RETAIL ENERGY CODE

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PAB ANNUAL REPORT

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FOR DISCUSSION	The Code Manager sets out the approach to developing the annual report, which will involve an interactive session at the March PAB meeting. In preparation, this paper sets out an initial scope for this product, focused around the retail risk register. During the meeting we will work through this scope, identifying other areas to consider and determining the priority areas to focus on.
APPENDICIES	**Appendix A** - Retail Risk Areas for Consideration (within this paper) **RECPAB_26_0324_07B** - REC Performance Assurance Annual Report 2025 (attached)

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1 ROLE OF THE ANNUAL REPORT

The REC PAB is a subcommittee of the REC Board, delegated responsibility for managing the performance of REC Parties, as well as non-REC Party Service Users, with respect to the outcomes intended to be delivered through the REC.

The Annual Report is an opportunity for the PAB to communicate with the Board, as well as with the Parties that are critical stakeholders.

The PAB structures its work around retail risks. These risks are themselves structured around the REC objectives, i.e. the PAB has a role in directly assessing the extent to which the REC objectives are being achieved and the appropriate actions to take in pursuit of these objectives. The PAB does not act in isolation; in particular the Board, the REC Service Providers RECCo and DCC and the Change Panel (including its subcommittees) also have key roles in achieving these objectives.

2 PROPOSED STRUCTURE OF THE ANNUAL REPORT

To reflect the work of the PAB, we propose to structure the annual report around the risks identified within the REC Risk Register. We also propose to include the following:

1. We will provide an executive summary, which allows a consolidated view on the overall progress meeting the REC objectives.
2. In the previous year we made recommendations to the Board for actions to take to drive improvement. These included considerations for the Forward Work Programme, as well as the work of the PAB and Change Panel. We will track progress of these actions, reporting on their current status.
3. Summary of progress on retail risks:
    i. Risk I Retail market systems are not effective or efficient
    ii. Risk II Retail market processes are not effective or efficient, including the incomplete or inaccurate updating of REC data
    iii. Risk III: Customer interests and data are not protected in the operation of the REC
    iv. Risk IV: The REC does not evolve to drive continuous improvements and efficiencies
    v. Risk V Process Change through MHHS directly impacts REC systems and processes
4. PAB Self assessment

3 TIMING OF THE ANNUAL REPORT

The timing of the annual report has varied since REC go live. It currently is structured to be completed to cover the period ending 31 March. This enables time for the report to be presented to the Board, and any feedback incorporated prior to its publication in the early summer. This has then historically led into updates to the Performance Assurance Operating Plan (PAOP), which has gone live from 1 September. Due to changes in the Performance Assurance approach and providers, this report will be compiled in

parallel to the development of the PAOP, although the considerations of what information to include will be fed into that process.

4 APPROACH TO COMPILING THE ANNUAL REPORT: RETAIL RISKS

We consider that the priorities of the PAB, both looking backwards and forwards, are critical to the development of the Annual Report. We therefore propose to identify these priorities through an interactive session in the March PAB. Following this we intend on:

1. Seeking further data and corroboration to inform the report and enhance the messaging.
2. Providing proposed drafting of the annual report to the PAB, anticipated in April.

During the interactive session we will look to identify key messages, as well as prioritise them. To support this, we have included the key areas relevant to the period since June 2025 in Appendix A, as well as the previous annual report.

5 APPROACH TO COMPILING THE ANNUAL REPORT: PAB SELF ASSESSMENT

Given the ongoing Code reform we consider it's important that the PAB reflects on its role in its key annual communication with the Board, including ways in which it could be enhanced. We propose to facilitate an interactive session to cover this. PAB members should consider the following for the meeting:

1. Key strengths of the PAB.
2. Areas where the PAB arrangements could or should be enhanced.
3. Effectiveness of coordination between the REC Board, the REC PAB and the committees responsible for Change. Where relevant this should include coordination with the priorities of the Authority.
4. Areas where PAB needs more granular involvement.
5. Areas where PAB views the level of involvement is too great, and the Code Manager should take a greater role.

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APPENDIX A RETAIL RISK AREAS FOR CONSIDERATION

Risk I *Retail market systems are not effective or efficient*

We propose to analyse the following:

1. The overall trends of SLA performance, which in the main have been positive.
2. The causes of failures, including those that were caused by changes, those relate to the underlying cloud infrastructure or other reasons.

Other information on underlying service performance including:

3. Sandbox or derogation requests
4. Changes relevant to the service levels or resolving known performance issues.
5. The resolution of data issues, including two critical data issues, CSS and EES alignment as well as issues caused following non payment of DCUSA charges by Tomato Energy.

We also propose to comment on the progress of improvements to data resolution processes presented to the PAB in year, as these involve critical activities by REC Services.

Risk II Retail market processes are not effective or efficient, including the incomplete or inaccurate updating of REC data

We propose to include the following:

- Progress resolving the appointments of unqualified MEMs
- Issues identified in relation to the lack of clarity of the annulments process, that were resolved, with key inputs from Ofgem.
- Regular requests for transfers of Sealing Pliers, that indicate a need for reform in this area.
- The implementation of meter technical details reconciliation into electricity, acknowledging progress has been delayed due to issues with the Portal.
- Effective management of MEM issues, including suspension of a MEM who were not ready to operate, and investigation into allegations of MEM misconduct, where following investigation the MEM was shown to meet the requirements of the Code.
- Progress on the data cleanse process, noting that this continues to be successful but highlight the ongoing issues relating to gas metering data quality.
- Energy theft scheme improvements, which include incentivisation for investigations, as well as the establishment of an Energy Theft Detection police unit.
- The administration of TDIS during the year, including the plans in place to transition this to a single technology platform.
- Ongoing improvements in the address management process, with improved analysis by DCC.
- An analysis of the Risk Driver data, including the split of compliance and consumer outcome measures.

Risk III: Customer interests and data are not protected in the operation of the REC

In this section we plan on covering:

- Progress and the withdrawal of the voice of the consumer, which was previously reported to the Board by the PAB to better measure the consumer outcomes, as this has been superseded by the development of a Performance Assurance Strategy.
- Forward looking work, to establish assurance coverage over tariff interoperability.
- Work by the PAB to manage the impacts of two Supplier of Last Resort events.
- Work to tackle the underperformance of Tomato Energy.
- Future opportunities to further act to prioritise customer interests, particularly around switching objectives and the debt assignment protocol.

Risk IV: The REC does not evolve to drive continuous improvements and efficiencies

We plan on describing:

- The sandbox and derogation applications during the year, and what they indicate about the continuous innovation.
- Work to assess the impacts of continuous improvements in the form of R0155 (Change of Occupier: Evidentiary Standards and Timescales)
- The implementation of improved metering accreditation, following the effective implementation of R0152 (Revision to the Consolidated Metering Code of Practice (CoMCoP))
- The CRS improvement plan, and possible benefits we can associate with it.

Risk V Process Change through MHHS directly impacts REC systems and processes

We plan to reflect upon:

- The progress of the MHHS qualification approach jointly with the BSC. This should acknowledge the significant amount of work delivered by Parties to get ready, as well as the successful qualification of DNOs and early participants to enable MHHS go live.
- The status of the qualification waves, at the time of the report.
- The significance of the end of MHHS migration in early September, which is likely to be the most critical time for assurance activity since the Faster and More Reliable Switching go live in July 2022.
- The status of any key issues that are known at the time of the report relating to MHHS arrangements.