Performance Assurance Operating Plan (PAOP)

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RETAIL ENERGY CODE

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CHANGE HISTORY

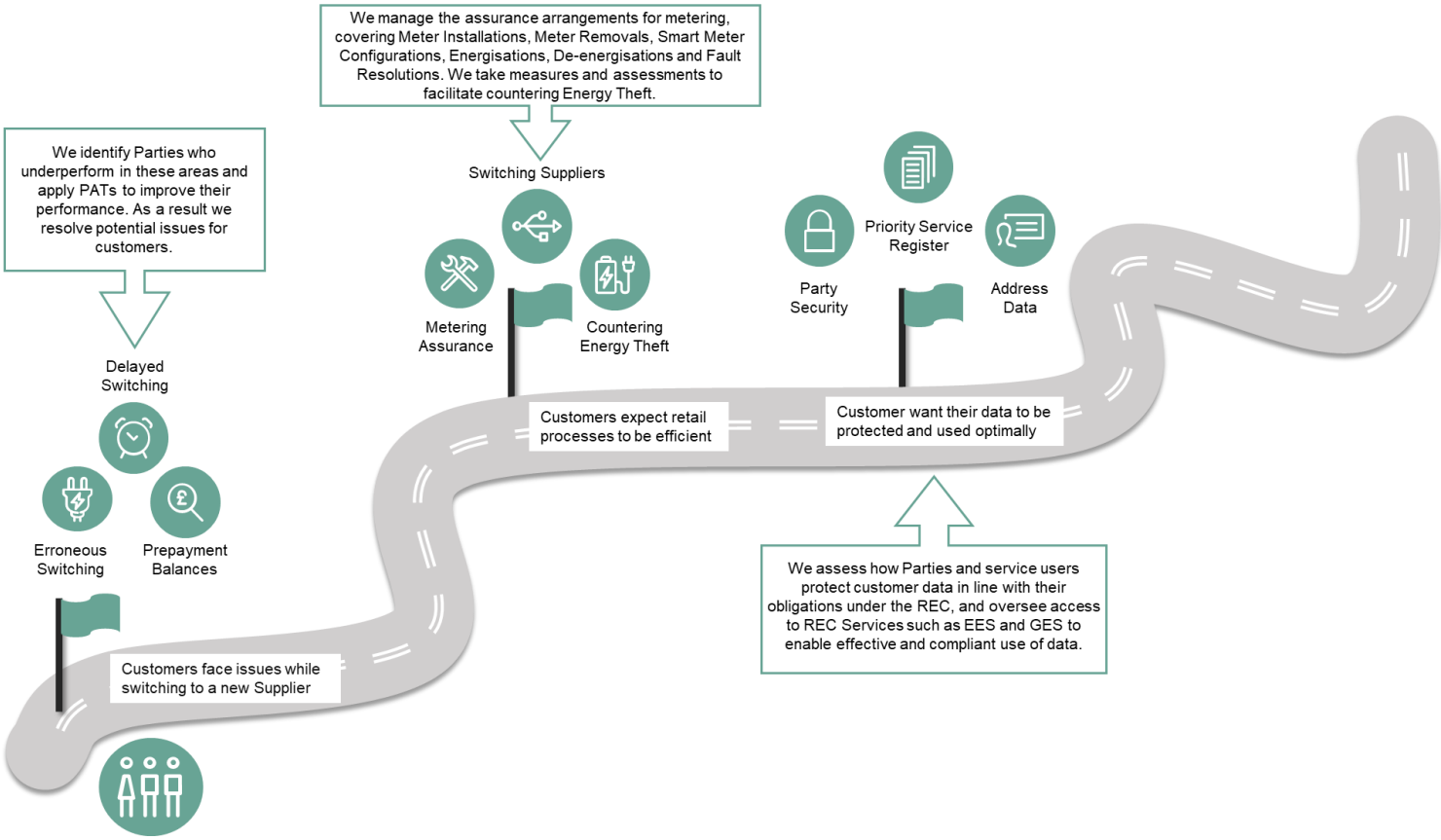
Version	Status	Issue Date	Author	Comments
v1.0	Final	19/07/2021	The Code Manager	N/A
v2.0	Draft	18/10/2021	The Code Manager	Updated following Performance Assurance Framework (PAF) product review
v3.0	Draft	20/09/2022	The Code Manager	Updated for Year 2.
v3.0	Final	01/11/2022	The Code Manager	Finalised following consultation.

Performance Assurance Operating Plan (PAOP)

1. PERFORMANCE ASSURANCE APPROACH

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. Our services are focused on some of the most important areas in which customers interact with the UK energy system, as shown below.

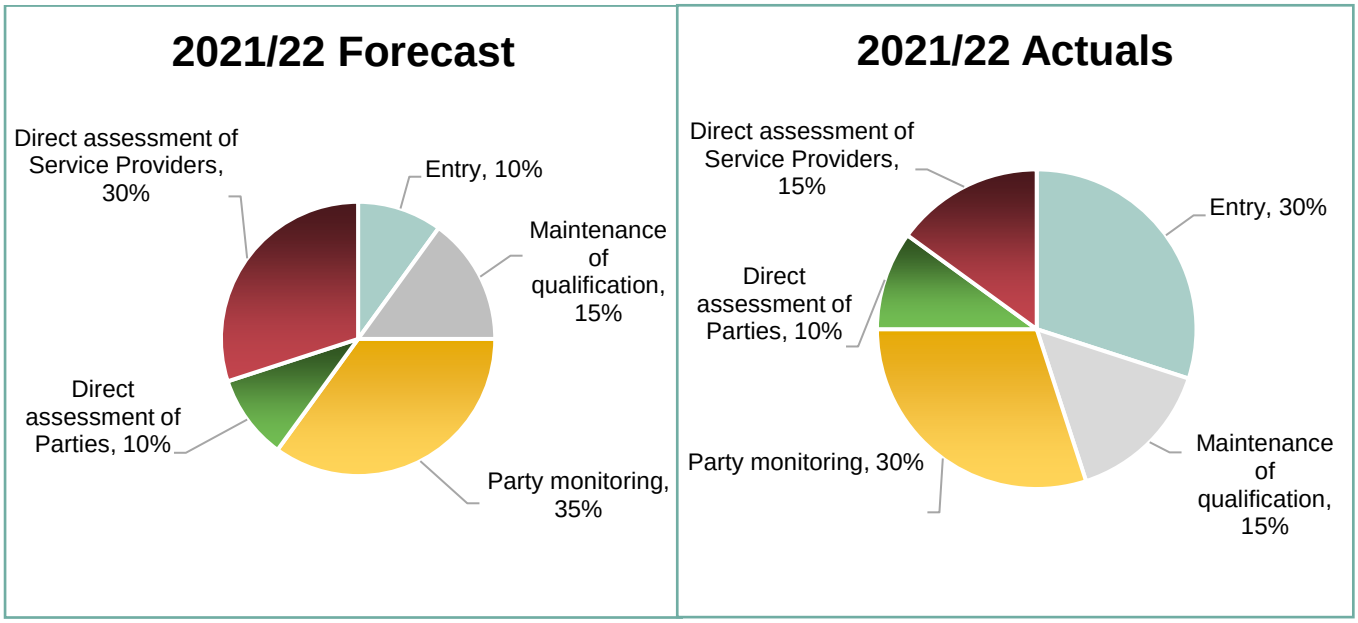


In September 2021 we launched a new Performance Assurance service which governs REC Parties and Service Providers. This includes monitoring market performance and applying performance assurance techniques. At its simplest we control entry to the market, only allowing competent organisations access to REC services. We make sure that Parties maintain this competence through maintenance of qualification, we monitor how Parties behave to understand the causes of poor consumer outcomes, directly assure organisations where this is more effective than monitoring, and oversee REC Service Provider performance.

2. DEFINING OUR OPERATING PLAN

2.1 Overall Prioritisation

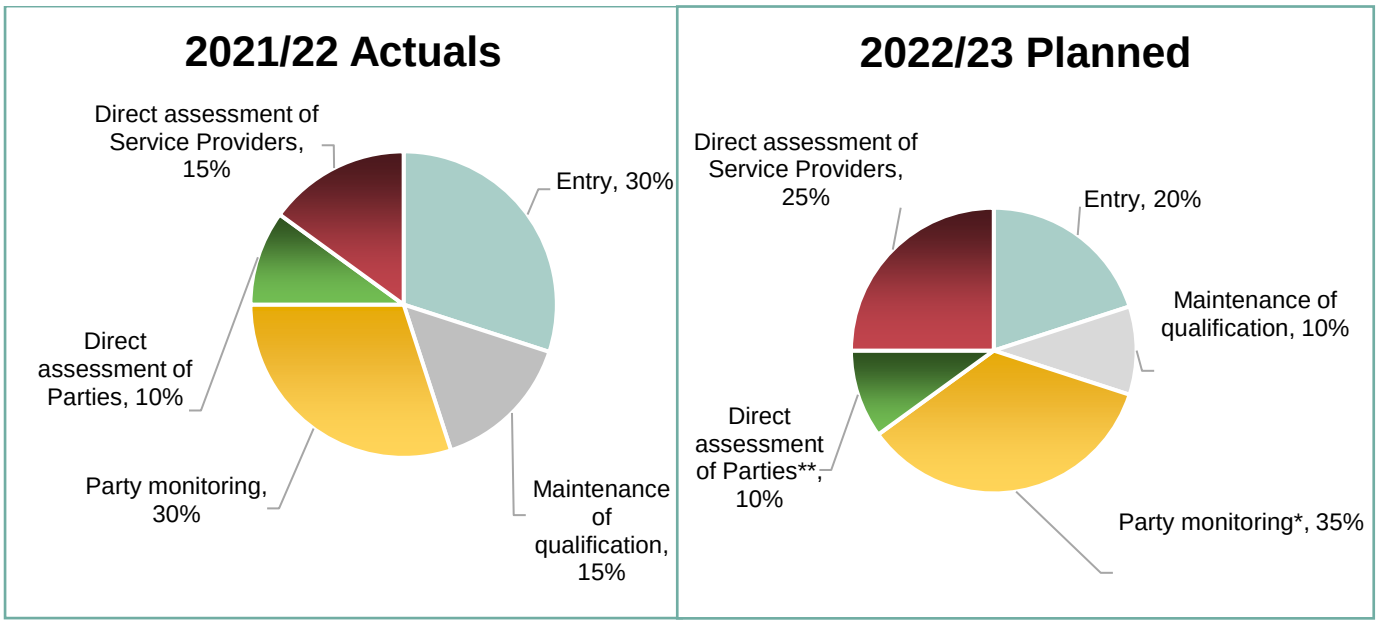
In 2021/22 we forecast the split of time we would spend on five key Assurance areas. We have set out below this expectation as well as how we have actually spent our time:



These variances are attributable to:

1. A significant increase in the volumes of new entrants than anticipated, particularly Metering providers and Non-Party Service Users accessing the Enquiry Services. At go-live, there was a 4-6 month backlog of applications inherited from legacy arrangements. Furthermore there have been increased volumes of applicants following the Electricity Enquiry Service coming under REC governance in September 2021 and similarly for the Gas Enquiry Service in July 2022.
2. A lower level of direct assessments of service providers related to the delay of CSS go live which meant that CSS, GES, ERDS and GRDS only came into our scope towards the end of the Performance Assurance year.

We think that these factors will be temporary, although we expect entry volumes and maintenance to continue to be higher overall than originally anticipated. We therefore have created a plan based on an overall time allocation as follows:



This breakdown underlines our commitment to using a range of techniques to assure and improve performance. We envisage that the time spent monitoring and improving Party performance will involve a range of these techniques, including the application of targeted PATs that address specific issues at individual Parties as well as market wide PATs, such as providing better guidance or supporting the change process to define better market processes.

* Party monitoring, focusing on risks where we track risk metrics
** Direct assessment of Parties, focusing on the risks where risk metrics are less appropriate and techniques are directly applied

2.2 Strategic Assurance Priorities

As described in our annual report we have three key areas of focus:

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. Establish thresholds for CSS metrics.
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 and use the Codes Roadmap to refine the Risk Register
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.

The PAB has also set thresholds that drive the Code Manager's market monitoring over five key customer outcome areas:



Address Updates | **Switch Meter Reads** | **Timely Resolution of Erroneous Switching** | **Energy Theft Detection** | **Debt Assignment**

2.3 Current Market Conditions

The market is currently facing unprecedented circumstances, which are affecting all participants. Major external factors will affect the market in the coming year, particularly around energy prices and government interventions, so it is difficult to predict how the market will evolve. While we expect many of the market trends of the previous year to continue. These include customer bills much higher than historic levels causing increasing affordability challenges for many customers leading to increases in debt and disconnections, the extension of price caps/guarantees which suppress price competition and switching levels in the domestic sector, supply chain disruptions such as the recent meter shortages, and financial pressures on many energy suppliers leading to increased focus on cost to serve and business failures, mergers or acquisitions. These challenges are beyond the scope

of the REC, however it is important to understand their impacts on the REC arrangements and operate in a way that is sensitive to their impacts. We believe that there are three ways in which we can do this.

Data Submission Review

All data processing has costs, and we are cognisant that data provided by Parties does give rise to a direct cost on the individual Party. Party-provided data can be incredibly beneficial, and at times it is the only possible source. However, as part of our periodic review of the PARC we will revisit all Party-provided data items to evaluate the benefits of the submission versus the cost, providing a recommendation to the PAB on any data that should no longer be required. This will not necessarily be when we see evidence of effective market performance. There may be areas in which the market is currently performing well where we continue to require Party data submissions, as we would want early warning if performance degrades to enable us to act.

Priority Services Register (PSR)

In our 2021/22 PAOP we included a direct assessment of the PSR processes for DNOs and GTs on a three year rolling cycle. Since then RECCo has included in its forward work plan a project to identify and overcome the barriers to more effective and efficient sharing on PSR data to better meet the needs of vulnerable and priority consumers. With many more customers under significant financial stress delivering and improving the PSR will become even more important. We will therefore adjust our approach so DNOs and GTs self-report on their key PSR processes as well as the barriers and inefficiencies in the current market design.

Legacy Prepayment Meters

Prepayment customers include a range of vulnerable groups, many of which have additional barriers to effective engagement in the energy market. Some current prepayment processes (non smart) have inefficiencies in them, or indicate meter data quality issues. We will work with industry to review the areas we are focusing on and the sources of data we are using to review compliance. This will consider ways in which we can identify if Suppliers have actively participated in the unallocated payments process, whether a similar approach is appropriate for misdirected payments and the extent to which these customers attempt to switch without the switch completing successfully.

Many of the factors driving these market changes are external to the REC, and therefore it is challenging to predict how they will develop. We will therefore regularly review this operating plan with the PAB based on evolving market conditions. This will take place at least on a quarterly basis, and in this review consider if any specific consultation would be beneficial.

2.4 Where can Performance Assurance Improve?

Based on our experience of operating the Performance Assurance Framework for a year, and the feedback of the PAB, we have identified three key areas where we can develop and enhance our service:

Communications

We have spent a considerable amount of time refining the tone, detail and coordination of our communications, which we will continue to focus on. We have also provided a range of sessions which have explained our processes, approach and areas of focus. We are aware that much of our communication is Party specific, and therefore not visible to other Parties. This means that, other than our annual report, we do not provide a complete picture of our activities to the market. We plan on addressing this by providing regular (quarterly) communication sessions which cover:

1. Our key market observations for the quarter
2. Our activities, interventions, including what is motivating this activity and the benefits to the market it seeks to deliver
3. Upcoming assurance activities, such as reporting deadlines
4. Areas where we are seeking Party input and developing our thinking
5. An open forum for discussion on emerging risks, areas of concern or other pressures affecting Parties (e.g. relating to other Codes)

Dashboard launch

Providing Parties visibility of the results of our risk monitoring is a fundamental element of our Performance Assurance approach. Self-service dashboards within the REC Portal are our preferred approach to providing this visibility and we are pleased that this functionality is now expected to be available before the end of 2022. When Parties can see how they are performing they will be able to better understand our activities and drive their own performance improvements. Dashboards will also allow PAB members to engage directly with Risk Monitoring data and provide opportunities to make the PAB processes more efficient.

We appreciate that this will bring significant changes to Parties, and will provide guidance in advance of launch on what the dashboards mean, how to use them and what Parties should do as a result of the information we share. As Parties start to use dashboards in the first few months we expect we will get a range of questions on how they are constructed and what metrics mean. We will consider the feedback provided to identify the best way to provide further guidance, training and/or engagement sessions to support Parties through this change. We will also learn from the feedback we receive, reporting our learnings and proposed changes to the PAB three months after dashboard go-live.

Data collection

In 2021/22 we set out to achieve an ambitious change in industry governance where performance data is used to assess the performance of Parties, Service Providers and the Code. While we have implemented a significant element of this, key areas remain. Whilst most Parties have been willing to

share data on their overall performance, some have been less willing to share more granular data, which may relate to the performance of themselves or other Parties, or shortcomings in the Code. Most significantly there has been reluctance to share data at a meter-point (MPxN) level including complaints data and supplemental data relating to switching – both of which are intended to be used to identify areas that the Code was failing to deliver customer outcomes – due to them including personal data. The Code Manager and RECCo is working with the Information Commissioners Office to respond to concerns raised by Parties and is pushing to conclude this engagement so that the Code Manager can move forward with collecting this data from Parties to enable this assurance.

The Code Manager has also identified that the data used to monitor compliance with the Metering Operations Schedule is incomplete, as many MEMs do not use the flows described in the REC or do not make use of centralised data transfer mechanisms due to holding multiple market roles. We will engage directly with MEMs on the appropriate approach to assuring this. We expect this will include one or a combination of requiring flows are sent over industry systems, utilising Party provided data as a substitute to centrally collected data or via direct assurance activities similar to those in predecessor codes.

The Change Process

During the last year some of the Code Manager's change and assurance activities have overlapped, highlighting a need to better define the interactions between the change process and the assurance process. We intend to drive an improvement project to refine how these processes interact. This will include:

1. Regular reporting on change proposals which are related to performance issues to the PAB.
2. Review of Performance Assurance Techniques and the PAB forward plan to clarify the mechanisms in place to include priority projects in the Codes Roadmap.
3. Review of the Performance Assurance Methodology, Risk Register and Codes Roadmap to identify how Performance Assurance can measure market performance before and after a significant change.

2.5 Indicative Timeline

The following table outlines an indicative timeline for when year 2 activity (as outlined in 2.1) will take place.

Key:		Planned activity
		Potential activity dependent on performance

	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Baseline Techniques												
Market entry assessment												
Maintenance of Qualification												
Re-communicating Maintenance deadlines for 1 Jan 2022 – 31 Dec 2022												
Annual review of CME and dormant Parties												
Core Party Monitoring, Assessment and Remediation												
Monthly risk determinations where all Retail Risks are monitored												
Additional Performance Assurance Techniques												
Dashboard pre-release webinars (tailored to go live date)												
Dashboard Communications and User Guides published												
Dashboard post go-live drop in session												
Report on key learnings from industry and action plan												
PAB establishment of CSS related thresholds based on three months of performance data												
Industry engagement on MEM flow assurance												
Additional PATs Applied												
Direct assessment of data access to GES												

	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Self-assessments of PSR accuracy based on DNO and GT records												
Peer comparison on Erroneous Switches												
Specific topic monitoring on Metering updates												
Development of Performance Charges on Performance of the Switching Service Provider												
Theft Detection Incentive Schemes												
Theft target published												
Final year submission												
Theft credits / debits communicated												
TDIS reporting												
Associated Operational Processes												
Meter Accreditation												
Helpdesk Service												
Improvement activities related to Change Management												
Communication and improvement												
Risk Register Review												
Review of Party Data Requests												
Performance Assurance engagement session, providing insight to the market												
Market entry training sessions												
Reporting on Change Process improvement and integration to PAB												
MEM engagement related to assurance approach												
PAB self-assessment												
Updates to key PAF documents as a result of PAB self-assessment												

3. SUMMARY OF ACTIVE PERFORMANCE ASSURANCE TECHNIQUES

Our approach is data and risk led, which means that new techniques are applied when the performance suggests that they are required. This means that we may apply new or amended techniques during the year, governance over which is set out in the Performance Assurance Techniques document. We have included below a summary of the key techniques we plan on applying at the start of the year.

Preventive

Qualification/Maintenance of Qualification

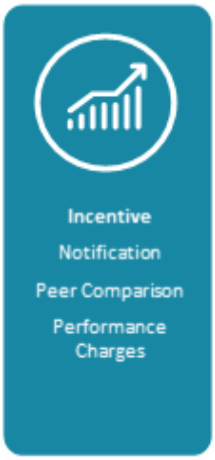


All Parties need to maintain their qualification each year. At the start of reporting year (September) the Code Manager sets out the schedule for the annual cycle of maintenance of qualification. Maintenance of Qualification submission dates are tailored for each type of REC Service User, so operational pressures can be avoided. This was agreed with industry stakeholders by understanding typical operational peaks in the calendar year.

In Year 1 a considerable amount of Code Manager time was spent delivering the Maintenance of Qualification cycle, chasing non-responders for their submissions. In Year 2, we will continue to monitor submissions and will apply different techniques to deal with non-submissions in order to drive efficiencies.

Incentive

Peer Comparison



Peer comparison is conducted through performance league tables. In Year 1 we developed a Peer Comparison for Erroneous Switches, which is now published to industry on a monthly basis as an incentive for performance. We will continue to publish the Peer Comparison on Erroneous Switches, as well as considering other areas where this technique may be appropriate to incentivise performance.

Performance Charges

In Year 1 we 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. This will be progressed as part of Year 2 activity, and Parties will have the opportunity to give feedback and engage on the proposal as part of R0025 progressing through the Change process.

Risk Monitoring

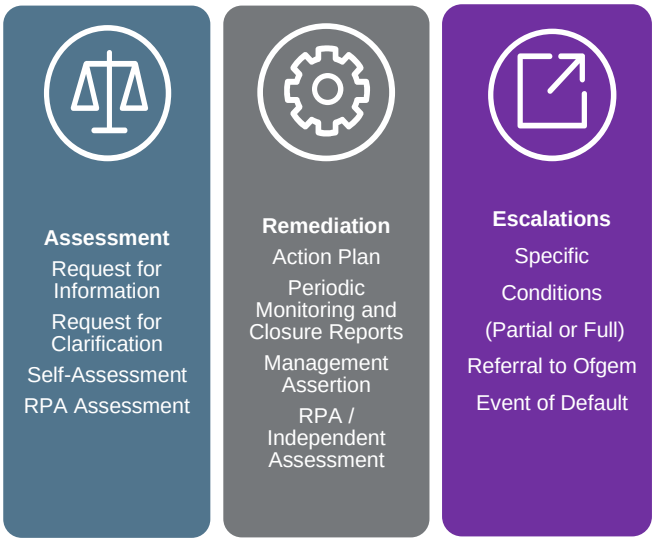
Baseline risk monitoring is used to identify which PATs to apply. The method for identifying, assessing and measuring risks is described in the PAM.



Enhanced monitoring of Parties can be enabled, for example in relation to market changes or to further understand the causes of cross cutting issues. Should we determine further monitoring is required, either for specific Parties or across the market, this is agreed with PAB and communicated to the relevant Parties prior to monitoring going live.

The introduction of externally-facing performance assurance dashboards in Year 2 will provide insights allowing REC Parties to proactively monitor and improve their own performance.

Assessment, Remediation and Escalation Techniques



Our approach to assessment techniques uses a monthly cycle of risk analysis. Based on risk metrics, including their thresholds and trends, we will determine the specific assessment techniques to apply which will vary depending on Party performance. Full details of this approach is set out in the PATs document, with examples of how performance data is assessed, as well the different PATs that can be applied. It also describes how we respond to issues identified through assessments in the form of remedial or escalation techniques.

Direct Assessments Related to Risk

In addition to assessments on predecessor codes, we will also commit to undertake specific assessments in the following areas:

- **Assessment of Changes to the Priority Services Register (PSR)** –RECCo has included in its forward work plan a project to identify and overcome the barriers to more effective and efficient sharing on PSR data to better meet the needs of vulnerable and priority consumers. We will therefore adjust our approach so DNOs and GTs self-report on their key PSR processes as well as the barriers and inefficiencies in the current market design.
- **Assessment of Data Access** – we will undertake an assessment to assess that access to the Gas Enquiry Service (GES) data is being used in accordance with a Data Access Matrix, as set

out in the Data Access Schedule. This follows on from a similar review in Year 1 for the Electricity Enquiry Service.

- **Switching Provider Direct Assessment** – we will undertake an annual assessment to evaluate the performance of the REC Switching Provider. The Code Manager will undertake an annual assessment of how the Service Provider performs against the eight risk drivers highlighted in the Retail Risk Register so that consumers are not prevented from switching suppliers effectively.

4. PERFORMANCE ASSURANCE OF CENTRAL SERVICE PROVIDERS

In Year 1 we established Performance Assurance over the Code Manager and commenced performance monitoring in the early life of switching services. After Switching Programme Exit, our full Performance Assurance approach will apply which centres on whether services are being delivered in line with the Code and if service performance is accurately reported. Each of these services are critical to enable effective retail market operation, however we have prioritised them based on the extent of change, complexity and the way in which these services is procured for the benefit of industry.

REC Service Provider	Scope of Services	Level of focus	Performance Assurance Approach	Frequency
REC Code Manager Providers	Professional and technical services provided to enable the delivery of the Retail Energy Code.	Moderate	Evaluation of the delivery of core contractual requirements, including assessment of the accuracy of reporting to RECCo.	Quarterly
Electricity Enquiry Service (EES)	Supply meter point service covering electricity meters. This is used by suppliers and numerous non REC Party users, including during switching.	Moderate	Evaluation of the accurate reporting of core requirements in the REC Service Definition. PATs based on Service Definition Performance.	Annually
Gas Enquiry Service (GES)	Supply meter point service covering gas meters. This is used by suppliers and numerous non REC Party users, including during switching.	Moderate	Evaluation of the accurate reporting of core requirements in the REC Service Definition. PATs based on Service Definition Performance.	Annually

REC Service Provider	Scope of Services	Level of focus	Performance Assurance Approach	Frequency
Switching Operator Provider	Delivery of switching service desk and service management system, which support the resolution of issues and improvement activities.	Very high	Evaluation of the delivery of REC obligations, including the accuracy of any information reported to PAB.	Quarterly
Central Switching Service (CSS)	Registration and address management services, which are critical to switching processes.	Very high	Evaluation of the delivery of REC obligations, including the accuracy of any information reported to PAB.	Quarterly
Electricity Retail Data Service (ERDS)	Enables the exchange of Registration and Registerable Meter Point data between DNOs, suppliers and the Central Switching Service.	Moderate	Evaluation of the accurate reporting of core requirements in the REC Service Definition. PATs based on Service Definition Performance.	Sample of ERDS providers each year
Gas Retail Data Service (GRDS)	Enables the exchange of data the Central Switching Service and the Central Data Service Provider.	Moderate	Evaluation of the accurate reporting of core requirements in the REC Service Definition. PATs based on Service Definition Performance.	Annually
Energy Theft Tip Off Service (ETTOS)	Services to enable anonymous reporting of energy theft for investigation.	Low	Our work will be limited to reactive investigation of issues, to reflect the lower level of risk and nature of the ETTOS provider.	N/A

We are aware of issues with the metrics contained within switching service definitions, for example that they are not uniquely defined or in some instances service providers can miss their SLAs due to the actions of other switching services. We will work with RECCo and other parts of the Code Manager to initiate a change proposal to address these issues. This will include consideration of the needs of users of the service, which are primarily REC Parties, as well as which metrics are appropriate to measure the service as implemented.



To find out more please contact:

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