STATUS	FOR DISCUSSION

PARTY ASSURANCE ANNUAL RATING FOR 01 APRIL 2023 UNTIL 31 MARCH 2024

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We invite RIG members to note the updates in this paper.

Discussion:

- Throughout the paper we have highlighted discussion points and key questions we would like to bring to RIG members. If you have any feedback prior to the RIG meeting please do share with us and we can provide an update accordingly.

1 OUR APPROACH TO THE DEVELOPMENT OF THE ANNUAL RATING OF ENERGY SUPPLIERS FOR 2023-24

We would like to seek initial views from RIG members as we develop our approach to the annual rating for 2023-24. RECCo have received feedback that Parties did not feel that they had sufficient warning of the annual rating and did not allow Parties sufficient opportunity to input.

We have considered this feedback and are communicating earlier and more frequently on this topic to ensure the annual rating is robust, appropriate and something that stakeholders have enough time to provide feedback.

2 OUR KEY PRINCIPLES WHEN DEVELOPING THE ANNUAL RATING.

Agreed criteria will be applied to performance data from 01 April 2023 until 31 March 2024 to evaluate Energy Supplier's annual rating. In line with the previous year we propose to assess over multiple categories, with the lowest performing category driving the overall rating. We propose an updated set of criteria based on the following observations:

Performance Data

We use performance data primarily as a risk assessment tool, following up with PATs where appropriate and utilising more significant PATs where there are validated performance issues. We therefore consider it more appropriate for the rating to be driven by the application of PATs than the underlying performance data and are proposing to remove the direct link to performance data. We also exclude PATs that are about better understanding the circumstances and background, including notifications, enquiries, RFIs and self-assessments.

This means annual ratings will focus on the following PATs, with ratings applied where the Party meets any of the following criteria:

Criteria*	No Material Weakness	Minor Weakness	Moderate Weakness	Severe Weakness
Action Plan PAT issued		X	Multiple action plans	
Management Assertion PAT Issued (except those relating to data cleanse)			X	
Specific Condition PAT Issued				X
Referral to Ofgem				X
Event of Default				X

This mechanism will also pick up missed data submissions in future annual ratings based on the escalation process agreed at the December 2023 PAB.

Data Cleanse

We raised management assertions in relation to data cleanse sprint 1 to Parties that did not make sufficient progress against their targets. We think that this has generated sufficient engagement in the process and propose to identify these as 'minor weaknesses' in this year's rating. We consider this appropriate as it related to the first data cleanse sprint, and in future these PATs would be included in the annual rating.

Criteria*	No Material Weakness	Minor Weakness	Moderate Weakness	Severe Weakness
Management Assertion PAT relating to data cleanse		X		

Market Entry and Qualification

We propose to identify a missed maintenance of qualification submission as a moderate weakness, although we often have Parties struggle to submit on the REC Portal and therefore miss by a few days. We therefore propose to only consider delays of over a month to allow some leeway for such submission challenges. We also think it's important to differentiate between those that breach CME caps by a small amount and larger breaches.

Criteria*	No Material Weakness	Minor Weakness	Moderate Weakness	Severe Weakness
Maintenance of Qualification Delay of 1 month or more			X	
CME Condition Breach			By up to 10% of CME cap	By more than 10% of CME cap

Energy Theft

Whilst we are working on improving the incentive scheme, we think it is essential the rating continues to reflect theft activity. We do recognise though that percentage ratings are not always appropriate when theft targets are small, so propose a de minimis value of 0.5% of the overall target would apply - i.e. theft performance would not be considered for those Small Parties whose target individually is less than 0.5% of the overall incentive pot target. We recommend keeping the same ranges of performance as previously but identifying any organisations not engaging with the scheme at all (either investigating or confirming thefts) as having severe weaknesses.

Criteria*	No Material Weakness	Minor Weakness	Moderate Weakness	Severe Weakness
Energy Theft Detection Scheme target met	60% +	40 – 60%	0 – 40%	0% and no engagement

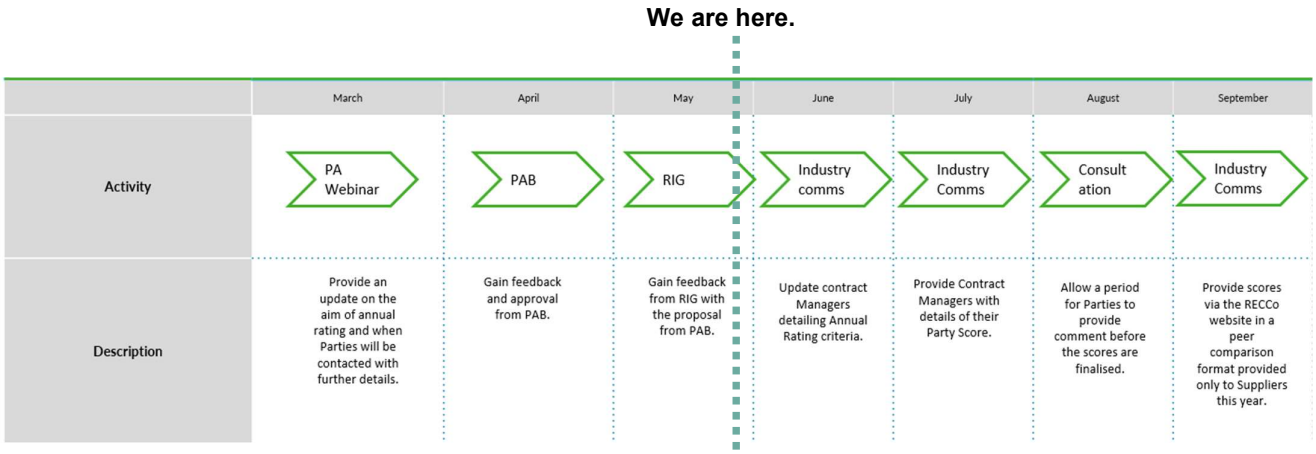
Questions for RIG Members:

Has the Code Manager missed anything in the criteria that you would suggest including for the Annual Rating?

Is there any item you would suggest changing, if so and why?

Next steps

We have discussed this item at the most recent PAB and wish to discuss and gain feedback from RIG members. Based on the outcomes of these discussions, and with PAB approval engage with industry following the steps set out below:



Question for RIG Members:

Are there any further steps the Code Manager should take when engaging with industry? If so, please outline what steps should be taken in addition to the next steps.