RETAIL ENERGY CODE

This document is classified as **WHITE**.
Information is for public, unrestricted dissemination and publication.

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

INITIAL ASSESSMENT REPORT

R0182 - LEVELISATION RECONCILIATION ELECTRICITY SINGLE-RATE/MULTI-REGISTER SPLIT

DOCUMENT VERSION	V1.0
DATE ISSUED	16/07/2024
DOCUMENT APPROVAL STATUS	APPROVED

RESPONSIBLE COMMITTEE	CHANGE PANEL	CHANGE PATH	AUTHORITY DETERMINED
PRIORITY STATUS	HIGH	URGENCY	URGENT

DEADLINE FOR ALTERNATIVE CHANGE PROPOSALS	27/08/2024

LEAD CHANGE ANALYST



Lydia Bentley

Click to send an email

020 3922 0748

CHANGE OVERVIEW

This Change Proposal seeks to introduce the necessary governance and charging amendments to existing Payment Method Levelisation (PML) Reconciliation arrangements (introduced in R0147) to allow for multi-register reconciliation. The amendments will allow for an ongoing reconciliation that accounts for split in both single-rate and multi-register Metering Assets. Additionally, it will also allow for a one-off retrospective recalculation for the period dating from the proposed effective implementation date of 01 January 2025 back to the implementation of the original reconciliation mechanism on 01 April 2024.

	High Impact: N/A
	Medium Impact: Domestic Electricity Suppliers RECCo
	Low Impact: Domestic Gas Suppliers

1 BACKGROUND

The energy price cap ("default tariff") calculates different maximum charges at nil consumption ('standing charges') for Consumers on single-rate and multi-register electricity metering arrangements in each region. As a result, different levelisation allowances have been calculated for both single-rate and multi-register Consumers within the price cap.

As outlined in the Levelisation Policy decision document, the PML Reconciliation, which supports the Levelisation Policy, has initially only been designed to accommodate one (single-rate) set of levelisation rates per region and fuel type to be used when calculating the daily differential rates and thus the reconciliation amounts.

As a result, a re-design of the Domestic Supplier inputs, the base calculation, and system outputs to process two sets of levelisation rates (i.e. both single-rate and multi-register metering arrangements) is required. This will take place for all future PML Reconciliations, as well as a PML retrospective recalculation for the months from April to December 2024. Domestic Suppliers have been made aware of this in March 2024, prior to the implementation of the original Levelisation plans, as per REC Change R0147.

This Change Proposal has a fully formed solution, following a collaborative solution development cycle involving the Code Manager, RECCo, Capgemini and Ofgem prior to the Change Proposal being raised. Details of the proposed solution can be found in the solution document, found here.

2 PROBLEM STATEMENT

PML Reconciliation currently does not distinguish between single-rate and multi-register electricity Metering Assets. This represents a discrepancy, as Price Cap methodology currently does make this distinction. As a result, PML Reconciliation calculation methodology must be updated to distinguish between single-rate and multi-register Metering Assets. This will be effective for all reconciliations going forward from the date of implementation, as well as retrospectively from the start of the PML Reconciliation in April 2024, to the date of implementation.

3 USER STORIES

REF.	USER STORIES
CONSUMER USER STORIES	
C1	N/A – No identifiable Consumer impact.
MARKET PARTICIPANT USER STORIES	
M1	As a Domestic Supplier, I want my PML Reconciliation payments to be as reflective of my portfolio as possible, by differentiating between single rate and multi register Metering Assets, so that my engagement with the reconciliation is as accurate as possible.
M2	As a Domestic Supplier, I want my PML Reconciliation obligations regarding the retrospective recalculation to be well defined within the REC, so that I am able to engage as efficiently as possible.

REF.	USER STORIES
M3	As RECCo, I want the PML Reconciliation mechanism to be reflective of REC Parties true costs (based on their single-rate vs multi-register split in their portfolio), so that I am able to deliver the most optimised outcome for PML Reconciliation participants.

4 IMPACTS

RECCO / REC CODE MANAGER
RECCo
REC Performance Assurance

REC SERVICE PROVIDERS
None

CONSUMERS
None

REC DOCUMENTS / PRODUCTS
Schedule 31 – Payment Method Levelisation Reconciliation
Schedule 1 – Interpretations & Definitions

REC PARTIES AND SERVICE USERS
Domestic Suppliers

The Code Manager has not identified any direct impact on Consumers – this Change only affects the PML Reconciliation mechanism, rather than the Consumer-facing levelisation process (which is owned by Ofgem). As a result, Consumers will not see any difference in their charges; the only difference being how the impacts of levelisation are reconciled across Domestic Suppliers.

Domestic Suppliers with a mixed portfolio of both single-rate and multi-register Metering Assets will be impacted as they will be required to both:

- Submit retrospective data to complete the PML retrospective recalculation
- Submit ongoing data split by single-rate and multi-register to engage with the new requirement.

Ofgem has provided greater detail regarding the Domestic Supplier impact, and how they can prepare for a Request For Information on the retrospective recalculation in a letter, found here.

Domestic Suppliers (both gas and electricity suppliers) will also see a smaller, secondary impact to the PML Reconciliation data requirements, which is detailed in Appendix 1 of Schedule 31 – Payment Method Levelisation Reconciliation. These will be updated in the proposed solution to reflect the new data required for the mutli-register data submission. This means that even for a Domestic Supplier who is not expected to submit multi-register data (for example, a gas only Domestic Supplier) will see an impact on their PML Reconciliation processes as the data submission templates are changing.

Changes are proposed to the following REC Documents:

- Schedule 31 – Payment Method Levelisation Reconciliation
- Schedule 1 – Interpretations & Definitions

Additionally, RECCo will be impacted, including back-end RECCo processes that are not within scope of R0182. Lastly, REC Performance Assurance (RPA) will be impacted, whose activities will extend in scope to capture the true-up data submission.

5 CROSS CODE IMPACTS

The Code Manager has not identified any cross-code impact.

6 CHANGE PATH AND RESPONSIBLE COMMITTEE

CHANGE PATH	AUTHORITY DETERMINED	RESPONSIBLE COMMITTEE	CHANGE PANEL

This Change Proposal meets the criteria for being an Authority Determined Change. As the REC Baseline Statement determines that changes to Schedule 31 – Payment Method Levelisation Reconciliation and Schedule 1 – Interpretations & Definitions fall under the ownership of Change Panel, this will be the Responsible Committee.

7 PRIORITY STATUS AND URGENCY

Category	Significance / Resource impacts / Urgency	Further selection / breakdown	Score (0-3)	Weighting	Weighted Score
Impacts	Consumer Impact	Direct	0	27	0
	Retail Markets Impact	Innovation and Market Arrangements	2	17	33
	RECCo / REC Party / REC Service Provider Impact	Operational Effectiveness and Efficiencies	3	7	20
		Legal and Regulatory Compliance	2	14	28
Resource	Complexity / Effort / Duration		3	9	28
Strategic Alignment	Contribution to/ Alignment with the objectives of the REC		2	17	17
	Contribution to/ Alignment with RECCo's Forward Work Plan		2		17
Urgency *(The need to progress a change to meet a targeted date)*		Other Planned Activity	2	10	20
				Overall Priority Score (rounded)	163

Priority Score	Priority Status
171 and above	Critical
151 to 170	High
101 to 150	Medium
0 to 100	Low

Priority Status	HIGH
Change Proposal Type	URGENT

Urgent Change Proposals meet the Criteria for Urgency as set out by Ofgem

This Change Proposal has a priority status of High, based on a score of 163. This score has been calculated as follows:

- Retail Market Impact – Innovation & Market Arrangements has been given a score of two, indicating moderate impact. This is based on the proposed solution delivering improvement and innovation to the existing PML Reconciliation mechanism.
- Operational Effectiveness & Efficiency has been given a score of three, indicating major impact. This is based on the proposed solution delivering operational efficiencies or improvements to RECCo in their delivery of the PML Reconciliation mechanism by introducing the necessary arrangements for the single-rate vs multi-register split, and also for REC Parties, in their engagement with the aforementioned arrangements.

- Legal & Regulatory Compliance has been given a score of three, indicating major impact. This is based on the proposed solution delivering the mechanisms needed for RECCo and REC Parties to engage with Ofgem's requirements for the PML Reconciliation mechanism.
- Strategic Alignment has been given a score of two for both metrics therein, indicating moderate impact. This is based on the proposed solution facilitating the driving of continuous improvements and efficiencies in the operation of the REC and the central systems and communication infrastructures it governs.

8 SUMMARY OF CHANGE PROPOSAL PLAN

The Change Proposal Plan details the plan for the impact assessment and consultation for this Change Proposal following the completion of the solution development by RECCo. The change has been identified as an 'Urgent' change with a high priority score and the plan has been developed with this in mind.

The updates to back-end processes required by RECCo to deliver a PML Reconciliation mechanism capable of distinguishing between single-rate and multi-register are out of scope of this Change Proposal.

	FROM	TO
PARTY IMPACT ASSESSMENT	26/07/2024	09/08/2024
CONSULTATION	30/08/2024	20/09/2024
RESPONSIBLE COMMITTEE DECISION	15/10/2024	15/10/2024
AUTHORITY DETERMINATION SENT	16/10/2024	16/10/2024

9 GLOSSARY

TERM	DEFINITION
Default Tariff Cap*	further information can be found in Ofgem's Decision – Default tariff cap – Overview document.
Domestic Consumer	means a Consumer at Domestic Premises.
Domestic Supplier	means an Energy Supplier which is authorised by its Energy Supply Licence to supply Domestic Premises.
Energy Supplier	means a person which is either or both an Electricity Supplier and/or a Gas Supplier.
Metering Asset	means:(a) in relation to gas, all the components of a meter installation and ancillary equipment, as defined in IGEM/G/1 edition 2; or (b) in relation to electricity, means the equipment associated with a particular meter, including the meter itself and any related current transformer (ct) and/or voltage transformer (vt), communication and/or control equipment, as may be further defined in the BSC.
Payment Method Levelisation Reconciliation	means the obligations and processes by which payments of the PML Reconciliation amounts are made from and to Energy Suppliers in pursuance of the Levelisation policy.
Prepayment Meter	has the meaning given in the Energy Supply Licences.
PML Retrospective Recalculation*	means the PML Reconciliation true-up which forms the basis of the proposed solution to this Change Proposal, which is to reconcile Domestic Supplier multi-register data from April 24 to December 24.

* definition not currently found within Schedule 1 – Interpretations & Definitions