RETAIL ENERGY CODE

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DEFINING PERFORMANCE ASSURANCE PRIORITIES FOR 2025-2026

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FOR DISCUSSION 	This paper provides information to help PAB Members prepare for the discussion on Performance Assurance Strategy and Planning at the June meeting. This includes: • Discussion points that will be covered on the day. • Insights from work done so far. Key objectives of the discussion will be to: • Gain input from PAB Members on the strategic priorities for 2025-26. • Validate the proposed plan for development of Performance Assurance Operating Plan, including the approach for engagement into the planning process.

1 INTRODUCTION

Setting the strategic direction for assurance activities is a critical function for the REC PAB. As we have done previous years, we will develop this iteratively with PAB, as well as our stakeholders. In June we will have an interactive session to develop this plan further. We have provided a pre-read of our key content and the key themes we will discuss to help PAB Members prepare.

2 TIMELINE

In preparation for the new Performance Year from 01 September 2025, we are engaging with various REC Stakeholders to inform our priorities.

As the REC committee responsible for Performance Assurance, the PAB will determine the Code Manager's focus in its operating plan for the year ahead. To support the PAB with this task, we are setting out the following approach and timeline:

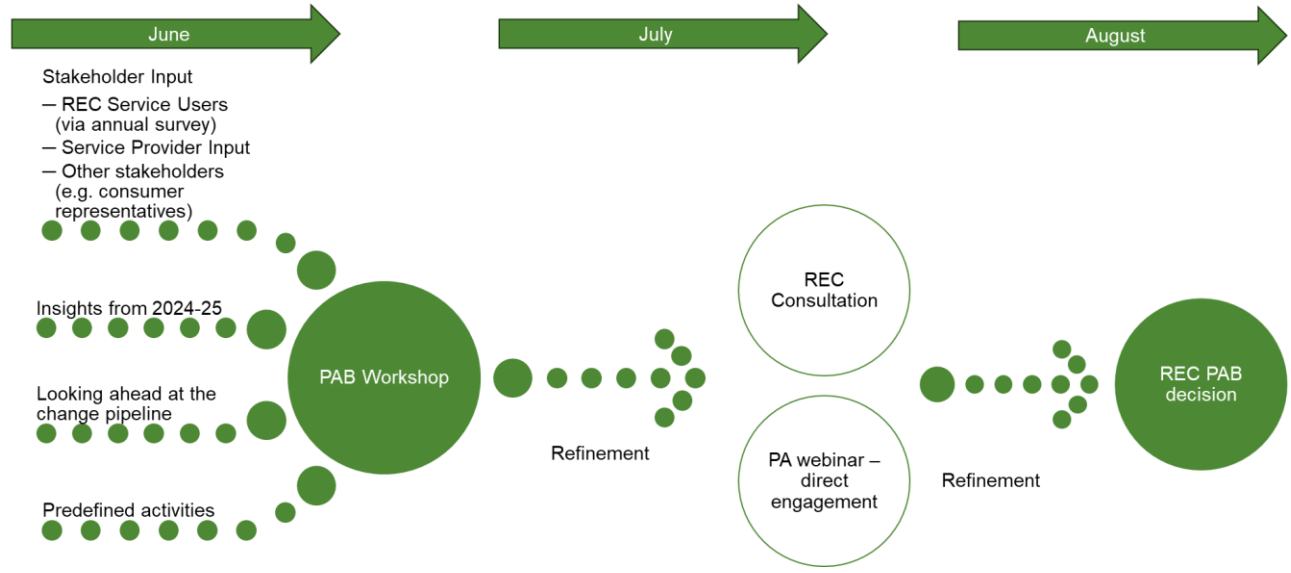


Figure 1 Our Operating Plan Definition Process

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Are the process steps and timelines described above appropriate?

Is there anything else we should consider?

3 SCOPE OF THE OPERATING PLAN

The scope of the Performance Assurance Operating Plan is derived from:

- Code Manager obligations within the REC.
- Code Manager Service Providers contractual obligations as agreed with RECCo.
- Risk Determinations made by the Performance Assurance Board.

The following activities are therefore required within the Operating Plan:

Activity	*Code Requirement*	*Contractually Agreed*	*PAB Determined*	*Current estimate of time input*
Qualification / Maintenance of Qualification / Metering accreditation scheme [1]	✓			36%
Theft Detection Incentive Scheme (TDIS) and associated Theft Target Methodology (TTM)	✓			2%
TDIS Verification			✓	1%
Annual Rating – a multi-year PAB priority			✓	1%
Monthly data review, response and PATs			✓	18%
Recurring data provision, such as Erroneous Switch peer comparison and Smart Meter Installation Survey	✓			2%
Data cleanse			✓	2%
CDSP reconciliation	✓			1%
Monthly monitoring of REC Services		✓		6%
Assessment of accuracy of REC Service reporting		✓		7%
CRS Performance Charge	✓			1%
Change process assurance			✓	1%
REC Service KPI review		✓		1%
Maintaining our Framework documents	✓			1%
Supporting other RECCo / CM initiatives (e.g. REC Changes)		✓		18%
Focus on emerging risks			✓	2%
Transitory Activities				
MHHS Qualification activity			✓	An extra 21%

[1] This has increased as there is an increase of organisations looking to access REC data.

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For each activity listed above, as perceived by PAB Members, which do you think deliver the most value?

Could any of these best adjusted to balance the effort required and benefit delivered?

NB: The Code Manager will also consult on these with other REC Stakeholders such as RECCo, REC Parties and REC Service Providers.

4 ENHANCING OUR APPROACH

We are always looking to enhance our processes and have developed an enhanced planning process which intends on providing more opportunity for industry to input into our key initiatives, as well as clearer and more transparent outputs.

We consider that tangible outputs that clearly either provide assurance or progress risk reduction are those most valued by Parties and the REC Board. In particular our stakeholders value quantified improvements. We are looking to agree specific deep dives, following three key principles:

Principle 1 – the importance of multi-lateral approach

- The REC is a multi-lateral Code, the rules in the Code have normally been put in place to resolve an issue of one organisation or group of organisations, typically with another organisation or group needing to do more. This means a Party may be the **beneficiary** of a process, or the **responsible Party.** We want to be clearer in our work which role Parties take, and obtain input from both sides in the scoping of our work. In some cases (e.g. switching) a type of Party can be both the beneficiary and the responsible Party.

Principle 2 – predictable activity	• Parties have enough information on their performance to manage it appropriately – having established effective information and incentives, our role now is to provide clear interventions – structured into a **scoping activity, delivery phase** and **output phase.**
Principle 3 – key focus on outcomes	• Ofgem's clear intent has been for Performance Assurance to enable improved outcomes. Where outcomes are poor, Performance Assurance should focus on delivering clear recommendations for the next steps to implement performance improvements. Where outcomes are good Performance Assurance has a clear role in identifying this and maintaining these processes. Positive assurance is just as important as identified challenges.

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Do you agree with the principles set out above?

Are there any other principles we should consider?

To promote transparency and accountability, the Code Manager intends to publish the following outputs:

- Scope Definition:
    - This will be developed with the Beneficiary and the Responsible Party and reviewed / approved by the PAB.
    - This means that REC Parties are involved in tailoring our focus, and our plans are visible.
    - This will include clearly setting out what input we need from Parties.
- Final Report: We will share the report with the PAB for approval, and publish it to industry and the REC Board. This will be tailored to the context, but expect it to contain:
    - The scope of work.
    - The results of the work.
    - The summary of the actions required by the Responsible Parties.
    - Any REC changes required.

- Any further work that may be required, either as recommendation to be considered for the RECCo Forward Work Plan or for follow on assurance activity.

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Please share any feedback you have on the proposed approach.

Are there any potential risks or barriers you anticipate in applying such an approach?

5 LESSONS FROM OUR EXPERIENCE OF OPERATING THE PERFORMANCE ASSURANCE FRAMEWORK

Within the Annual Report presented at PAB in March 2025, we identified the need for REC Performance Assurance to be responsive and focused on the reality of performance within a complex and dynamic retail energy market. We also identified the following areas with PAB could prioritise:

- Metering Performance: Whilst previous coverage of metering performance has been limited, three initiatives create an opportunity for increasing PAB's focus on this area:
  - As the Consolidated Metering Code of Practice (CoMCoP) issues will be resolved and the updated Code legal text comes into effect from 7 November 2025, there is an opportunity to tackle issues of persistence non-compliance or slow progress in returning to compliance.
  - Improvements have been proposed to the Annual Gas Portfolio Reconciliation based on lessons from incorporating its outputs within Performance Assurance Data Cleanse this year.
  - We are also introducing a similar Meter Technical Detail Reconciliation within Electricity.
- Retail Market Improvements: There is an opportunity to test how effective REC Change R0155 has been at improving the Switching experience within Non-Domestic energy markets – assessing both its effectiveness in improving Supplier compliance as well as reducing consumer issues. This may be pivotal in informing future Code enhancements.
- Marketwide Half Hourly Settlement (MHHS) Qualification: The PAB have a role to play in supporting the successful implementation of MHHS changes in the electricity market while maintaining minimum market standards to protect REC Parties.
- Data Quality Improvement: There are still many opportunities to continue to improve data quality across the industry, especially as it is a crucial aspect of the net-zero transition.

Potential Areas for Deep Dive

We have identified a range of activities that we could provide more in depth work. These are based on a combination of:

1. The information we have on performance, either from Parties directly or from central data.
2. Input from market participants. These often suggest to look in new areas.

The number and scale of the areas that could be focused on will be dependent on the level of time used elsewhere – we were initially envisaging focusing on 2 – 3 topics in this area. We have set out our initial list for consideration below.

Deep dive topic	Rationale for scoping	Indicators of risk / benefit
REC PROCESSES		
1. Escalations and SDEP – are processes effective to resolve consumer escalations efficiently	• Recurring feedback from REC Parties on inconsistency of use across industry. • Inability to provide high quality reporting for performance assurance.	We currently don't have good quality information on the effectiveness of these processes. If implemented and operated effectively, it can minimise consumer and market participant detriment by providing swift resolution for processes where escalation is required. Assurance work would provide a measurement of how effective this process is.
2. Data quality / cleanse – cleansing data where there is a strong business case	• These can prevent or delay Switching. • Can result in late resolution of consumer impacting issues. • Quality of REC-governed data has cross-code impacts such as result in inaccuracy within Settlement. • With transition to MHHS, data quality issues could also prevent or delay migration of meter points, preventing timely programme exit or prevent some consumers from reaping the benefits of MHHS.	Minimise downstream impact of poor data quality on REC as well as cross-code processes, thus improving both consumer and market participant outcomes. It is also worth noting that since its introduction, data cleanse under the REC and our approach to sprints has been well regarded within the industry as it has helped coordinate and focus participant effort across the industry. As discussed at previous PABs, we would estimate the expected benefits from data cleanse as part of the scoping of data sprints.

Deep dive topic	Rationale for scoping	Indicators of risk / benefit
3. The objections process in switching – reviewing the customer journey and objection rates to assess if this process is fit for purpose	• R0155 implementation creates an opportunity of review of its effectiveness at improving consumer outcomes. • From time to time, the Code Manager receives tip-offs where it is alleged a Supplier is not following the REC process appropriately, thus requiring PAB intervention.	In the past year around one million switches were objected to – with these customers finding out that their switch could not progress mid way through the process. Two thirds of these objections were objections. This would process would assess this poor consumer experience is proportionate to the Supplier protections this process puts in place.
4. Prepayment switching processes (including DAP) – assessing the switching processes for prepayment meters to understand if they are currently effective	• Known issues with transfer of credit and debt balances whilst situation. • Increasing energy costs are expected to have increased consumers exposure to financial vulnerability.	Worked in 2020 suggested 80% of prepayment customers entering the DAP did not complete the process – abandoning the switch. Further work was put on hold as changes were expected but have not been made. Improving outcomes for all consumers, with a particular focus on those experiencing financial vulnerability.
5. Electricity metering data – reviewing how MHHS processes and REC data cleanse are improving outcomes and if further work is needed	• Feedback from Suppliers, especially those supplying within Non-Domestic markets, indicates increased risk of cross-code impacts, especially on settlement performance.	We currently don't have good quality information on the effectiveness of these processes, in part as elements are optional. Improving consumer and Party outcomes by indirectly reducing billing errors and extra effort spent in site visits. It is also expected to help improve settlement performance.
6. Energy theft – quality of confirmed thefts	• Ofgem's decision to approve R0173 recognised there are discrepancies into the quality of investigations and therefore it encouraged RECCo and Suppliers to work collaboratively on this.	Our evidence of the quality of thefts is based on our data led validation – we don't currently have good quality information on this beyond data validation. Ofgem also indicated it expects PAB to exercise its powers under the Code recently.

Deep dive topic	Rationale for scoping	Indicators of risk / benefit
7. Gas process improvement – reviewing if the series of gas data changes are delivering better outcomes	• Through its interventions in 2023, the PAB identified areas for improvement for Gas metering processes. The PAB may choose to review the benefits those have delivered.	In 2023 we inaccuracies with 6.3m gas meters, 2.4m that were prioritised for data cleanse. We have cleansed since then – but only limited improvements to the processes that led to these inaccuracies have been implemented. This work would assess the extent to which the process issues have been resolved or still remain.
REC SERVICES		
8. REC Service Security – confirming key security activities are taking place	• The PAB is the committee responsible for Information Security and Data Protection therefore this is one of its key functions.	In the past PAB cycle two of the three of the key REC Service had issues with security management when tested. Regular checks of these key controls make them more likely to be in place and effective. This is a risk management process, meaning net benefits would be unrealistic to value..
9. Capacity and performance management for REC Services – assessing how capacity requirements are identified and services planned for	• Performance of some REC Services has persistently been lower than the performance levels expected within the Code. • The intricate nature of REC arrangements presents challenges to effective capacity and performance management, particularly given the multiple organisational handoffs and interdependencies involved.	We are aware of performance challenges encountered around retail market events, including price cap announcements. Should we progress this item further we would request further information from RECCo and DCC to estimate the current levels of performance. This is also a risk management activity about the likely future demand –net benefits would be unrealistic to value.
10. Critical changes – assessing if they deliver the expected improvements e.g. R0155	• Recent Change Process reviews indicated challenges identifying, delivering and realising benefits. • Such reviews give stakeholders confidence	This would be based on the net benefits derived through the change process to date, focusing on the changes which are complex, highly beneficial or highly important to delivering the REC objectives.

Deep dive topic	Rationale for scoping	Indicators of risk / benefit
	that the REC is operating effectively and meetings its objective of achieving sustainable innovation and continuous improvement.	This crucially would identify areas where issues have been addressed or further work is needed.
11. CSS Improvement Plan – are benefits being realised?	• Promote stakeholders confidence that the Centralised Registration Service is operating effectively and investments made in its improvement are achieving the desired outcomes.	The total quantified benefits of this project would indicate the proportionality of assurance over benefits realisation. We note quantitative benefit design is in progress.
12. Incident and Problem Management Deep Dive	• Often Performance Assurance interventions are required to address crystallised issues, facilitating rapid resolution to minimise further detriment to REC Stakeholders.	Since CSS go live Switching SLAs relating to incident and problem management have been continued to Please note this would not be an alternative approach to assessing the CSS Improvement Plan's effectiveness.
13. Cross Code integration of Code Management services	• Recent experiences with managing a Supplier's performance has demonstrated an urgent need for better cross-code collaboration and integrated Code Manager action.	We currently don't have good quality information on the effectiveness of these processes. We would seek to measure effectiveness as part of this process.

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Is there anything we should add to the list above?

Do you agree with the rationale for scoping and the expected benefit?

What would you rank as the 5 most valuable initiatives for 2025-26?

Should any be de-prioritised?

6 NEXT STEPS

We will take feedback from PAB and the REC Parties (including DCC and RECCo) to further develop our plan. When we return to the PAB we expect to recommend a plan for approval which includes:

1. An updated time allocation, as well as actions to take where time reductions are sought.

2. A short list for deep dive activities, including a high level scope and quantification of benefits where that is relevant to the scope and the information already exists.

3. A timeline of activities (i.e. converting activities to a timetabled a plan).