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RISK REGISTER UPDATES

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FOR DISCUSSION	We have proposed updates to the risk register to make it easier to understand and see where action taken drives improvements, as well as suggested additional risks. We wish to discuss this approach with the REC PAB, to identify if the correct risks have been identified and whether this approach is beneficial.
APPENDIX	RECPAB_24_0625_06A - Risk Register Update

1 BACKGROUND TO THE ISSUE

The REC Retail Risk Register sets out the key priorities for the REC PAB, both relating to consumer outcomes and market effectiveness. Whilst we review this regularly there are four key reasons that we wish to make a step change in the way we represent our risk register:

1. REC Parties have struggled to understand the way we present the register.
2. There has been greater clarity from DESNZ on the anticipated form of RECCo's Code Manager licence. This involves establishing performance metrics within the relevant Code, and independent arrangements to manage performance, which we assume will be the REC. Our assumption is that these will be based on the description of the REC Objectives in Energy Supplier's licences.
3. As the REC Code Manager and RECCo have developed their capability since go-live there has been a greater emphasis on managing risks through multiple parts of RECCo and the Code Manager. The current arrangements excessively focus on assuring risks, which is not the only way of tackling risks.
4. DCC raised ambiguity as to whether the REC PAB can act in instances where there is evidence of a breach of Code obligations that are not directly specified within a retail risk, for example

being indirectly related or in respect of a new/emerging risk that is not yet included as a retail risk. It is essential to resolve this ambiguity.

1.2 OVERVIEW OF THE REC OBJECTIVES

The goals of the REC are established in the REC Objectives and mission statement, as set out below:



REC Objectives

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 Mission Statement

facilitate the efficient and effective running of the retail energy market, including its systems and processes...through promoting innovation, competition, and delivering positive customer outcomes.

1.3 OVERVIEW OF THE ROLE OF THE REC PAB

The PAB's role is in assessing and determining risks to the REC outcomes. If we split performance activities into five stages it is for REC Parties, as well as their regulators, to define the outcomes within the REC that should be achieved.

The PAB is responsible for assurance: measuring and analysing performance, identifying improvements that are required. Parties are then responsible for implementing these benefits and realising the associated performance benefits.



1.4 PROPOSALS TO IMPROVE THE RISK REGISTER

To support the evolution of the Code we propose to do the following:

- Structure our risk register around the REC objectives. Current risk drivers would be mapped to processes, with SLA performance mapped to system performance.
- Map on improvement activities RECCo and the Code Manager are conducting to promote innovation, competition, positive customer outcomes and continuous improvement, as well as any assurance activities.
- Capture the inherent risk of any REC Party not meeting its REC obligations.
- Establishing a voice of the consumer to systematically measure if customer outcomes are positive and identify if systems and processes are effective.
- Identify any additional time-specific risks.

This approach does mean that not all risks have assurance, and there are some current gaps that have no assurance activity. We propose to assess the best way of closing these gaps as part of our

Performance Assurance Operating Plan design process. It also changes the focus on assurance, addressing more strategic, systemic risks, with reduced focus on process compliance.

1.5 IDENTIFIED TIME-SPECIFIC RISKS

We have identified the following specific risks:

1.5.1 PROCESS CHANGE LED THROUGH MHHS

MHHS brings significant changes to arrangements, many of which should improve outcomes. There are specific risks around readiness, early life support and the final transition. We propose to describe this as a specific retail risk.

1.5.2 SIGNIFICANT TRANSFORMATION OF REC SERVICES AND REC OBLIGATIONS

We have observed a significant increase in the amount of change and transformation. We believe this is driven by the fact that transformation takes several years to deliver, and many teams have been working since REC go-live to establish them. Examples of the transformation that are currently in place or anticipated:

- Market schemes, such as MSC and PPML are being implemented by Ofgem through the REC.
- DESNZ are looking to implement tariff data into the data specification, bringing many new types of organisations into REC governance and needing new stakeholder management approaches.
- The REC Code Manager technology platforms are being consolidated to be replaced with new platforms.
- REC Code Manager contracts are being reprocured with the change potentially part way through the technology implementation.
- There is potential for responsibility for CRS to transfer from DCC to RECCo, which would create a significant transformation concurrent to the two above.
- 69 changes and issues are currently live, meaning lots of demands on Parties to change their processes.
- There is an assessment of the EES and GES re-procurement, considering consolidation, with an API gateway requiring organisations to change their technology and fundamentally changing the technology capabilities required within RECCo.
- MHHS will lead to major changes to REC systems and process.
- There is substantial growth in the number and types of organisations interacting with the REC, such as 2,000 – 3,000 TPIs.

Whilst all of these initiatives have clear benefits, running so much change concurrently represents delivery risk. Whilst it is not for the REC PAB to set the strategy, the PAB could raise a risk relating to the transformation and assess whether there are appropriate controls in place to assess the impacts of each change, prioritise them, have sufficient resources in place and monitor their impacts on REC Services and REC Users.

1.6 DECISIONS FOR THE REC PAB



We would like to discuss:

1. Are there other risks to the REC objectives that we have not identified?

2. Do you support the improvements to presentation of the risk register identified within Appendix A?

3. Do you agree with mapping both assurance activity and key REC Party mitigations to risks?

4. Are there other measure of performance that we would need to identify to better assess the Performance of the REC?

5. Is a single risk rating in each area sufficient? Or would it benefit for assessing net and gross risk (e.g. to acknowledge areas that are very important but working well).

1.7 NEXT STEPS

We have included a draft version of the risk register as an appendix, which we will update based on feedback.

We have currently included indicative risk determinations, so the PAB can see how this would be presented. If this approach is agreed we would review these determinations with PAB, as well as map on any techniques or improvement initiatives applied through the annual operating plan.

We consider this update to the risk register to be a significant change. We therefore would wish to consult with REC Parties, including RECCo and DCC, to gain their input, particularly on any significant improvement activities in place. We will also seek to get the views of Ofgem, particularly on any requests that REC Parties define the intended outcomes within the REC.