Change proposal:	**Retail Energy Code (REC) R0092A: DCC Service Level Agreements for The Switching Incentive Regime (Alternative)**		
Decision:	The Authority[1] has decided to approve[2] this change proposal[3]		
Target audience:	REC Board, REC Parties and other interested parties		
Date of publication:	22 July 2024	**Implementation date:**	08 November 2024

Background

The Data Communications Company (DCC) plays a role as the Centralised Registration Service (CRS) provider under Condition 15 of its Smart Metering Communications Licence and the requirements set out in the Retail Energy Code (REC).[4] The DCC in its role as CRS provider has a responsibility to ensure it provides a reliable service to Central Switching Service (CSS) Users. Following the April 2023 implementation of REC Change Proposal R0025 'Service Provider Performance Charges', these performance charges have applied to the DCC in its CRS provider role.[5] The performance charges are a reduction against the revenue payable to the CRS provider for failure to meet service level agreements (SLAs) in the CSS and the Switching Operator Service. The SLAs originally identified and agreed during the early design, build and test phase of the switching programme were set based on assumptions made at the early stages of the programme. The SLAs include responding to synchronous and asynchronous messages during the switching process, responding to incidents raised by CSS users and responding to CSS user service requests. The REC Performance Assurance Board (PAB) is

[1] References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.
[2] This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989 and section 38A of the Gas Act 1986.
[3] 'Change' and 'modification' are used interchangeably in this document.
[4] Licences and Licence Conditions can be found on the Ofgem website here: https://www.ofgem.gov.uk/industry-licensing/licences-and-licence-conditions. The relevant provisions in the REC are set out in Schedule 26 'Switching Service Management'. REC documents are available on the REC Portal: https://recportal.co.uk/recportal.
[5] Ofgem decision to approve R0025: https://www.ofgem.gov.uk/decision/decision-rec-cp-r0025-service-provider-performance-charges.

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responsible for ongoing monitoring of the DCC's performance against its SLAs as the CRS provider.

The change proposal

REC change proposal R0092 was raised by the DCC (the Proposer) on 01 February 2023. Following this, on 24 January 2024 the REC Manager (the Alternative Proposer) raised alternative REC change proposal R0092A. These change proposals look to ensure that the SLAs in place for the CRS provider are fit for purpose, as switching increases in the market and any Performance Charges applied are proportionate to CSS user detriment or consumer impact.

Switching Service Levels

R0092 and R0092A both propose to remove any ambiguity on measuring performance against demand by introducing a more simplified description of peak maximum demand, and for message response times a mean and 90th percentile is applied across service levels. The inclusion of this description is intended to assist in more accurate performance assurance reporting.

Below we have summarised the differences between R0092 and R0092A.

CSS Service Definition 7.3

The CSS should be capable of processing, as a minimum, an average daily, peak daily, average hourly, peak hourly and annual volume of market messages covering switch requests, changes to supplier agents and smart meter data retrievers.

R0092	R0092A
R0092 proposes a maximum demand volume for all messages related to Switching to be 1,142,400 which is an exact 5% optimism bias being applied.	R0092A proposes a maximum demand volume for all messages related to Switching to be 1,142,400 which is an exact 5% optimism bias being applied.

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	R0092A proposes the option for RECCo to raise a change proposal to amend the volumes within the service definition where the CRS provider has not proactively raised a request to do so.

CSS Service Definition 6.1

Following receipt of market messages from CSS users, the CRS Provider should carry out synchronous validation and provide a response within defined times.

R0092 & R0092A
Both R0092 and R0092A propose that there should be no distinction between peak and average maximum demand volumes for synchronous message response times. There would be one service level for peak daily volumes with a mean time of two seconds or less and a 90th percentile time of four seconds or less.

CSS Service Definition 6.2

The CRS Provider should process a Registration Service Request (from the point of receipt by CSS to the point where CSS sends out the response of either "Validated" or "Rejected").

R0092	R0092A
R0092 removes the distinction between peak and average response times for market messages requiring asynchronous response times with a mean response time of three seconds or less and 90th percentile of six seconds or less.	R0092A removes the distinction between peak and average response times for market messages requiring asynchronous response times with a mean response time of three seconds or less and 90th percentile of six seconds or less.
R0092 proposes for this measure to change from hourly to daily.	R0092A proposes for this measure to remain hourly.
Both change proposals ensure clarity by adding "and any other market message requiring an asynchronous response.”	Both change proposals ensure clarity by adding "and any other market message requiring an asynchronous response.”

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R0092A proposes to ensure this is measured hourly, as opposed to daily in R0092, to prevent any messages which have taken substantially longer being smoothed out over the course of a day.

CSS Service Definition 6.3

The CSS Provider should process the securing of Switches and send synchronisation messages of secured Switches at gate closure to each relevant switching data service provider.

R0092	R0092A
R0092 proposes to remove the average daily volume performance levels and maintain a mean response time of 35 minutes or less at up to peak daily volume and 90th percentile response time of 40 minutes or less.	R0092 proposes to remove the average daily volume performance levels and maintain a mean response time of 35 minutes or less at up to peak daily volume and 90th percentile response time of 40 minutes or less.
R0092 would only apply this measure to the queuing of market messages.	R0092A retains the requirement for the CRS provider to be responsible for the end-to-end process with the ability to provide evidence to the REC Performance Assurance Board (PAB) where failures were exclusively beyond the control of the CRS Provider as exists for the current Performance Charge Regime.

R0092A seeks to ensure that end-to-end responsibility for managing the CSS is retained by the CRS provider. However, this also retains the ability where the CRS provider believes service failures are caused by a CSS user, and is thus outside of its control, to provide evidence and demonstrate this. Whereas R0092 would likely remove accountability from the CRS provider even when it may be responsible for the service failure.

<u>Switching Incidents</u>

Both change proposals propose a number of changes to the Switching Operating Service Definition to ensure clarity on the response and resolution times for both Priority 3 (P3) and Priority 4 (P4) incidents.

Switching Operator Service Definition 5.4

Switching service requests will be assigned a priority based on the nature of the request. Each request is defined in the Switching portal with the priority and service level that applies.

R0092	R0092A
R0092 proposes no change to the target response or resolution times for P3 and P4 incidents but includes a success rate of 90% of P3 incidents resolved within three working days and 95% of P4 incidents resolved within 10 working days.	R0092A proposes a 90% and 95% success rate for P3 and P4 incidents respectively. R0092A also includes a backstop for all incidents to be resolved within 6 working days for P3 incidents and 20 working days for P4 incidents.
This is only relevant to Switching incidents raised by a CSS User via the Switching portal.	This is relevant to all incidents raised in accordance with the Switching Service Management Schedule.

Service Requests

The Proposer has included, as part of R0092, a reduction of the fulfilment targets for P3 and P4 service requests to 98%. The code manager believes that, based on the current performance level of 99.75%, no target reduction is required without proper evidence and justification for a reduction in target levels and therefore proposes no reduction in R0092A.

Although both change proposals propose a change in service levels, the CSS provider has stated that REC parties will not see a reduction or return of costs arising from either change proposal. The code manager argues that R0092A would result in an appropriate change to service levels compared to R0092.

The REC Performance Assurance Board[6] recommendation

At the REC PAB meeting on 30 April 2024, a majority of the PAB considered that R0092 would not better facilitate the REC Objectives and the PAB therefore did not recommend its approval.

[6] The [*Responsible Committee]* is established and constituted pursuant to and in accordance with the REC.

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A majority of the PAB considered that R0092A would better facilitate the REC Objectives and the PAB therefore recommended its approval.

Our decision

We have considered the issues raised by the change proposals and the Final Change Report (FCR) dated 30 April 2024. We have considered and taken into account the responses to the industry consultation which are attached to the FCR[7] . We have concluded that:

- implementation of R0092 will not better facilitate the achievement of the REC Objectives;[8]

and that:

- implementation of R0092A will better facilitate the achievement of the applicable Objectives of the REC;[9] and
- approving R0092A is consistent with our principal objective and statutory duties.[10]

Reasons for our decision

We have carefully considered both and the alternative R0092A and the respective merits of both proposals. We consider that will better facilitate REC Objectives (a) and (c) and has a neutral impact on the other relevant Objectives. In line with the PAB's recommendation, we have therefore decided to approve R0092A and to reject R0092.

(a) to ensure the REC operates and evolves in a manner that facilitates the achievement of its mission statement

[7] REC change proposals, change reports and representations can be viewed on the REC Portal.
[8] As set out in Standard Condition 11B.6 of the Electricity Supply Licence and Standard Condition 11.6 of the Gas Supply Licence.
[9] As set out in Standard Condition 11B.6 of the Electricity Supply Licence and Standard Condition 11.6 of the Gas Supply Licence.
[10] The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 and the Gas Act 1986.

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The Alternative Proposer believes that R0092A will better facilitate relevant objective (a) by ensuring that the CRS provider is held accountable using service levels which are clear, defined, and achievable. The Alternative Proposer also believes that by providing these clear, defined, and achievable service levels this will ensure effective running of the CSS and ensure that the CSS delivers a service that meets the needs of its users and will ultimately benefit consumers.

The majority of consultation respondents agreed that REC Change Proposal R0092A will have a positive impact on relevant objective (a). One respondent noted that the changes to service levels are in the best interests of industry parties and consumers, ensuring that adequate controls are in place for the monitoring of asynchronous messages.

However, the DCC stated they did not agree that R0092A would have a positive impact on relevant objective (a) as they believed that the service levels set to be introduced by this modification would be unachievable. They felt this would result in an ineffective incentive regime, countering that the levels proposed in REC Change Proposal R0092 would better help achieve this.

We agree with the Alternative Proposer that R0092A will better facilitate relevant objective (a). R0092A ensures that there is no ambiguity with services levels and therefore CSS users can be clear on the level of service they should expect from the CSS. Furthermore, the R0092A also ensures that the CRS provider is responsible for end-to-end service levels of the CSS while giving the CRS Provider the ability to present evidence and challenge where they believe a service failure has been caused by a CSS user or external factors. We also believe that the inclusion of a backstop for the CRS Provider in dealing with P3 and P4 incidents will give reassurance to CSS users on the resolution of these issues, and this will continue to build both CSS user and consumer trust in the system. These targets will help the CRS Provider in driving improvements and efficiencies within the CSS system. It is important to ensure that service levels can help drive continuous improvement of the CSS by highlighting and bringing forward any flaws or drops in service to be addressed by the CRS Provider.

(c) to drive continuous improvements and efficiencies in the operation of the REC and the central systems and communication infrastructure it governs

The Alternative Proposer believes that R0092A will better facilitate relevant objective (c) by supporting the continuous improvement and efficiencies in the operation of the CSS. They believe this will be achieved by providing clarity on the requirement and measurement of its service levels. They also believe that it will sufficiently relax service levels allowing the CRS provider to respond to incidents and still maintain appropriate protections for CSS users.

The majority of consultation respondents agreed that R0092A would better support relevant objective (c), however the DCC did not agree that R0092A would have a positive impact. The respondent stated that they did not believe REC Change Proposal R0092A would improve the incentive regime and that
R0092 would better facilitate this objective as it would keep service levels under review and ensure an effective incentive regime is in place.

We agree with the Alternative Proposer that R0092A will better facilitate relevant objective (c). R0092A is likely to provide a balance between a reduction in the SLAs for the CRS provider to maintain, while also still setting these at a level that should give CSS users confidence in the system and the CRS providers ability to resolve incidents. We also support the view that R0092A maintains the CRS providers mechanisms needed to challenge performance issues through the REC PAB when these are identified under CSS Service Definition 6.3. In maintaining this end-to-end responsibility for the CRS Provider, we believe it will support both the CRS Provider and CSS users in identifying areas of improvement within their respective systems and processes.

Decision notice

In accordance with Standard Condition 11B of the Electricity Supply Licence and Standard Condition 11 of the Gas Supply Licence, the Authority hereby:

- approves alternative R0092A 'DCC Service Level Agreements for The Switching Incentive Regime (Alternative)'; and
- rejects R0092 'DCC Service Level Agreements for The Switching Incentive Regime'.

Michael Walls

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Head of Smart Metering and Retail Market Operations

Signed on behalf of the Authority and authorised for that purpose

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