RETAIL ENERGY CODE

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|---|---|
| 01 | Initial Assessment Report |
| 02 | Preliminary Change Report |
| 03 | Final Change Report |

# CHANGE REPORT

## R0059 – MAINTENANCE OF QUALIFICATION SCHEDULE CHANGE

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| CHANGE REPORT | PRELIMINARY |
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| PRIORITY STATUS | LOW | URGENCY | STANDARD |

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| DEADLINE FOR ALTERNATIVE CHANGE PROPOSALS | 14/04/2023 |

**LEAD CHANGE ANALYST**




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### CHANGE OVERVIEW

This change will clarify, strengthen, and simplify a number of requirements for REC Service Users within REC Schedule 9 – Qualification and Maintenance.

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| | High Impact:<br>N/A |
| | Medium Impact:<br>Gas Transporters, Metering Equipment Managers, REC Service Users |
| | Low Impact:<br>Energy Suppliers, Distribution Network Operators, Data Communications Company |

### CODE MANAGER'S RECOMMENDATION

The Code Manager recommends Change Proposal R0059 is **APPROVED** for implementation on 03 November 2023.

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# BACKGROUND

## 1 BACKGROUND

Schedule 9 - Qualification and Maintenance sets out the criteria that must be met by organisations who wish to become a Qualified Party and/or access one or more REC Services. The process is designed to provide assurance that a new entrant's systems and processes are fit for purpose. These processes are not intended to place additional obligations on REC Service Users, over and above those needed to meet this purpose.

Each REC Service User (excluding Switching Data Service Providers) must complete Entry Assessment to demonstrate that it is able to comply with its obligations under this Code to become Qualified to access the relevant REC Service. Access Agreements will specify the terms and conditions applicable to each requested REC Service. The scope of activities required as part of Entry Assessment will vary depending on Market Role, the individual REC Service and the category of REC Service User. Schedule 9 also sets out the requirements that REC Service Users must meet to retain their use of REC services.

Some REC Parties have failed to provide the Code Manager with all the necessary information, at the appropriate time, to maintain their qualification. This has resulted in the need to spend time clarifying obligations with REC Parties and/or prompting them to provide the necessary information.

This change will further clarify obligations on REC Parties and REC Service Users, with the aim of improving the efficiency of the maintenance of qualification reporting processes.

## 2 PROBLEM STATEMENT

REC Service Users are required to submit Maintenance of Qualification Annual Statements to the Code Manager, although the requirements differ depending on the User category. The lack of clear obligations for REC Service Users surrounding the Maintenance of Qualification reporting, as set out in Schedule 9 – Qualification and Maintenance, results in missing or partially completed submissions. Considerable time is spent by the Code Manager requesting and following up on individual submissions.

## 3 USER STORIES

| REF. | USER STORIES |
|---|---|
| **MARKET PARTICIPANT USER STORIES** | |
| M1 | As an Energy Supplier, I want to understand precisely what obligations apply to me under the Schedule 9 – Qualification and Maintenance, so that I can provide the required information to the Code Manager in a timely manner and be compliant. |
| M2 | As a Distribution Network Operator, I want to understand precisely what obligations apply to me under the Schedule 9 – Qualification and Maintenance, so that I can provide the required information to the Code Manager in a timely manner and be compliant. |

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| M3 | As a Gas Transporter, I want to understand precisely what obligations apply to me under the Schedule 9 – Qualification and Maintenance, so that I can provide the required information to the Code Manager in a timely manner and be compliant. |
| M4 | As a Metering Equipment Manager, I want to understand precisely what obligations apply to me under the Schedule 9 – Qualification and Maintenance, so that I can provide the required information to the Code Manager in a timely manner and be compliant. |
| M5 | As a REC Service User, I want to understand precisely what obligations apply to me under the Schedule 9 – Qualification and Maintenance, so that I can provide the required information to the Code Manager in a timely manner and be compliant. |
| M6 | As the REC Code Manager, I want REC Parties and REC Service Users to have a clear understanding of the information they need to submit relating to the maintenance of their qualification, so that necessary information can be submitted for review and consideration in the most efficient way. |

# PROPOSAL

## 4 SUMMARY OF ANALYSIS UNDERTAKEN

A review was carried out by the Code Manager following feedback received relating to submissions of the maintenance of qualification reporting for Parties. Following that review, it was identified that clarification was needed to be added to the legal text.

A review of the solution proposed to Schedule 9 – Qualification and Maintenance by the Change Proposer took place as well as the undertaking of a legal review on the draft legal text.

During this period, the proposed changes to the legal text were reviewed to ensure the changes proposed address underlying factors causing the issues experienced by the Code Manager, REC Parties and REC Service Users.

## 5 PROPOSED SOLUTION

The solution for this Change Proposal is a change to legal text only, with no central system technical development. Schedule 9 – Qualification and Maintenance will be amended as follows:

- Paragraph 1.2 currently does not indicate that for a Non-Party REC Service User, the Access Agreement will specify the terms and conditions applicable to each requested REC Service. Update will be made to indicate this.
- Paragraph 1.3 currently states ‘an Energy Suppliers or Distribution Network Operators may be subject to restrictions on the scope of its permitted operation in the proposed sector of the market’. This has been reworded to clarify that certain REC Services may be subject to restrictions rather than restrictions being applied to specific Parties.
- Paragraph 2.3 (d) currently describes as a pre-condition to Qualification that Energy Suppliers must demonstrate that they are a User under the “Smart Energy Code” (if

required by the Energy Supplier's Energy Supply License). This has been reworded to "Smart Energy Code Party" for consistency with the Smart Energy Code (SEC).

- The Energy Theft Tip Off Service is mentioned throughout the Schedule. This has been reworded in accordance with the Energy Theft Reduction Schedule, to REC Service User for the Energy Theft Tip-Off Service.
- Defined terms have been updated throughout the Schedule for Qualified, Qualification, User, Party, CSS Schedule, REC Charging Methodology, REC Charging Statement and Testing Specifications, in accordance with the consistent language used in the REC and Schedule 1 – Interpretations and Definitions.
- Paragraph 3.5 currently refers to 'Energy Suppliers or Distribution Network Operators'. This has been reworded to 'a Party or Non-Party REC Service User' to clarify that all REC Service Users, including MEMs, requesting Qualification for a sector of the market that it has not previously been Qualified, must complete the full Entry Assessment process detailed in the REC Schedule.
- Paragraph 3.7 (b) currently refers to 'Energy Suppliers and Distribution Network Operators'. This has been removed as all REC Parties and Non-Party REC Service Users may be subject to Controlled Market Entry Conditions where they have become Qualified. This should also be reflected in Paragraphs 9.7, 9.8 and 9.9.
- Paragraphs 11.4, 11.5 and 11.6 currently refer to 'Energy Suppliers and Distribution Network Operators'. This has been reworded to 'REC Service Users' to clarify that all REC Service Users, including MEMs, need to complete the current systems and process change disclosures. Changes made to clarify that only significant changes should be reported to the Code Manager.
- Paragraph 13.1 states that 'The REC Service User External Assessment will include the submission of the following information in respect of the REC Service User (known as the REC Service User Assurance Evidence)'. This has been reworded to 'The REC Service User External Assessment shall include the submission of the following information in respect of the REC Service User (known as the REC Service User Assurance Evidence)'. This is to be consistent with the wording used across the rest of the REC Schedules.
- Paragraph 13.1 details the required evidence to be submitted as part of the REC Service User External Assessment. Inclusion of a new requirement 13.1 (f):

  > 'in the case of Non-Party REC Service Users, the Code Manager may request a letter of sponsorship from a Party to confirm that a commercial relationship exists (or is expected to exist in the next 12 months) between that Party and the Non-Party REC Service User pursuant to which relationship the Non-Party REC Service User provides (or will provide) services to the Party which require the Non-Party REC Service User to access the REC Services for which the Non-Party REC Service User is Qualified. Non-Party REC Service Users must notify the Code Manager of any issues that cause reasonable doubt over the continuation of a current commercial relationship'.

- Entry documentation to be renamed for simplification:

  - From “Systems or Process Change Disclosure” to “Change or Incident Notification”
  - From “Service User Categorisation and Assessment” to “REC Service User Assessment Guidance”

- REC Schedule 1 – Interpretations and Definitions changes.
  - Introduction of a new defined term for Smart Energy Code Party, which means SEC Parties as defined under the Smart Energy Code.
  - Maintenance of Qualification definition updated to reflect the need to only report significant changes to the Code Manager.
  - The inclusion of the specific REC Services to the defined term REC Service.
  - The corresponding changes made following the renaming of the above-mentioned entry documentation.
  - Inclusion of the acronym CMEC to the existing defined term Controlled Market Entry Conditions.

## 6 DRAFT LEGAL TEXT

The legal text changes to deliver the proposed solution to R0059 can be found here.

## 7 SUMMARY OF IMPACT ASSESSMENT ACTIVITY

### 7.1 REC PARTY IMPACT ASSESSMENTS

A Party impact assessment was published by the Code Manager on 10 March 2023, inviting REC Parties to provide their responses by 24 March 2023. Four responses were received from Parties: one REC Service Provider and three from DNOs. The responses received are contained in the consolidated impact assessment responses document here.

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| **REC SERVICE PROVIDER** | • Does do not believe there will be an impact on their organisation through the implementation of the proposed solution.<br>• Does not believe that there will be any additional costs incurred through the implementation of the proposed solution. |
| **DISTRIBUTION NETWORK OPERATORS** | • All DNOs agreed and are supportive of the proposed changes.<br>• All DNOs reported that there would be no impacts on their organisation through the implementation of the proposed solution.<br>• All DNOs reported that there would be no additional costs incurred through the implementation of the proposed solution. |

Clarification was requested relating to the proposed changes to Paragraph 11.4b and 11.5. These Paragraphs refer to *significant* changes that is required to be disclosed to the Code Manager for assessment. This is documented in section 8 of the REC Maintenance of

Qualification Guidance document. Changes to the REC Maintenance of Qualification Guidance document will be delivered alongside this Change Proposal.

## 8 DELIVERY AGAINST CHANGE PROPOSAL PLAN

All activity has been completed within the planned timescales.

The Change Proposal Plan can be found here

## 9 KEY RISKS, ASSUMPTIONS, ISSUES AND DEPENDENCIES

### 9.1 RISKS AND ISSUES

No risks or issues have been identified.

### 9.2 ASSUMPTIONS AND DEPENDENCIES

No assumptions or dependencies have been identified.

## 10 PROPOSED IMPLEMENTATION DATE AND APPROACH

| PROPOSED IMPLEMENTATION DATE | 03/11/2023 |
|---|---|

| PROPOSED IMPLEMENTATION APPROACH | BIG BANG |
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## 11 BUSINESS CASE ASSESSMENT

The intention of this Change Proposal is to clarify, strengthen, and simplify a number of requirements for REC Service Users within REC Schedule 9 – Qualification and Maintenance.

The proposed changes will mean that REC Service Users are clear on what obligations apply under the Schedule 9 – Qualification and Maintenance and what information they need to submit in relation to the maintenance of their qualification.

As the change provides greater clarity on the requirements, REC Service Users and the Code Manager will benefit from a more efficient process requiring less resources to submit and accept the Annual Maintenance of Qualification Statements. This change therefore supports the REC Objective to drive continuous improvements and efficiencies in the operation of the REC and the central systems and communication infrastructures it governs.

## 12 CASE FOR CHANGE

### 12.1 SELF GOVERNANCE

The Code Manager considers that there is a positive case for change to implement this Change Proposal, on the basis that:

- The proposed solution is fully formed and appropriately resolves the problem statement.
- There are no identified impacts or costs to the market in implementing the proposed solution.
- The proposed solution introduces efficiencies for REC Service Users and the Code Manager and avoids additional costs of queries and resolutions.
- The impact of not implementing this solution would mean that REC Service Users would remain unclear as to what obligations apply under the Schedule 9 – Qualification and Maintenance and what information is needed to be submitted relating to the maintenance of their qualification.

## 13 CODE MANAGER'S RECOMMENDATION

The Code Manager recommends that the Responsible Committee:

- **APPROVE** the proposed change solution;
- **APPROVE** the proposed implementation approach; and
- **APPROVE** the proposed implementation date of 03 November 2023.

## 14 CONSULTATION PLAN AND NEXT STEPS

The consultation on this Preliminary Change Report for R0059 will be published on the REC Portal on **28 April 2023** and will close on **22 May 2023**.

Following consultation, the Code Manager will produce an updated version of this Preliminary Change Report (referred to as the Final Change Report). This will include the outcome of the consultation, setting out a summary of the consultation submissions and the Code Manager's response.

The Final Change Report will be issued to Responsible Committee to make its determination.

## 15 APPENDIX

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| **CHANGE PROPOSAL** | Link |
| **LEGAL DRAFTING** | Link |
| **CONSOLIDATED IMPACT ASSESSMENT RESPONSES** | Link |

## 16 GLOSSARY

| TERM | DEFINITION |
|---|---|
| Controlled Market Entry Conditions (CMEC) | means the conditions that apply during an initial period of market participation, as determined by the Code Manager in accordance with the Qualification and Maintenance Schedule. |
| Data Communications Company (DCC) | means the person holding the DCC Licence. |
| Distribution Network Operator (DNO) | means a person holding an Electricity Distribution Licence. |
| Energy Supplier | means a person which is either or both an Electricity Supplier and/or a Gas Supplier. |
| Gas Transporter (GT) | means a person holding a Gas Transporter Licence which requires that person to become a party to this code. |
| Metering Equipment Manager (MEM) | means, as applicable, either: (a) for electricity, the 'Meter Operator Agent' (as defined in the BSC) Appointed by an Electricity Supplier; or (b) for gas, the 'Meter Asset Manager' (as defined in the UNC) Appointed by the Gas Supplier. |
| REC Objectives | means the objectives set out as such in Condition 11B of the Electricity Supply Licences and Condition 11 of the Gas Supply Licences, which are: a) to ensure the REC operates and evolves in a manner that facilitates the achievement of its mission statement; b) to ensure customers interests and data is protected in the operation of the REC; and, c) to drive continuous improvements and efficiencies in the operation of the REC and the central systems and communication infrastructures it governs. |
| REC Performance Assurance Board (PAB) | means the performance assurance board for this Code, as from time to time established under Clause 15 of the main body of this Code (which is a Sub-Committee). |
| 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. |
| REC Service | means each of the services provided pursuant to this Code, as described in the Service Interpretations and Definitions 73 Copyright 2023 Retail Energy Code Company Definitions. |

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| REC Service User | means in respect of each REC Service, either: (a) a Party which has become Qualified for that REC Service under the Qualification and Maintenance Schedule; or (b) an organisation which is not a Party, that has entered into an Access Agreement permitting it to use that REC Service and that has become Qualified for that REC Service under the Qualification and Maintenance Schedule. |
| REC Service User External Assessment | means an assessment under and in accordance with the Qualification and Maintenance Schedule. |
| Smart Energy Code (SEC) | Means the code of that name maintained pursuant to the Data Communications Company (DCC) Licence. |
| Working Day | means any day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day that is a bank holiday in either or both England and Wales within the meaning of the Banking and Financial Dealings Act 1971. |