RETAIL ENERGY CODE

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ANNUAL RATING - APPROACH

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FOR INFORMATION 	This paper covers proposed improvements to the Annual Rating, most notably extending it to cover metering agents. It paper covers the objectives and principles for creating the Annual Rating and discusses the consultation which is currently live and closes on 27th February. The Code Manager highlights the specific criteria and scoring for DNOs and Suppliers and Metering Agents (Appendix A). The main difference from last year's criteria relates to the addition of requirements relate to the market schemes TDIS and prepayment levelisation for Suppliers, meeting the M10 MHHS targets for Suppliers and DNOs as well as the addition of Metering Agents as subject to Annual Rating.
APPENDICES 	**Appendix A 'Proposed Rating criteria'– included in this document**

Note: If required.

1 APPROACH

The 2025-2026 approach to Annual Rating was designed with the below key objectives as guiding principles:

- Provide Parties with a reliable benchmark against their peers and a score of how well they comply with the REC.
- Encourage behaviours that benefit the market and improve customer outcomes and their confidence in the energy sector.
- Recognise the very good performers in those areas and encourage further development and innovation.
- Where Parties do not comply with the standards – create the incentive for them to change these behaviours and engage with the Performance Assurance process.

We engaged with Parties, RECCo and other stakeholders to develop our ideas throughout the year. To appropriately translate these principles into specific criteria and provide a fair scoring system, we have issued a consultation. We had originally intended on this completing at this stage but extended the deadline to enable discussion at the Association of Metering Operatives, to publicise the consultation and gain better response rates. The consultation will close on 27 February 2026.

This consultation includes the following proposals:

- Consistent with the intention signalled in previous years we have developed ratings for metering agents, primarily focused on their performance in the metering audit. We have asked relevant questions in our consultation on this. Considering whether to progress, or refine, with these ratings in the current year will be a key decision for the PAB.
- We've proposed minor adjustments to Supplier and DNO criteria, reflecting the importance of critical MHHS milestones, as well as providing data in key market schemes on time (namely prepayment levelisation and TDIS).
- We propose to keep the same controls over the accuracy of reporting, and the same extent of sharing Supplier and DNO data. In the first year we would only provide ratings to individual metering agents, not more widely.
- We propose to keep the 'lowest score' approach.

Detailed criteria and scoring are set out in Appendix A.

2 NEXT STEPS:

- In March, after the consultation close, we will summarise responses, identify appropriate changes to our approach.
- In June, we will seek approval from the PAB for the approach.

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APPENDIX A PROPOSED RATING CRITERIA

CRITERIA – DNOS AND SUPPLIERS

We have highlighted yellow in the table below changes proposed to the Supplier and DNO criteria. The rest of the rating, scoring is proposed to remain consistent with the approach in previous years.

Table 1: Criteria for Annual Rating – DNOs and Suppliers

Category	Criteria	No Material Weakness	Minor Weakness	Moderate Weakness	Severe Weakness
Performance Data	**Action Plan PAT issued**	-	✓	Multiple action plans	-
	Management Assertion PAT Issued (except those relating to data cleanse)	-	-	✓	-
	Specific Condition PAT Issued	-	-	-	✓
	Referral to Ofgem	-	-	-	✓
	Event of Default	-	-	-	✓
Data Cleanse	**Management Assertion PAT relating to data cleanse**	-	✓	-	-
Market Entry and Qualification	**Maintenance of Qualification (MoQ) Delay of 1 month or more**	-	-	✓	
	CME Condition Breach	-	-	By up to 10% of CME cap	By more than 10% of CME cap
	Not meeting M10 MHHS Criteria	-	-	-	✓
Energy Theft	**Energy Theft Detection Incentive Scheme target met for domestic only**	60% +	40 – 60%	0 – 40%	0% and no engagement
	Energy Theft Detection Incentive Scheme target met for non-domestic only	25%+	10-25%	0-10%	0% and no engagement
Market Schemes	**Payment method levelisation – missing, late or invalid data submission**	-	-	✓	-
	Payment method levelisation and TDIS – late payment	-	-	-	✓

CRITERIA – METERING AGENTS

This year Metering Agents will be provided with an Annual Rating for the first time. Proposed criteria are listed below. A key difference for these Parties will be that the Metering Agents will not have their results published to peers this year. To provide them with a comfortable transition into the process, the ratings will only be visible to the Party who receives them and not their peers. In the coming years, we would recommend that this is adjusted to match the level of transparency of DNOs and Suppliers ratings.

Table 2: Criteria for Annual Rating – Metering Agents

Category	Criteria	No Material Weakness	Minor Weakness	Moderate Weakness	Severe Weakness
Performance Data	**Action Plan PAT issued**	-	✓	Multiple action plans	-
	Specific Condition PAT Issued	-	-	-	✓
	Supplier Referral (Parties that are repeatedly escalated by Suppliers due to poor quality data or being unresponsive)	-	✓	-	-
Market Entry and Qualification	**Maintenance of Qualification (MoQ) for Calendar Year 2023 (Delay of 1 month or more)**	-	-	✓	3 months or more late or not submitted
	CME Condition Breach	-	-	By up to 10% of CME cap	By more than 10% of CME cap
Specific to COMCOP audit	**COMCOP Timeliness**	On time	Up to 1 month delay	2-3 months delay	Delay of 3 months or more
	COMCOP Outcome	No findings	Minor fails		Standard not achieved (Major)