RETAIL ENERGY CODE

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01	Initial Assessment Report
02	Preliminary Change
03	Final Change Report

FINAL CHANGE REPORT

R0025 - SERVICE PROVIDER PERFORMANCE CHARGES (DCC)

CHANGE REPORT	FINAL
DOCUMENT VERSION	2.0
ISSUED DATE	21/12/2022
DOCUMENT APPROVAL STATUS	POST-VOTE

RESPONSIBLE COMMITTEE	PERFORMANCE ASSURANCE BOARD	CHANGE PATH	AUTHORITY DETERMINED
PRIORITY STATUS	HIGH	URGENCY	STANDARD

DEADLINE FOR ALTERNATIVE CHANGE PROPOSALS	15/11/2022

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CHANGE OVERVIEW

This Change Proposal seeks to introduce an economic incentive scheme for the Centralised Registration Service (CRS) Provider through the introduction of Service Provider Performance Charges linked to performance against service levels defined in the REC.

	High Impact: Data Communications Company (DCC)
	Medium Impact: REC Performance Assurance Board, Code Manager
	Low Impact: N/A

RESPONSIBLE COMMITTEE DECISION

On the 20 December 2022 the Performance Assurance Board voted unanimously to recommend that the Authority **APPROVE** Change Proposal R0025 for implementation on 01 April 2023.

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BACKGROUND

1 SUMMARY

Performance Assurance Techniques (PATs) are a critical part of the Code Manager's Performance Assurance Framework. These techniques are the mechanisms by which the Code Manager understands the causes of poor performance and acts to improve it. As set out in the PATs document, Performance Charges will be used in specific circumstances to incentivise performance based on objective, measurable performance criteria.

The performance of REC Service Providers is essential to the proper functioning of the market. It is therefore important to incentivise these providers.

There are two categories of Service Providers under REC governance, those procured by the Retail Energy Code Company (RECCo) and those provided by other Parties:

REC SERVICES PROVIDED BY RECCO
REC Code Manager
Electricity Enquiry Service / Secure Data Exchange Service
Gas Enquiry Service
Green Deal Central Charging Database service
Energy Theft Tip-off Service
Metering Auditors

REC SERVICES PROVIDED BY PARTIES	
DCC Responsibility:	Distribution Network Operators / Gas Transporters Responsibility:
Central Switching Service (CSS)	Electricity Retail Data Service (ERDS)
Switching Operator Service	Gas Retail Data Service (GRDS)
CSS Certificate Authority	

RECCo are responsible for contract management, including creating appropriate service levels and service credits for the services they procure. As a consequence of REC V3.0, similar incentives do not exist for services relating to the CSS, Switching Operator Service and CSS Certificate Authority. Given the scale and importance of these services in the market, the Code Manager has developed a Performance Charge framework to incentivise their performance.

The recommended approach, which was first endorsed by the Performance Assurance Board (PAB) in December 2021, and which has subsequently been developed between the Code Manager, RECCo and Ofgem, focuses on performance against service levels defined in the various REC Service Definitions. The basic principle of the approach is that Performance Charges will be applied where the Service Level Agreement (SLA) metrics, which will be based on the requirement set out in the various REC Service Definitions, are not met. The CRS Provider operates as a regulated monopoly under a price control regime, and in accordance with the Smart Meter Communications Licence issued by Ofgem. Any Performance Charge

framework developed needs to be cognisant of, and complimentary to, the price control regime set by Ofgem.

The price control provisions within the Smart Meter Communications Licence require that 100% of DCC's baseline margin must be at risk. Ofgem is proposing changes to the Smart Meter Communication Licence. They will be proposing that the baseline margin relating to DCC's switching services would be split across two categories of incentive (approximately an 80/20 split, with the exact split to be confirmed by Ofgem). This is similar to the way the current Operational Performance Regime (OPR) for smart metering is designed, although this currently has three categories that the DCC are measured on.

The operational / system performance incentive category would be assured through the REC, with up to 80% (or the final percentage split confirmed by Ofgem) of DCC's approved baseline margin being at risk through the achievement of SLAs defined in the REC. Total liquidated damages would be calculated on a sliding scale up to a defined maximum threshold on a quarterly basis. Based on 80% of the DCC's Baseline Margin being at risk over the financial year, which would equate to 20% of their annual Baseline Margin at risk per quarter.

Therefore, the proposed solution in this Change Proposal seeks to use the application of REC Performance Charges, related to the CRS Provider's performance against service levels, as the mechanism through which DCC's operational performance is to be measured as part of Ofgem's price control.

Originally, this Change Proposal also sought to include the REC Services provided by Distribution Network Operators and Gas Transporters (ERDS and GRDS). Through the development of the Change Proposal, the introduction of Performance Charges for these services have been removed and are no longer in scope of this Change Proposal, however assurance techniques and further incentives to improve performance in these areas may be explored at a future point.

This Change Proposal is linked to changes being made to the Smart Meter Communications Licence (DCC Licence) by Ofgem that need to be implemented on 01 April 2023 to be ready for the start of the next regulatory year. Therefore, the prioritisation and Change Proposal Plan accommodates this timetable.

2 PROBLEM STATEMENT

Service Provider performance measures and charges do not currently exist for services that are not procured by the REC but are provided by the CRS Provider. The performance of the CRS Provider is essential to the proper functioning of the market, without appropriate performance measure or Performance Charges there is little incentive to maintain service performance or improve poor performance in a timely manner.

3 USER STORIES

REF.	USER STORIES
MARKET PARTICIPANT USER STORIES	
M1	As the REC Code Manager, I want to ensure that REC Service Providers achieve their Service Level Agreements (SLAs) defined in REC Service Definitions, so that impacts to the REC Code Manager, REC Parties and other Service Providers, as a consequence of Service Provider underperformance, are minimised and the change process delivers to time and cost.
M2	As the CRS Provider, I want clarity on when and how Performance Charges will be used as part of the Performance Assurance Techniques, so that I'm clear on what service levels I need to meet and the consequences of not delivering against these.

PROPOSAL

4 SUMMARY OF ANALYSIS UNDERTAKEN

In April 2022, RECCo issued a consultation on the approach to DCC Performance Charges following engagement with Ofgem on how this would interact with DCC's price control regime.

In July 2022, RECCo published their response to the consultation setting out a summary of responses and the proposed next steps agreed with Ofgem. Since this, RECCo have been working with Ofgem and the DCC on the design of the scheme, proposed under this Change Proposal.

Several workshops have taken place to review and refine the detail of the proposed scheme. There have been a few refinements made to the proposal because of this.

Timescales for making representations to the PAB

The original proposal suggested that the CRS Provider should have to provide a representation and associated evidence to the PAB within 10-15 Working Days of the end of the relevant Quarter, where they felt that certain failed service levels were not reasonably within their control to achieve. These timescales were originally proposed to ensure that a decision could be taken by the PAB in their first meeting following the end of the relevant quarter. Following further discussion with the DCC, it was noted that the current agreed report submission process that has been agreed with the Code Manager would not work with these timescales, as the report is submitted prior to the DCC completing an internal review with service providers. It was agreed that a timescale of 20 Working Days would be sufficient to provide the relevant representation to the PAB, and that this would need to be reviewed by the PAB in the second month following the end of the relevant period. As the DCC already provide monthly SLA reporting, rather than quarterly, it was further agreed that any representations to the PAB would be made on a monthly basis, to align with the current reporting cycle, rather than wait until the end of the quarter to make these representations.

No double jeopardy principle

It was agreed that there was a reasonable expectation that the DCC should not have multiple Performance Charges applied for an issue that would inevitably result in more than one service level being missed. For instance, if there was an issue resulting in the service not being available, which also meant that during that period responses to messages could not be issued in the required timeframe, the CRS Provider should not have duplicate charges applied for missing both service levels when it is not possible to achieve one and not the other. It may not always be clear that this is the case, as there may be cases where the same two service levels can be met independently of each other in a particular scenario, and where they cannot in another scenario. For this reason, it was noted that the PAB will need to apply its discretion on where this is the case based on the evidence submitted by the DCC. However, the principle of the PAB not applying duplicate Performance Charges has been strengthened in the legal text, to give greater confidence to the DCC that there is no intention to diverge from this principle.

Definition of service levels / performance levels

The original drafting refers to the scope of the scheme applying to 'Performance Levels' in the Service Definitions. This was due to the term 'Performance Level' being used in the Service Level section of each Service Definition, which sets out the required performance against each Service Level.

It was identified that, based on how the Service Definitions are drafted, this did not include availability requirements for the services. This is because availability is defined in a separate section of the Service Definition and does not include the term 'Performance Level' in the drafting. This was an oversight, and the intention was that availability is included in the scheme, therefore the legal drafting has been updated to reflect this.

Materiality / weighting of different service levels

The DCC questioned whether the scheme should target specific SLAs that were considered more material in nature if they weren't met, or if there should be a weighting to better reflect the damages that would be felt by service users in the event of a failure.

In the responses to RECCo's consultation on DCC Performance Charges, there were differing views around which service levels were considered the most material. Some views stated that it was too early in the operation of the service to determine which would have a higher detriment to service users in the event these are not met. The Code Manager agrees that it is too early in the operation of the service to fully understand which service levels directly result in a higher level of detriment to service users and consumers. Therefore, it is proposed that there is no weighting initially associated to these. The CRS Provider will be measured on their overall performance against the service levels expected and funded by REC Parties. Where this service is not delivered, this will reflect that REC Parties have not received the service that has been paid for, therefore Performance Charges will apply to reflect the reduction in the level of service delivered.

Issues with existing service levels

The DCC expressed some concerns they have with the drafting of certain service levels in the REC, noting that these were agreed in Design Baseline 4 for the Switching Programme in order to support the procurement of the CSS and had been directly translated into the REC from this.

There were broadly two categories of concerns that the DCC raised in relation to existing service levels:

1. Clarity of existing wording

There were several service levels where the DCC felt that the wording in the REC could be clearer to address any potential ambiguities that may exist in how these are reported and how performance against these is measured, for the purposes of the scheme. There were numerous examples of this identified, where the intent of the service level could be better reflected in the REC with a housekeeping change to better demonstrate the intended effect of this.

One example was that Paragraph 6.1 of the CSS Service Definition defining a response time for 'Average daily volume' and 'Peak daily volume' of all Market Messages, however Section 7 of the Service Definition only defines average and peak daily volumes for certain message types. Therefore, it's not clear how 'average daily' and 'peak daily' is defined for other messages.

Another example was that Paragraph 6.5 of the CSS Service Definition refers to the 'relevant data for reporting' being available to generate ad hoc reports within two Working Hours of a request. While there are requirements for the CRS Provider to provide ad hoc responses to certain users in certain circumstances (which are defined in the REC), the current wording suggests that any new report request would need to be generated within two Working Hours, which was not the intent of this service level.

RECCo and the Code Manager agreed that these changes could be progressed in a separate REC Change Proposal to improve the drafting of these service levels, where there is not a material change to the intent of the service levels which have already been agreed. RECCo, the Code Manager and the DCC have agreed to take this forward with a view to these being addressed ahead in time for April 2023, when the scheme is proposed to be introduced.

2. Proposed changes to existing service levels

The DCC also raised several proposals to change existing service levels where the drafting and intent of these were clear, but they considered that a change should be made to either the requirement or the way this is measured based on early operation of the service.

One example of this related to requirements to respond to and resolve Switching Incidents within required timescales that have been set out in the REC. The REC currently requires that 100% of Switching Incidents are responded to and resolved within the timescales defined in the Code. The DCC suggested that this was not a reasonable target for financial incentives to be associated with and should be reviewed ahead of an economic incentive regime being introduced or excluded from the scheme.

These service levels were defined as part of the Switching Programme, and the DCC were heavily involved in the initial drafting and acceptance of these prior to procuring their service providers, and further review and acceptance of these being translated into the service definitions in the REC. When these service levels were defined as part of the Switching Programme, the requirement for 100% of incidents to be resolved within the required timescales was considered when the resolution timescales were agreed. For instance, the Switching Operator has 10 Working Days to resolve a Priority 4 Switching Incident, on the basis that the 10 Working Days is a maximum timescale and all incidents will be resolved in this period.

If the DCC wish to propose changes to these service levels, we consider that this is a more fundamental and material Change Proposal that requires appropriate industry engagement and impact assessment to identify an appropriate solution and consider the evidence for a change. If the DCC wish to propose a change to these service levels, the Code Manager will work with them and industry to analyse and develop the proposal. However, we do not consider that this activity needs to complete, or reasonably can complete, prior to the completion of this Change Proposal. The CRS Provider will be expected to operate to the current service levels defined in the REC unless these are formally amended through the change process, and regardless of whether an economic incentive scheme is associated with these.

Scope of R0025

The original scope of R0025 has been amended to remove the ERDA and GRDA roles from the scheme, and to remove change management incentives, to allow the Change Proposal to focus on the agreed solution that will interact with DCC's price control regime.

Assurance requirements of ERDA and GRDA roles, and/or change management performance may still be explored in the future if/when required.

5 PROPOSED SOLUTION

The proposed solution introduces an economic incentive scheme linked to the CRS Provider's performance against existing SLAs. There is an existing reporting mechanism in place to monitor this which is sent to the Code Manager for review each month. The scheme will be the mechanism through which the DCC's operational and system performance will be assured through their price control regime. Ofgem will determine a percentage of the CRS Provider's baseline margin for switching that will be at risk through the scheme in each regulatory year.

The Performance Assurance Board and Code Manager will measure the CRS Provider's performance on a quarterly basis, and the PAB will be responsible for determining where Performance Charges should be applied based on the reported performance in each quarter.

It is important that the design of the scheme strikes a balance between appropriately incentivising the CRS Provider to deliver the expected levels of service required by Service Users, whilst recognising that some flexibility and concessions are required to reflect the reality of operating a complex service of this nature. It would not be reasonable for the CRS Provider to lose its entire margin for the year based on issues caused from a major incident, or series of incidents, which may result in a particularly poor performing quarter. The scheme is not designed to penalise poor performance, but as an incentive to prevent poor performance. Equally, if there are issues in delivering against expected service levels, it is important that the scheme incentivises the CRS Provider to rectify the issue in a timely manner and prevent recurrence.

The Code Manager considers that there are several advantages and disadvantages for the CRS Provider in the design of the scheme, which together offer the balance required for this type of scheme.

Advantages for CRS Provider	Disadvantages for CRS Provider
- Scheme is designed to incentivise achievement of existing service levels that the CRS Provider and industry have previously reviewed and accepted. - Total value at risk limited to x% of baseline margin (no risk of operating at loss). - No pass-through costs are required to Service Providers or sub-contractors as funding of external costs is not at risk. - Proposed tolerance of one missed service level per quarter. Allows for minor issues to occur in the delivery of the service without Performance Charges being incurred. - Performance charges are measured quarterly, capping potential liabilities for a poor performing period to 25% of the total margin at risk. - "No double jeopardy" principle. Requirement for the PAB to treat issues that would inevitably result in multiple service levels failing as a single failed service level. - Ability to make representations to the PAB where they consider achievement of a failed service level was not reasonably within their control, and discretion for the PAB to consider these representations prior to applying Performance Charges. - Additional backstop provision to make representations to the Authority in annual price control submission if they disagree with a PAB decision.	- Escalating Performance Charges based on the number of failed service levels. Each additional failed service level (after the initial tolerance has been breached) results in a higher proportion of the margin at risk being subject to Performance Charges. - No proposed weighting of particular service levels. Any failed service levels would be treated with the same materiality. This will reflect the overall reduction in service received by service users rather than specific damages associated with the individual service level. - Charges would be incurred on a quarterly basis rather than an annual basis (as is currently the case with the Smart Data Service Provider). - PAB decision is final (in determining application of Performance Charges), subject to any decision by the Authority to overturn this in the annual price control submission. - If a decision to apply Performance Charges is overturned, the CRS Provider will have already incurred the charge and will need to wait until the following years' budget to recover this.

We recognise that the service is still relatively new and is completing a period of bedding in. As this scheme is proposed to be introduced from April 2023, this will give the CRS Provider sufficient opportunity to resolve early life operational issues in the first nine months of service, before being incentivised on their performance.

We expect that as the service develops there will be additional information available to analyse and improve service performance. This may include proposing changes to service levels, introducing new service levels or amending the design of the Performance Charge scheme. As these are all proposed to be defined in the REC, any interested party can propose a change to these where they consider this is required. Where changes are approved, the CRS Provider would be measured against the new baseline from when this is implemented.

6 DRAFT LEGAL TEXT

The legal text changes to deliver the proposed solution to R0025 can be found here.

7 DELIVERY AGAINST CHANGE PROPOSAL PLAN

All activities have been completed within the planned timescales, except for the milestones associated with the publication of the Preliminary Change Report and Consultation.

The Preliminary Change Report was not issued on time as further details and clarifications were required within the proposed legal text; however, the Consultation period was extended to ensure the full 15 Working Days were still given to respond.

The Change Proposal Plan can be found here.

8 KEY RISKS, ASSUMPTIONS, ISSUES AND DEPENDENCIES

8.1 RISKS AND ISSUES

No risks or issues have been identified that may impact the progression of this Change Proposal Plan.

8.2 ASSUMPTIONS AND DEPENDENCIES

NO.	ASSUMPTION	NOTES	HOW/WHEN TO VALIDATE
R0025.CPP.A001	The solution discussed between RECCo, the Code Manager and Ofgem will be taken forward in Ofgem's upcoming consultation on changes to the Smart Meter Communications Licence.	Ofgem published their consultation on introducing a Switching Incentive Regime on 21 November 2022. The solution proposed in the consultation aligns to the assumptions made in this Change Proposal.	Closed – Validated through the development of the Change Proposal.
R0025.CPP.A002	No changes to service levels will be progressed as part of this Change Proposal, therefore, any		Closed - Validated through the development of the Change Proposal and communicated via Code

	clarifications to service levels identified by the CRS Provider would need to be addressed through a separate housekeeping Change Proposal.		Manager response to consultation comments.

NO.	DEPENDENCY	NOTES	STATUS
R0025.CPP.D001	A decision will be made on this Change Proposal in time to support an Ofgem decision on the overall scheme and licence changes in January 2023.		Open

9 PROPOSED IMPLEMENTATION DATE AND APPROACH

PROPOSED IMPLEMENTATION DATE	01/04/2023

PROPOSED IMPLEMENTATION APPROACH	BIG BANG

This Change Proposal is linked to changes being made to the Smart Meter Communications Licence (DCC Licence) by Ofgem that need to be implemented on 01 April 2023 to be in for the start of the next regulatory year.

10 SUMMARY OF CONSULTATION RESPONSES

A consultation was circulated on 15 November 2022 to obtain views on the Preliminary Change report. In total six responses were received from Energy Suppliers, Distribution Network Operators and two confidential respondents. The confidential responses have been reviewed and considered by the Code Manager but are not reflected in the consolidated response document of the summary of responses, as set out below:

10.1 SUMMARY OF RESPONSES

10.1.1 COMMENTS ON THE SOLUTION AND LEGAL TEXT

Four respondents agreed that the CRS Provider should be incentivised against the current service levels and service availability requirements defined in the REC. One respondent had no

specific response to this question and the DCC suggested that current service levels defined in the REC, require clarification and supportive material to be developed to define any exclusions or exemptions.

Code Manager response

The proposed solution deliberately does not propose changes, exclusions or exemptions to existing SLAs. All REC Service Providers are expected to deliver against current SLAs defined in the REC baseline, regardless of whether there is an incentive scheme associated with this. The proposed Performance Charge scheme would be based on performance against these SLAs, and any changes to these would need to be proposed through its own Change Proposal.

Weighting of Service Levels

Three (including one confidential) respondents agreed that service levels should initially be considered equally material and not subject to weighting, noting that it was too early in the operation of the CSS to understand the materiality of individual SLAs being failed, but suggesting that this should be reviewed at a later date. One confidential respondent noted that you would ordinarily expect to target and weight specific service levels in an incentive scheme but acknowledged that this would require a more fundamental review of service levels to be progressed through a separate Change Proposal. The DCC did not believe that service levels should be subject to equal weighting and that more work was required to establish a link between SLAs being incentivised and the interests of users. One Supplier did not agree that SLAs should be subject to equal weighting. They noted that some have a far more significant impact on users than others, namely that they considered SLAs associated with the CSS to be more significant and incident resolution SLAs for the Switching Operator, to have a direct impact on consumer switching. Therefore, these should be weighted more heavily.

Code Manager response

We agree that it would be beneficial to take forward further work to determine which SLAs have the greatest impact on Service Users and Consumers., Also the Code Manager should monitor the performance of the CRS Provider and effectiveness of the scheme so this can be better understood. We consider that it is too early in the operation of the new switching service, and there is insufficient data available to accurately assess the impact of individual service levels, in time for the next regulatory year. Therefore, we propose that service levels should not be subject in the initial year of the scheme, but that a revised proposal should be developed to consider if weightings should be applied to future versions of the scheme.

Revisions to Service Levels

Four respondents agreed that any revisions to SLAs should be progressed as a separate Change Proposal. One Supplier and the DCC believe that clarifications to service levels that may be subject to interpretation should be addressed before the commencement of the scheme. One confidential respondent disagreed that housekeeping changes can be made to the definition of SLAs and noted that any proposed amendment to these can have wider impacts to other Service Providers and Service Users, that would need to be appropriately engaged in these proposals.

Code Manager response

We agree that any changes to Service Levels may have wider impacts than anticipated and require appropriate scrutiny and robust impact assessment from impacted stakeholders. Any proposed changes to SLAs should be raised through a Change Proposal, with clear scope, intent and justification, for why these changes should be made. In the absence of a Change Proposal being raised, we expect that the Service Provider should continue to operate to the existing Service Levels, as defined in the REC.

The Code Manager has committed to working with the DCC, and impacted industry stakeholders, to prioritise the review and progression of a Change Proposal. This would propose minor clarifications to SLAs to better reflect the intent of these and ensure consistent interpretation, ahead the proposed implementation of this Change. At the time of drafting this report, no Change Proposal has been submitted to this effect. We would strongly encourage the DCC to submit any Change Proposal required for this purpose as soon as possible. If the Change Proposal is not received in good time, it may not be possible to progress this in time for April 2023.

We have noted that this would not be appropriate for more fundamental proposed changes to SLAs (for example, changing a 10WD SLA to a 5WD SLA, or changing a performance target from 100% to 90%). This type of proposal would require additional scrutiny and impact assessment, and it would not be appropriate for the Code Manager to predict the outcome of whether such a change would be made or guarantee that this would be fully formed, and impact assessed ahead of April 2023. We would encourage the DCC to submit any Change Proposals it intends to raise to this effect as soon as possible, as the sooner this is received, the sooner it will progress through the change process.

Other comments on the solution

The DCC provided proposed changes to the legal text which have been reviewed and considered by the Code Manager. We have responded to these comments in detail in the consolidated consultation document. One of these comments highlighted an inconsistency between the term ‘Central Registration Service Baseline Margin’ in this Change Proposal and the term ‘Centralised Registration Service Margin’, in the draft changes to the DCC Licence from Ofgem’s consultation on the Switching Incentive Regime. We have updated the legal text to align to the correct term in the DCC Licence.

One respondent suggested that it needs to be clear how performance against SLAs is measured and that it should be clear that there should be charges associated with repeated failures of SLAs (for example, if the same SLA is missed for two or more consecutive quarters).

One respondent suggested that those SLAs that directly impact Switching activity should be weighted more highly, and potentially be subject to higher charges than the current proposed cap in each quarter.

Other respondents agreed with the proposed legal text.

Code Manager response

The proposed solution sets out that where there are multiple failures of the same SLA, each instance of failure shall be counted as a separate missed Performance Level for the purposes of calculating Performance Charges. This means there is an existing mechanism for incentivising cumulative failures of the same SLA.

The reporting for performance against SLAs will be based on existing reporting established between the CRS Provider and the Code Manager.

As mentioned above, the Code Manager acknowledges that it is desirable to take forward further work to determine which SLAs have the greatest impact on Service Users and Consumers. Also, the Code Manager should monitor the performance of the CRS Provider and effectiveness of the scheme, so this can be better understood. However, it is also important that the scheme is fair and proportionate to the DCC. The effectiveness of the scheme will be monitored and future changes to the design of this may be proposed. The Code Manager believes any changes will need to be considered based on learnings from the early operation of the scheme and the service.

10.1.2 CASE FOR CHANGE AND CODE MANAGER'S RECOMMENDATION

Four respondents agreed with the Code Managers Recommendation; however, in their response the CRS Provider highlighted that Ofgem have suggested that their margin can be at risk from the 01 April 2023 without the incentive scheme being in place, therefore time can be given for further consideration to the revision of the SLAs ahead of the scheme being introduced.

RECCo and the Code Manager do not consider that any material changes to the CRS Providers SLAs, from those previously agreed in design baseline 4 and REC V3.0, are required prior to the implementation of this scheme. Should the CRS Provider wish to propose changes to their SLAs, they are welcome to raise a Change Proposal to do this, and this will require full industry engagement and impact assessment, so impacts to all stakeholders are considered and an appropriate business case is put forward to determine if a change should be made. The Code Manager cannot predetermine the outcome of any Change Proposal and therefore do not see this as a dependency to introduce this scheme.

10.1.3 IMPLEMENTATION APPROACH AND DATE

Four respondents were supportive of the proposed implementation approach and date.

11 SUMMARY OF AMENDMENTS MADE FOLLOWING CONSULTATION

DOCUMENT	SECTION	AMENDMENT	REASON
Legal Text (Performance Assurance Schedule)	Annex A, Paragraph 10.2	Term 'Central Registration Services Baseline Margin' amended to 'Centralised Registration Services Margin'	To algin with proposed DCC licence drafting in Ofgem's Switching Incentive Regime consultation.
Final Change Report	Assumptions	Added new Assumption: R0025.CPP. A002	To address comments raised in the consultation.

12 BUSINESS CASE ASSESSMENT

The intention of this change is to introduce an economic incentive scheme for the CRS Provider through the introduction of Service Provider Performance Charges linked to performance against service levels defined in the REC.

Without this Change Proposal in place, there is no mechanism for incentivising the performance of the CRS Provider to ensure the expected level of service is delivered. The performance of Service Providers is essential to the proper functioning of the market, without appropriate performance measures there is little incentive for these providers to maintain service performance or improve poor performance in a timely manner.

Analysis of this Change Proposal has not identified any material costs or impacts to the CRS Provider or Code Manager. As the proposed scheme will be measuring performance against existing service levels, which already have appropriate reporting cycles in place between the CRS Provider and Code Manager, there should be no material change to how these are monitored. Equally, as the scheme intends to only put at risk the CRS Provider's switching baseline margin, there will be no direct commercial impact to the CRS Provider over and above existing commercial impacts associated with non-delivery of these requirements. The switching baseline margin relates to the profit margin the CRS Provider is allowed to earn under its price control, therefore should not impact the external costs associated with Service Provider delivery.

Approval of this Change Proposal will deliver effective performance of central services, which is expected to result in greater value for money for Parties that pay for the service. If this Change Proposal is not approved, then there will continue to be a lack of an effective incentive for the CRS Provider to deliver the expected levels of service reasonably expected by REC Parties and Service Users on this basis the Code Manager considers that a positive business case can be made to approve this Change Proposal.

13 CASE FOR CHANGE

13.1 AUTHORITY DETERMINATION

The Code Manager believes that R0025 better facilitates the following REC Objectives:

OBJECTIVE	IMPACT TYPE	DESCRIPTION AND JUSTIFICATION
To ensure the REC operates and evolves in a manner that facilitates the achievement of its mission statement[1]	Positive	This change would positively impact the REC's mission to "facilitate the efficient and effective running of the retail energy market, including its systems and processes". Ensuring that REC Services are effectively incentivised and accountable to deliver the required service levels to support the efficient delivery of REC processes, is essential to the achievement of the REC's mission statement.
To ensure customers interests and data is protected in the operation of the REC	Positive	The CRS Provider service levels set out in the REC are designed to drive the delivery of a real-time, Consumer-focused switching service. Certain service levels have been designed to support a seamless and reliable Consumer switching journey. Performance against these service levels can have a direct impact on the Consumer experience of switching and is therefore vital to ensuring that Consumer interests are protected in the operation of the REC. The incentive scheme reinforces the importance of the service levels being met and the effects on Consumers where poor performance is seen.
To drive continuous improvements and efficiencies in the operation of the REC and the central systems and communication infrastructures it governs	Positive	The incentivisation of the CRS Provider to deliver against expected service levels and resolve any issues preventing this in a timely manner, will ensure that these vital central systems deliver a high value and efficient service in the operation of the REC. RECCo and the Code Manager's ability to operate a comprehensive performance management framework for all REC Service Providers is an important step in achieving this objective.

[1] REC Mission Statement

14 CODE MANAGER'S RECOMMENDATION

Based on the assessment in section 12 and 13 of this report, the Code Manager considers that the REC Objectives would be better facilitated by this Change Proposal being implemented than would otherwise be the case.

The Code Manager recommends that the Performance Assurance Board recommend that the Authority:

- **APPROVE** the proposed change solution.
- **APPROVE** the proposed implementation approach; and
- **APPROVE** the proposed implementation date of 01 April 2023.

15 RESPONSIBLE COMMITTEE DECISION

This report was discussed at the REC Performance Assurance Board meeting on 20 December 2022.

REC Performance Assurance Board voted to recommend that the Authority:

- **APPROVE** the proposed change solution;
- **APPROVE** the proposed implementation approach; and
- **APPROVE** the proposed implementation date of 01 April 2023.

16 APPENDIX

CHANGE PROPOSAL	R0025 Change Proposal Page
LEGAL DRAFTING	Link to EMAR
CONSOLIDATED CONSULTATION COMMENTS AND CODE MANAGER'S RESPONSES	Link

17 GLOSSARY

TERM	DEFINITION
Data Communications Company (DCC)	means the person holding the DCC Licence
Performance Assurance	means the activities undertaken by the Code Manager and the REC PAB in accordance with the Performance Assurance Schedule.
Performance Assurance Framework (PAF)	means the Performance Assurance Schedule and the documents, processes and arrangements established pursuant to the Performance Assurance Schedule, for the purposes of (or in relation to) the monitoring and assurance of roles and obligations undertaken by REC Service Users and REC Service Providers pursuant to this Code.
Performance Assurance Operating Plan (POAP)	means the plan of that name approved by the REC PAB, as described in the Performance Assurance Schedule.
Performance Assurance Technique (PAT)	means any provision or process that may be employed by the REC PAB and/or the Code Manager in order to mitigate Retail Risks in accordance with the Performance Assurance Schedule.
Performance Charges	means the charges which the REC PAB may levy on REC Service Users and REC Service Providers as part of the Performance Assurance Framework.
REC Service	means each of the services provided pursuant to this Code, as described in the Service Definitions.
REC Service Provider (Service Provider)	means the provider of each REC Service.
Retail Energy Code (REC)	means this Code, including its Schedules and the Technical Specification, maintained pursuant to the electricity supply licences granted under the Electricity Act 1989 and the gas supply licences granted under the Gas Act 1986, as such code is modified from time to time in accordance with its provisions
Retail Energy Code Company (RECCo)	means the company established under Clause 5 of the main body of this Code.
Retail Risk	means a risk that retail energy consumer outcomes and the effectiveness of the retail market are measurably and significantly degraded by a failure by a REC Service User or REC Service Provider to meet the objectives, standards and core processes under this Code.