoing benefits to the industry is a key element of decision making.

1.5 WHAT DOES THE WORK TO DATE TELL US ABOUT THE PERFORMANCE OF PARTIES?

We monitor Parties mostly from central data sources, but in some areas we ask them directly for data to understand performance. We recognise that communication around why we are doing this and what is required is important for those providing data, and we have worked over the year to improve this. We will continue to develop our data acquisition approach, including involving Parties in considering how we evolve our measures. We will also review data items we request to

The number of Parties submitting data has increased by 26% over the past 6 months

consider if they are still required, as we understand the associated effort and costs of providing data for both us and Parties.

Exception handling procedures dependent on more than one REC Party such as Switch Meter Reads dispute resolution and resolution of Erroneous Switches have shown the poorest performance, and have required specific interventions.

We have consistent evidence that the Debt Assignment Protocol is not working, with changes relating to this not progressing sufficiently. Only 22 cases have reached the debt transfer step since CSS go-live, and we will recommend to the RECCo Board that effective prepayment switching should be a key element of the RECCo Forward Workplan for the coming year.

Only 22 cases have reached the debt transfer step since CSS go-live

Our monitoring of metering data flows has been hampered by the use of bilateral rather than central channels for data exchange between some MEMs and other organisations. We made a strong case that measuring performance based on central data sources, as we are obliged to do under the Code, does not provide meaningful information to consumer issues such as delays in meter fault resolution. Addressing this gap is a critical activity for the ongoing year. Below is a summary of the work that has been completed in recent months.

We explored approaches to address this and issued a one-off RFI requesting MEMs to provide 6 months of reporting to demonstrate whether they met their REC obligations. Electricity MEMs who did

use the DTN in more than 95% of their process were exempt from providing certain data items within the RFI.

Due to low coverage and based on the feedback received from Parties on their ability to report, the Code Manager recommends alternative approaches to risk monitoring rather than formalising the MEM RFI as a regular report as this has proven to not be a viable route.

1.6 WHAT DOES THE WORK TO DATE TELL US ABOUT THE PERFORMANCE OF CENTRAL SYSTEMS?

The CSS go live in July 2022 was one of the most significant changes since deregulation in the late 1990s. Whilst there were some challenges at go-live and with ongoing performance, the go-live has been a success overall.

Post go-live our focus has been on system stabilisation, monitoring completion of the work-off plans, seeing evidence that early life problems were systematically addressed and improvements in SLA performance across the Switching eco-system.

Later in the year, issues with missed CSS messages have been the key focus, with the Code Manager challenging DCC on bringing forward remediation actions, identifying and addressing root causes, and making improvements in systems and processes to prevent recurrence.

The introduction of Performance Charges in April 2023 has coincided with an improvement in service levels, including work to address the underlying causes of service level failures.

DCC have also raised changes to review the measures and targets. The Code Manager is managing a process where Service Providers and Service Users input into potential improvements to measures, so that we can both learn from real performance as well as focus any changes to measures into areas that Users value.

The Gas Enquiry Service (GES) also came into scope in July 2022, so during the year we completed a full data access audit. This identified gaps in the controls and provision of access, and instigated improvements to the visibility and consistency of access to data, including robust controls around the provision and if necessary, the revocation of access in line with the Data Access Matrix (DAM).

We also assured accurate reporting of many REC Service Providers, including the Code Manager, to support effective service management by RECCo and oversight by the PAB.

1.7 WHAT HAS OUR WORK TOLD US ABOUT THOSE ENTERING AND LEAVING THE MARKET?

40% more organisations with a REC Qualification since Consolidation

There has been a consistently high number of applicants, with 240 organisations looking to gain a REC qualification, slightly lower than 246 applicants in the first year of the REC. In effect this means that there are now 40% more organisations with a REC qualification, a significant increase since Retail Code Consolidation.

Many of these are organisations with new business models looking to access enquiry services, however, there has also been an increase in Third Party Intermediaries (TPIs), as well as data service providers to TPIs. This represents the continued digitisation of switching journeys, as well as the development of these services outside of energy codes.

We have also seen a return of traditional Parties entering the market, with new iDNOs, Suppliers and MEMs entering and operating with a variety of business solutions.

We have also seen new Party types, including CSS Interface Providers and Safe Isolator Providers, driving the need for tailored entry and maintenance processes that focus on the activities these organisations provide.

Entry processes are tailored and focused on each Party's activities

These large volumes and the diversity of applicants underlines the need for efficient digital engagement, and we are working with our Code Manager teams on improvements to the technology underpinning entry and maintenance of qualification. This is intended to improve the applicant experience, as well as reduce the manual communications and better track the 382 organisations who need to maintain their Qualification.

There continue to be a small number of organisations exiting the market due to performance or financial failings, with the majority relating to non-payment of REC fees.

1.8 WHAT HAS OUR WORK TOLD US ABOUT THOSE MAINTAINING QUALIFICATION?

All REC Parties and Non-Party REC Service Users to are required to submit annual submissions to

The timeliness of submissions has increased from 2022 to 2023

self-certify their continued qualification under the REC. Additionally, the REC Code Manager periodically performs an External Assessment on the Information Security and Data Protection processes and controls for REC Parties and some non-Parties; typically these assessments are required once every three years.

Overall, the timeliness of submissions for Maintenance of Qualification has improved compared to the prior year. At the time of writing in August 2023, the proportion of completed submissions that were due in May, June, and July is higher for 2023 than 2022.

Month Submission Due	% Submissions Completed by Aug-22	% Submissions Completed by Aug-23	Trend	Party % Submissions Completed by Aug-23	Non-Party % Submissions Completed by Aug-23
May	42%	61%	⬆	67%	57%
Jun	61%	70%	⬆	76%	53%
Jul	36%	38%	⬆	40%	29%

This is the second year that Parties and non-Parties have been required to maintain their Qualification, which is a factor in the increased timeliness of submissions. We have additionally worked closer with Operational Account Managers (OAMs) to encourage timely submissions for REC Parties, which is reflected in a higher proportion of completed submissions for REC Parties compared to non-REC Parties.

Additionally, in the case where submissions are more than 1 month late and the REC Code Manager has received no communication from the Party, then their access to the Enquiry Service will be temporarily suspended until they complete their Maintenance of Qualification requirements. This PAT has been effective in incentivising Parties to complete their submission, and we will continue to explore further PATs to encourage the timely completion of Maintenance of Qualification submissions.

3. Looking ahead

Going into Year 3, we want to spend the majority of our time driving performance improvement. This will be delivered through three key activities:

What will we do?	**How will we do it?**
Driving accountability for performance, of both Parties and Service Providers	Clearer reporting of performance via Dashboards and direct involvement of the PAB for both Parties and Service Providers, making the impact we have more visible.
Monitoring the resumption of mass market switching	We will continue with our detailed monitoring of REC processes, ready for mass market switching, and will intervene when required.
MHHS Readiness	Establishing proportionate MHHS qualification procedures, as well as updates to the PAF to reflect new risks introduced by MHHS and changes in risk rating through the course of MHHS migrations.

Further information on our approach and activity for Year 3 is set out in our updated Performance Assurance Operating Plan (PAOP).

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