

REC Performance  
Assurance

# Annual Report 2021/22

September 2022



**RETAIL  
ENERGY  
CODE**

# 1. Chair's Statement

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*Jon Dixon - Performance Assurance Board (PAB) Chair*

I'm pleased to introduce the REC's first Annual Performance Assurance Report, which focuses on the market performance and assurance outcomes over the past twelve months. The Performance Assurance Framework (PAF) represents a fundamental change in how retail market performance is measured and assessed, and how interventions are applied in order to improve performance and achieve desirable outcomes.

Unsurprisingly, the first year of operation has had its challenges. While much was achieved in the build-up to Retail Code Consolidation in September 2021 and we continued to develop and enhance the performance assurance activities over the last 12 months, we have encountered particular challenges related to the submission of performance-related data by REC Parties. We've also been working against the backdrop of unprecedented challenges in the energy market, including the rising wholesale energy prices and the high number of Supplier of Last Resort (SoLR) events, whilst at the same time preparing for significant changes to switching arrangements, including the introduction of the Central Switching Service (CSS) on 18 July 2022.

Notwithstanding these challenges, we have been able to make progress across a number

of areas. Key Performance Assurance activities we have undertaken include:

- Supported over 100 organisations as they progress through the Market Entry process, to gain assurance that applicants have the systems, processes, capabilities, and capacity to operate in the market, protecting both customers and market participants.
- Delivery of industrywide engagement sessions, including deep dive sessions on specific topics covering the Performance Assurance Report Catalogue (PARC), Market Entry process, Qualification and Maintenance (Q&M), and the Debt Assignment Protocol (DAP) process.
- Completed direct assessments of Electricity Enquiry Service (EES) and Secure Data Exchange Portal (SDEP) access, which 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).
- Completed a direct assessment of the Priority Services Register (PSR) in order to identify data quality issues, to make sure vulnerable customers are accurately identified and this information is maintained effectively. We will continue to consider PSR accuracy as RECCo's PSR strategy develops.
- Developed a Peer Comparison for Erroneous Switches, which is now published to industry on a monthly basis as an incentive for performance.
- Delivery of the annual cycle of Maintenance of Qualification, to make sure that Parties can deliver REC processes to the high standards expected, protecting customers and existing businesses from the consequences of underperformance.
- Worked with Ofgem to develop a proposed solution to introduce financial incentives for the operational

performance of the Central Switching Service (CSS), CSS Certificate Authority and Switching Operator. The solution is based on a REC Performance Assurance Framework led approach, working within and complementary to Ofgem's price control, and will be progressed as part of Year 2 activity.

The following section outlines some of the first year challenges in more detail, before looking at key themes on market performance and what this means for our activity in Year 2.

## Challenges

### Data provision

Key to our approach, but a significant change from previous arrangements, has been our intent to make use of data analytics to monitor and subsequently mitigate Retail Risks. This is necessary to deliver efficient performance assurance given the breath of Retail Risks and volume of Parties and service providers in scope of the REC. Data collection is conducted through both central sources and by requiring Parties to submit data as defined in the PARC.

We recognise that we got off to a bumpy start. The first version of the PARC followed an expedited process as part of the mobilisation for Retail Code Consolidation. Although the document was published on the REC website and several workshops held, we acknowledge that more should have been done to engage with all Parties and gather their input into that initial version. This could have avoided the need for clarificatory changes, which undermined the certainty we aim to provide Parties. We got that wrong, and have responded by re-categorising the PARC as a Category 2 document, and therefore subject to the formal change process under the REC.

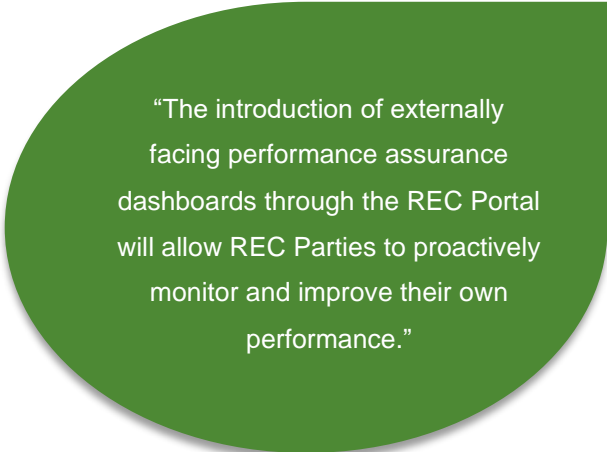
Whilst many Parties are now submitting the full suite of required reports, unfortunately this is not the case for all. The non-submission of reports hinders our ability to assess Retail Risks at both an individual and market level. Where data submission remains insufficient, it

will be necessary to apply alternate approaches including a greater level of site visit and self-assessments and this is being factored into our plans for the second year of operation.

We recognise that reporting requirements, including those set out in the PARC, place an administrative burden upon Parties. We will therefore seek to use the available centrally held data for Retail Risk monitoring and assessment wherever practicable. We are grateful to those organisations for the collaboration they have shown in this so far and look forward to this continuing. However, such central data currently has its limits. For instance, while the data from DTN flows can be valuable, its use as a platform is not consistent across all suppliers. Where our data coverage is incomplete or otherwise insufficient to undertake robust analysis such as risk assessments, we need to revert to Parties as the primary source of that data.

### REC Portal

The REC Portal is not yet what we want it to be, or more importantly what Portal Users need of it. Improvements have been made in each release since go-live and we expect that this will continue as REC Services and the use they make of the Portal functionality continue to evolve on an agile basis. Amongst the backlog to be delivered are the externally-facing performance assurance dashboards, which will provide insights allowing REC Parties to proactively monitor and improve their own performance.



"The introduction of externally facing performance assurance dashboards through the REC Portal will allow REC Parties to proactively monitor and improve their own performance."

## Market Entry and Maintenance of Qualification

In our first year we saw a significantly higher than anticipated volume of market entry applicants, particularly in the period September – December 2021. This was largely due to transitioning a backlog of activities from the MRA and SPAA, as an increase in non-parties applying to gain access to EES.

We established robust internal processes to deal with this high-volume area and received positive feedback from the market entrants who we have supported through the market entry process. Year 1 necessarily focused on foundational activities, but having completed the backlog of activity caused by the ‘big bang’ implementation of REC in September 2021 (rather than this being phased) and established robust and well-practised procedures for future on-boarding of new Parties, there will be a greater emphasis on activities to improve performance in Year 2.



“We have developed robust internal processes to deal with the high-volume Market Entry area, and received positive feedback from industry on how we have supported applicants through the market entry process.”

## Meet our Board Members

The PAB is made up of combination of industry representatives and independents, and its key purpose is to oversee Party and Service Provider performance against the REC. They are also responsible for REC security and data protection requirements. The REC Performance Assurance Code Manager team supports the PAB by delivering assurance activities to assess and improve performance and managing entry processes. Three PAB members share their priorities below:



*“With a background in energy regulation and the development of wholesale markets in electricity and water I’m focusing on the level of risk Parties represent to other participants and customers. I’m also concerned to ensure that the requirements placed on participants are appropriate, unambiguous and do not place unnecessary costs on participants and hence customers.”*

**Dorcas Batstone - Independent Member**



*“As a Supplier representative I am keen to ensure that the obligations placed on Suppliers are relevant, proportionate and achievable. That we measure the right things in the right way, and that we have suitable techniques to identify and manage poor performance. I am also particularly keen to ensure we learn from, and collaborate with, other codes; that we don't repeat mistakes; that we don't duplicate effort; and that we work together to ensure efficiency of operation across the industry.”*

**Karen Lee - Supplier representative**



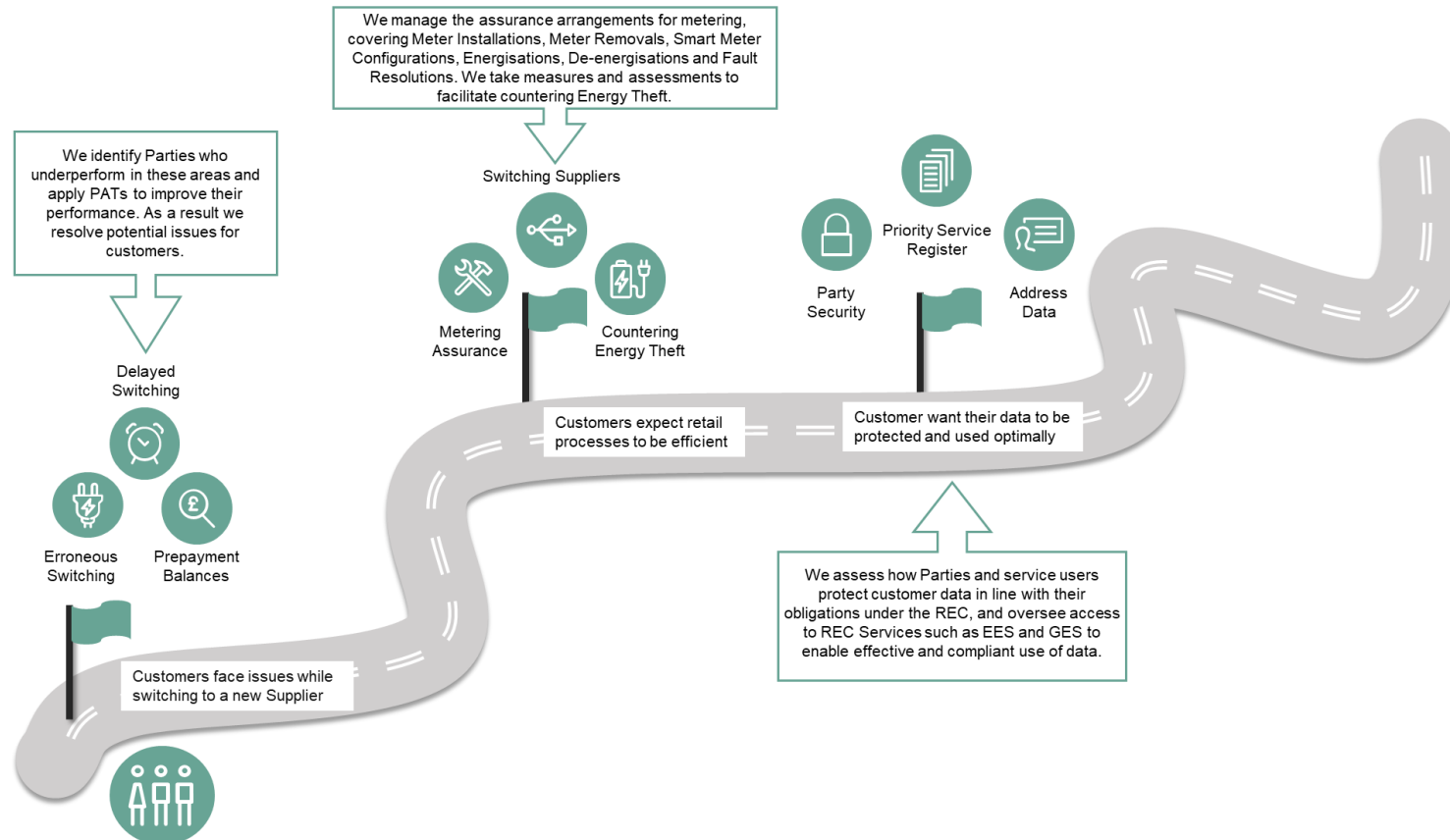
*“My experience of running the performance assurance programme for the non-household water retail market has led to my having a strong focus on ensuring that the root causes of performance risks and issues are identified and understood, whilst also retaining an emphasis on customer outcomes and proportionality. I'm also a strong supporter of ensuring that the broadest range of stakeholder voices and views are heard shared as part of the governance of the market and its performance and that the code bodies/managers themselves are equally transparent and accountable.”*

**Steve Arthur - Independent Member**

## 2. Performance Assurance activity

### 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.



## What does the work to date tell us about the effectiveness of the Retail Energy Code?


In the last year we prioritised our work based on the risk assessment we completed during REC mobilisation. We have updated this risk assessment and prioritisation for CSS readiness. Most of the areas we have focused on are compliance risks, many of which relate to Parties exchanging data quickly and accurately so customers can complete tasks like switch, or top up their prepayment meter.

The data we assess tell us that there are some areas that all Parties struggle with, which indicate that the REC itself needs to be improved to deliver for customers. These include areas like Debt Assignment and Switch Meter Reads. In these areas we will work with other parts of the Code Manager to find solutions to these issues.



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

In 21/22 we included in the PARC information that was designed to understand the areas in which retail issues faced by consumers are not addressed by the REC, particularly around complaints. We are working with Parties and the Information Commissioner's Office (ICO) to identify the best way to receive data for this purpose, but making the most of this information will be essential to better understand what parts of the REC are working, what needs to change and any areas that are outdated and should be removed.



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

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

The approach we have taken differs from other Codes and regulators, believing that Parties with the right information will want to do the right thing. This has been validated by our use of Requests For Information (RFIs) for Parties who are performing below their peers. In many cases Parties have used the information we provided to rapidly improve their own performance without a need for the application of other techniques.

In 22/23 dashboards will be provided to allow Parties to see the data we see on their performance, and therefore address their own performance challenges. Data from the first year has identified clear areas where the PAB expects that Parties should be doing better, for example, resolving Erroneous Switches in a timely manner which will be a major focus for our PATs in 22/23.

### What does the work to date tell us about the performance of central systems?

We take information security very seriously and have reviewed the access granted to EES, identifying 160 organisations with no approval to access the data. As a result, this access has now been removed. As the Gas Enquiry Service (GES) now falls under REC governance, we will repeat this process so that GES data is restricted to authorised users.



We reviewed 184 existing EES users to protect information security.

We also monitor the performance of central services. We've seen the impact on consumers of central service underperformance, with clear dips in consumer outcomes around DTN outages this year. We also see how central system change places large demands on Parties. We are progressing changes that will mean that there are financial incentives on services governed under REC so that they deliver the expected level of service, with well-managed changes and releases reducing the likelihood of delayed or disrupted changes which can have a large impact on Parties.

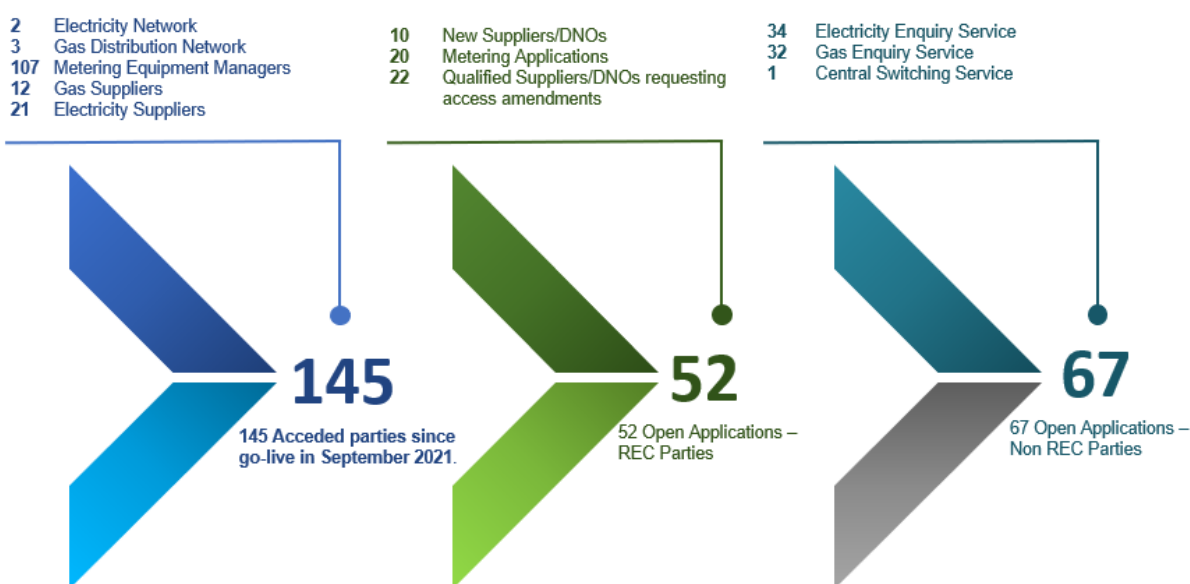
In 21/22 one major focus was on establishing new working relationships with the new service providers who came under REC governance at CSS go live, as well as briefing affected organisations on the associated changes, for example to Maintenance of Qualification. In 22/23 a key priority is monitoring the performance of the switching services, which includes monitoring service levels as well as a programme of Service Provider assurance.



## What has our work told us about those entering and leaving the market?

This year has been unprecedented with disruption in wholesale prices resulting in a significant loss of Suppliers. However, in facilitating the market entry process we have seen not only the change in the makeup of Supplier businesses but also significant new entrants within other sections of the market.

We have continued to see new metering organisations enter the market, but notably a large number of new types of organisations seeking to access enquiry services. This includes Third Party Intermediary Service Providers, a new market role established under REC v2. This has required us to refine our market entry processes to focus on understanding how complex new organisations will use enquiry service data, as well as how they manage information security and privacy risks.



We also identified key improvements to the way Application programming interface (API) access is provisioned, and pragmatic ways to do this, including updating the DAM to reflect the data stored in EES. We have also supported innovation such as Demand Side Response Aggregators and Electric Vehicle charging use cases, providing detailed assessments and obtaining input from PAB on whether access should be provided.








Whilst operating the market entry processes we have enhanced and simplified them. This has included a risk based approach to assessments, focusing our testing on the areas relevant to the specific Party. This is most relevant where Parties have a significant change, where we develop bespoke process declarations. In 22/23 we will continue to drive efficiencies in the market entry area, reducing administration for both applicants and the Code Manager without compromising our risk-based approach.

All systems and process change disclosures have a bespoke assurance.

Our activity has also included tailored Controlled Market Entry (CME) conditions based on applicants' business models, as well as reviewing all CME controls so that they focus on the risks posed to the market by new entrants, and designing a qualification system to reflect the creation of CSS Interface Providers (CIPs). In 22/23 we plan on taking the learnings from this, as well as from how the Smart Energy Code (SEC) and Balancing and Settlement Code (BSC) treat similar organisations, to determine if qualification processes can be improved.

### What has our work told us about those maintaining qualification?

REC Service Users are required to complete annual submissions as part of maintaining their qualification. We have experienced delays in receiving REC Service User submissions throughout the year, and have been working with Users to identify the cause and rectify where possible. We have now updated our Maintenance of Qualification guidance for REC Service Users to help make this clearer, and have improved communications with Operational Account Managers (OAMs) regarding submission deadlines for REC Parties. Since making these updates, we have received an increase in submissions across all Service User types.

Month of Submission	REC Service User Type	Number of Submissions due	% Submissions received by deadline	% Submissions in total received	Progress Status	Number of Parties outstanding
Jan	Non-REC	27	44%	100%		0
Feb	Non-REC	8	100%	100%		0
Mar	Non-REC	23	70%	96%		1
April	MEMs	25	36%	56%		11
May	MEMs	26	31%	42%		15
Jun	MEMs	33	28%	61%		13
Jul	DNOs	28	36%	36%		16



All submissions received



Increase in submissions received since deadline



No Change in submissions received since deadline


In addition we have been working on change requests for Maintenance of Qualification to further improve existing guidance and better handle late submissions going forward. This will mean using additional PATs to incentivise submissions, to reduce the amount of manual effort and time spent on managing submissions in 22/23.

### 3. Looking ahead

As outlined in the section above, despite making good progress in Year 1, significant effort was devoted to transitional and other activities, rather than core Performance Assurance activity. Going into Year 2, we want to spend the majority of our time improving performance. This will be delivered through three key activities:


#### What we will do

#### How we will do it




Understand how CSS impacts consumer outcomes and act to address any performance risks.

Continue to use our risk based approach to identify risks and prioritise intervention based on customer detriment.



Use data to understand where the Code needs improving, or where requirements can be removed.

Feed performance data into the Codes Roadmap for Change Proposals to be developed.



Drive efficiencies so more time can be spent on PATs.

Utilise dashboards to monitor performance, and reduce manual effort in areas such as Market Entry and Maintenance of Qualification.

We will also be concentrating on five key customer outcome areas:



**Address Updates**



**Switch Meter Reads**



**Timely Resolution of Erroneous Switching**



**Energy Theft Detection**



**Debt Assignment**

Further information on our approach and activity for Year 2 will be set out in our updated Performance Assurance Operating Plan (PAOP).

