REC Performance Assurance Annual Report 2025

June 2025



RETAIL ENERGY CODE

Contents

Contents 2
1. Executive Summary 3
2. The Role of Retail Energy Code and Assurance under the REC 7
3. Switching 11
4. Metering 15
5. Energy Theft 21
6. Service Provider Performance 25
7. REC Qualification 29
8. Service Improvement 33

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1	Draft	18/03/2025	REC Code Manager	Issued for PAB Approval
2	Draft	02/04/2025	REC Code Manager	Amended based on PAB Feedback and issued to RECCo Board.
3	Final	26/06/2025	REC Code Manager	Recommendations accepted by RECCo Board and issued for publication.

NB: This report is based on the data available as of 01 March 2025.

1. EXECUTIVE SUMMARY

Performance Assurance is a key element of the operation of the REC, with a REC Board subcommittee, the Performance Assurance Board (PAB), responsible for its delivery. This report from the REC PAB to the REC Board covers key achievements, as well as an analysis of performance to feed in to the Board's strategic activities. Following REC go-live in September 2021, previous reports have been on an annual cycle ending in August. To align with the Board's annual cycle starting each April this report has covered the extended period from September 2023 to the end of March 2025. Future reports will be produced on an annual basis covering the year to 31 March.

We receive data from both Parties and central providers after each month closes, with the lead time involved varying based on the type of data. We have included the best available information at the end of March 2025, which in some cases means February and March data is yet to be included.

We have set out detailed analysis in the coming pages, providing a summary of the key value added through performance assurance, as well as the recommendations for the REC Board to consider within this document.

Key Achievements through the year

1. Creating meaningful incentives has really driven up performance. A persistent challenge suffered by preceding Energy Codes was organisations choosing to ignore obligations, for example buying out of the Theft Detection Incentive Scheme (TDIS) or ignoring poor switching performance under these Codes. In the past 18 months our annual rating approach has contributed to a dramatic reduction in the number of suppliers choosing to not investigate thefts despite the financial incentives, with 26% fewer Parties not actively engaging with the process of detecting and reporting thefts. We directly targeted this area with the design of our annual rating system, particularly the inclusion of TDIS performance as a principal factor in the rating, as reputational incentives can be as powerful as financial ones to ensure organisations act against Energy Theft. We recognise other initiatives for Energy Theft reduction such as Ofgem's letter to energy Suppliers and some of the changes we have made having taken on responsibility for the Theft Target Methodology (TTM) are also likely to have had an impact on Party's Theft detection activities. We continue to support the further evolution of TDIS including through our contributions to changes proposed at TIG.

2. This has resulted in significant improvements in theft detection, with a 29% increase in confirmed thefts in 23/24. Parties still have time to submit data for the closing months of 24/25, however based on the data we have at 31 March 2025, there has been a further 10% increase in confirmed thefts. Theft can create serious safety risks, but also drives up the bills of all other consumers, so this improvement has had a direct positive impact on UK consumers.

3. During the period we have also demonstrated the value of a data led approach – with our key enforcement actions clearly identified through central data. We've protected domestic consumers, robustly putting in place controls over the activities of a rapidly growing new entrant. Our risk scanning approach identified signs of performance issues combined with rapid growth – a key concern with new entrants. A persistent inability to meet REC obligations led the PAB to restrict switching until this organisation had the staff and technology in place to operate in line with REC obligations. The PAB's ability to confidently tackle complex issues such as this one creates important incentives to other Parties to meet their obligations – making the work of each RECCo project and REC Change have more impact and generate greater customer value.

4. We've also maintained focus on the resolving the issues we identified in the non-domestic market that resulted in the PAB referring one Supplier to Ofgem. We are pleased to see significant improvements in the engagement of this Supplier, and are using our Performance Assurance Techniques to drive system, process and communication improvements and prevent any further prevention of non-domestic consumers accessing new contracts when they have a right to switch.

5. We've also tackled issues within parts of a business, identifying increasing numbers of Erroneous Switches and confirming these were related to new aggressive marketing agents. In this instance we worked with the Supplier who rapidly closed this new sales channel, protecting Suppliers from additional work, and preventing further consumers suffering the harms associated with misselling and the issues relating to returning to their previous Supplier. We were able to do this in a constructive way – helping the Supplier address an issue in part of its business without the need for more serious sanctions. This underlines the increasing complexity of retail markets, and the need for a dynamic, data-led approach that goes beyond reviewing aggregate data.

6. Our work has not been limited to holding Suppliers to account – equally important has been using the understanding of the root cause of issues our work delivers to improve REC processes – with work based on our analysis improving annulment, withdrawal, objection, switch meter reads, address management, meter data quality and data cleanse. These are clear examples of where we our work helps improve retail arrangements for both consumers and market participants.

7. We have also taken a robust approach in holding REC Service Providers to account in resolving performance issues, a critical activity that benefits market participants. This has particularly focused on the completion of the RECCo and DCC action plans following the Major Switching Incident, which we expect will conclude shortly, driving up DCC's performance and responding to emerging process and system issues. Independent

challenge and oversight has been an important component of rebuilding confidence in the switching technology following the issues experienced in the Major Switching Incident.

8. Whilst we have been robust in the period, particularly challenging energy Suppliers to resolve consumer issues to higher standards, this has not come at the cost of our reputation – quite the opposite. The Annual REC Stakeholder survey has demonstrated considerable improvement in stakeholder views of our service – particularly enhanced communication and engagement. We will be building on this success with PA check-ins, an approach to much closer engagement with REC Parties trialled in the period which we will roll out over the coming months.

Looking forward

Retail markets are complex and dynamic, and as a result effective Performance Assurance will always need to be responsive and focused on the reality of performance. Having said that there are a number of areas where we anticipate driving performance improvements in the coming year:

1. Tightening meter accreditation schemes - as issues with the Consolidated Metering Code of Practice are resolved in summer 2025, we will, alongside the metering auditor, tackle organisations with significant issues meeting these standards first time round, or slow to resolve identified issues.

2. Testing the effectiveness of the important change R0155 that aims to improve retail markets for non-domestic consumers – clearly signalling the need for Suppliers to enhance processes following this change, and checking that they have met the new requirements. At the same time we will be testing whether the new requirements effectively resolve the consumer issue, providing a clear evidence base for future Code enhancements if not.

3. Driving improvements to meter data in gas that improve customer billing as well as energy settlement, whilst implementing a similar mechanism in electricity.

4. Delivering our MHHS qualification approach – supporting the success of these significant enhancements to the electricity market whilst also protecting REC Parties by maintaining minimum market standards.

5. Continuing to drive better data quality across the industry, which will only become more important as the industry transforms to respond to the challenges that net zero creates.

Key Recommendations for the REC Board

Not all retail issues can be resolved through the assurance or change processes, larger changes often require greater dedicated resources and focus. Through this report we make the following key recommendations for the REC Board to consider, based on the outcomes of Assurance work:

1. Consider establishing a new project in a future Forward Work Programme to improve the switching objection processes, so that consumers that are not eligible to switch can find this out much earlier in their switching journey, thereby improving consumer experience and switch outcomes.

2. Consistency of meter data flow represents a key opportunity for the REC Board to deliver retail market digitalisation. Whilst we envisage improvements when three REC changes (I0196-8) are implemented, there is still scope to both drive better consumer outcomes and reduce the amount of time Parties spend resolving errors through improvements to metering processes and systems, particularly in gas. The REC Board should consider what role it has to drive innovation and improvement through its digitalisation strategy, as well as considering linkages with and dependencies on other major industry programmes which may be governed outside the REC – some of which are also making changes to how data in the industry flows between market participants, such as Project Trident and the MHHS Programme.

3. As work progresses on I0189, a change that seeks to obtain consumer information to enhance the Performance Assurance and Change Processes, the Board should consider if this information can be used as an input into the Forward Work Programme development in future years, or the assessment of effectiveness of initiatives.

4. The Board should consider establishing mechanisms to coordinate the response to complex consumer issues, which may not be part of the current Forward Work Programme (FWP) but which require agility outside of the FWP construct. This is increasingly important when considered in the context of the CRS transfer decision and upcoming Code Manager licensing.

5. Utilise the upcoming Digital Services launch to enable ongoing assurance improvement, particularly with the experience of applicants and those maintaining their qualification, but also those interacting with the Code Manager (e.g. for data submission).

2. THE ROLE OF RETAIL ENERGY CODE AND ASSURANCE UNDER THE REC

There are currently 10 Energy Codes, established to allow market participants to manage industry rules and processes, to enable interoperability and the resolution of processes. Many organisations are required to become Parties to these Codes through their Energy Licence. The Retail Energy Code (REC) exists to manage retail processes, predominantly relating to switching, metering and the resolution of consumer issues that involve multiple Parties. The REC most commonly overlaps with the following areas:

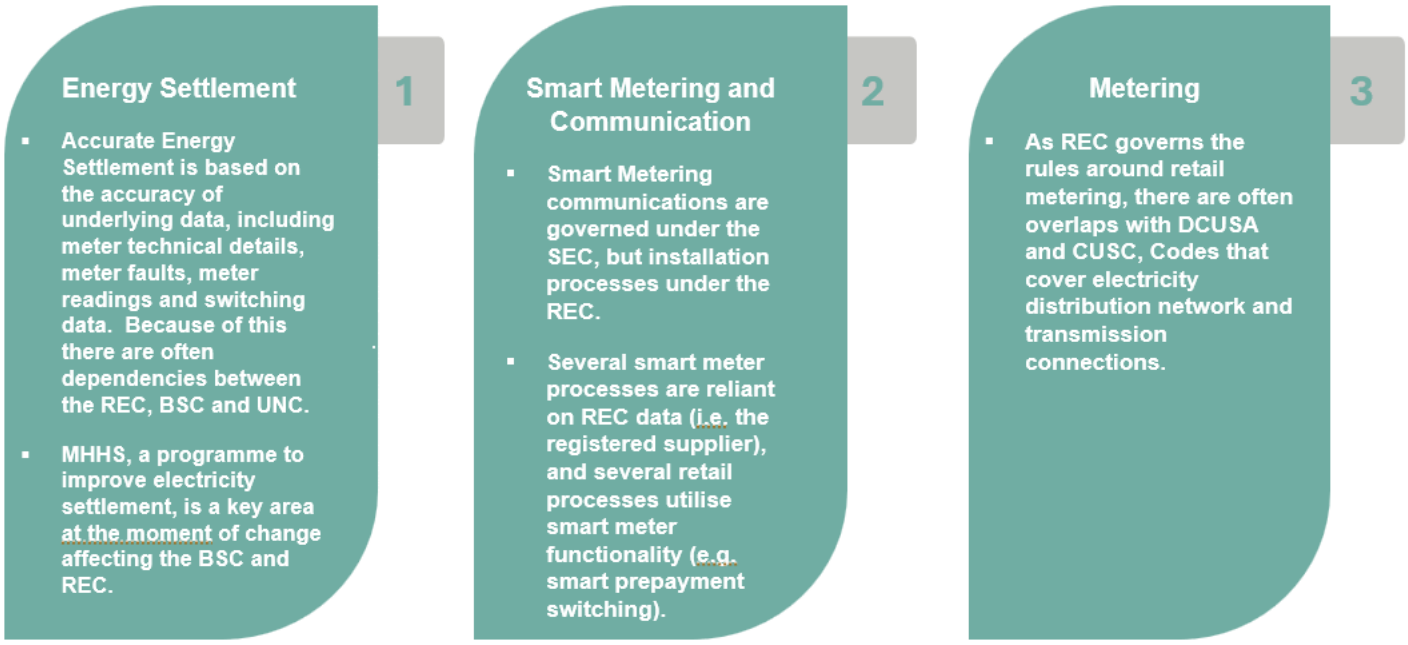


Figure 1 Interactions with other Industry Codes

For the REC, or any other Code, to be effective all of the following need to take place:



Figure 2 Role of Assurance

There are often costs incurred for Parties to adhere to the REC requirements. In a competitive market assurance is needed so that market participants trust that they will not face a penalty by following the rules, and that they can trust the systems and processes deliver as intended. Assurance also has a range of secondary benefits:

- It often identifies cross cutting issues that cannot be identified or resolved by one organisation alone. This is particularly important in retail markets, where consumers are often affected by these issues, and with system issues where many Parties are affected by system performance.
- It makes investments in changes to systems and processes more viable, as there is less benefits leakage.
- It helps resolve issues quicker, bringing independent expertise to identify the root cause.

The REC Board established the Performance Assurance Board (REC PAB) in November 2020, as its subcommittee responsible for managing performance, with the PAB assuming its full role when the REC went live in September 2021. The PAB established a risk register which is focused on risks delivery of the REC objectives, and tailors its strategy to assuring performance across the different areas of the REC, as set out below:

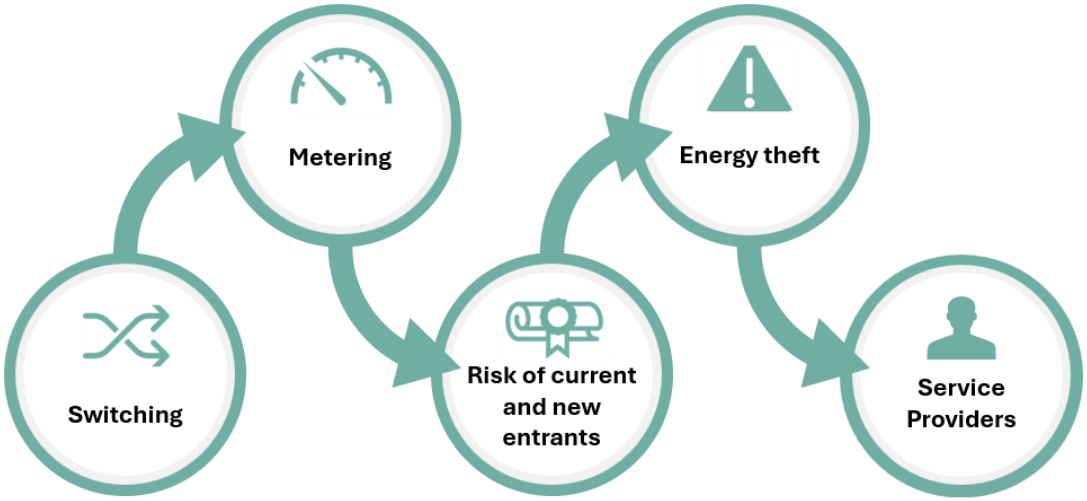


Figure 3 Focus of REC Performance Assurance

Based on its risk and assurance activities, the Code Manager applies Performance Assurance Techniques (PATs) designed to improve, understand or address performance. These vary from providing guidance through to serious market sanctions. A key input to these is risk data, most commonly from central sources, which can indicate performance issues. The PAB has set thresholds above which the Code Manager should intervene, delegating to the Code Manager the application of some PATs (such as notifying the Party), and putting controls around the applications of others (such as PAB approval).

This report covers the performance of the market, as well as each of these five key domains, as well as summarising how the service has been improved, and intended improvements.

Overall Party Performance

Performance challenges are highly concentrated, with half of all PATs applied to 15 of the 412 Parties. A quarter of all PATs went to just 5 Parties. This is not solely related to the role of the Party - two of the largest UK Suppliers were within the five most likely to trigger Code Manager intervention based on the PAB's performance threshold with their higher level of exceptions. Currently over 90% of the UK market is supplied by six Suppliers, with two of these significantly outperforming the others in most areas of the REC. Notably these organisations positively engage with the Performance Assurance process, reviewing their performance data monthly and taking action themselves to improve performance without the need for Code Manager interventions.

A key mechanism we use to encourage this kind of engagement is our annual rating approach. This considers the performance within the year, providing an overall rating to the organisation each September. Currently we report this rating to peers, and are in the process of considering how best to utilise this information to best incentivise positive engagement in resolving compliance and consumer related issues. We have summarised below the ratings applied in September 2024 below:

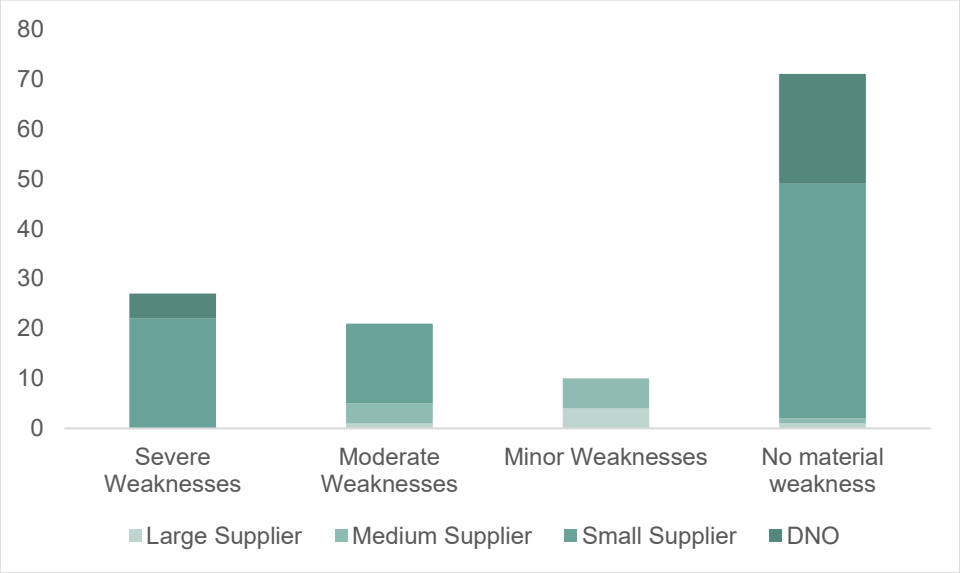


Figure 4 Distribution of Party Rating published in September 2024

The Severe Weakness ratings were primarily driven by:

- Small DNOs who had issues maintaining their qualification, a critical Code responsibility, which they did not respond to the Code Manager to address for over three months.

- Small non-domestic Suppliers who did not engage in the Theft Detection Incentive Scheme whatsoever, reporting neither confirmed nor investigated thefts to the Code Manager. Working to address energy theft is critical activity contributing to public safety.

- Two small suppliers where we identified significant performance issues; one that was switch-blocking and another growing without the associated system, processes and people to resolve switching issues.

The other key contributing factors differentiating organisations were their engagement in data cleanse activities, the proportion of their theft target achieved and whether any significant PATs (such as requiring a Management Assertion) had been needed in the year.

These ratings have addressed a key challenge of delivering performance assurance across the market. Whilst REC Performance Assurance has access to serious sanctions, these need proportionate evidence of consumer harm to be used. Organisations not engaging in important activities, but not so important to justify action such as restricting acquiring new customers, are incentivised through reputational incentivises to improve their performance. The use of this peer comparison has been a key contributor to improving the engagement of organisations with energy theft and data cleanse activities in particular.

Given the importance of these activities, we plan on evolving this rating to increase its effectiveness, working with the REC Board on an associated REC Change.

3. SWITCHING

Our Strategy

1. **Drive accountability for performance to Parties, through reporting, intervening when we do not have confidence Parties can self-correct.**
2. **Focusing on the areas in the market where consumers outcomes are at greater risk.**

Switching is central to the mission of the REC and the competitive retail market. Interactions between Suppliers, or the meter level data industry holds, should not hamper the way of legitimate requests to switch. However, switching journeys can be complex, and the REC caters for the resolution of many different issues with switches.

The using of domestic switching processes was highest in 2023, although the use of REC processes to resolve consumer issues has gradually increased, as set out below:

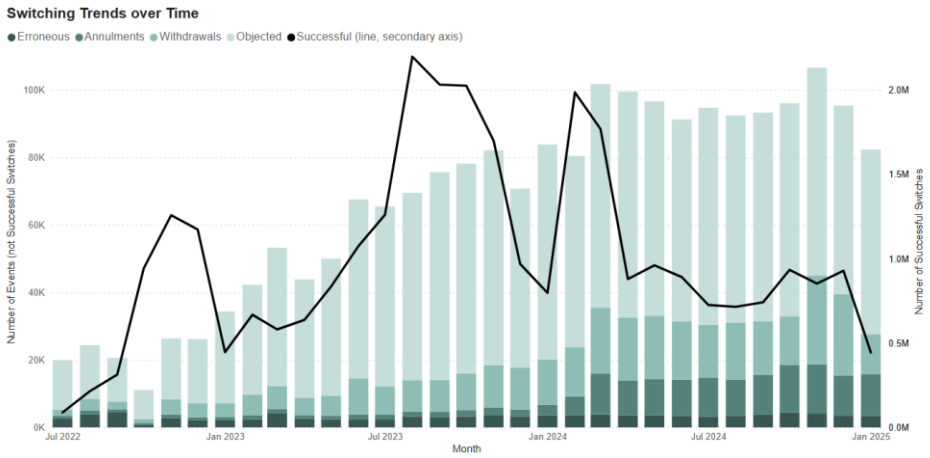


Figure 5 Domestic Switching trends

In the non-domestic market we have seen fairly consistent levels of switching since CSS go live, with significant seasonal peaks of both switches and objections linked to the April and October contracting rounds, as shown below:

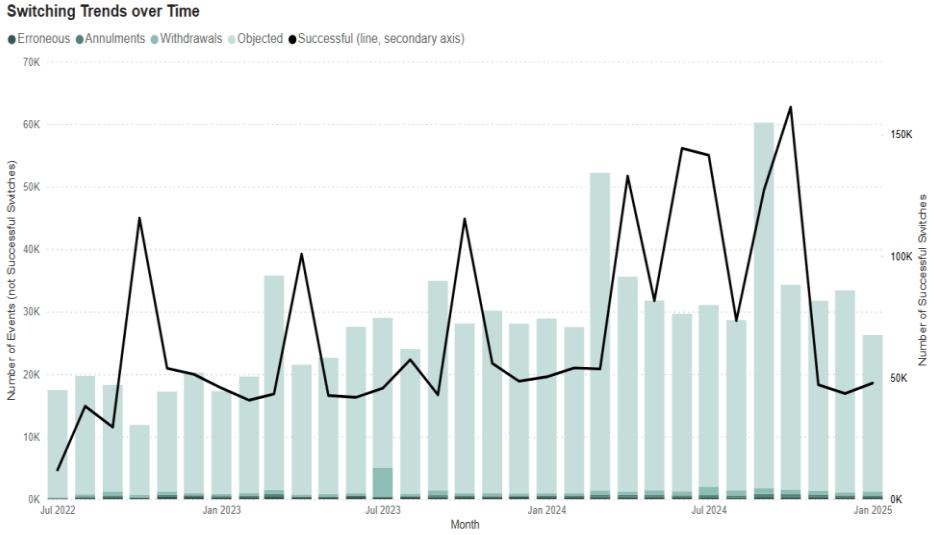


Figure 5 Non-Domestic Switching trends

Overall, we see effective switching processes, with a considerable use of the switching service for Suppliers internal migrations rather than customers switching Suppliers. Approximately 53% of all switches between July 2023 and January 2025 were internal migrations – usually where a Supplier uses industry processes to move customers from one system or MPID to another.

Many of the processes we look at exist to manage switching issues. Around 1% of all switches are 'annulled' a process where the consumer tells the losing supplier they no longer want to switch and a further 1% are withdrawn – where the gaining supplier cancels the switch voluntarily. Our risk monitoring identified that not all Suppliers understood when to use these processes, and were using them inappropriately. In 2023 we issued guidance addressing the concern, supported Suppliers that had taken the wrong approach, and raised a change to the Code. We then worked with the Change team to implement changes, which went live in November 2024. Since the guidance was put in place we have seen much improved use of these processes, improving customer experience of switching by reducing erroneous switches.

A key area of focus through the period has been the level of objections, with one third of PATs related to objections. Objections are a key part of the switching process, with many valid reasons to object. Invalid objections however both harm the Supplier who would have gained that customer, as well as blocking the consumer access to the market. Objection levels have been stable through the period, although we have identified and addressed instances where organisations have much higher rates of objection and are blocking switching, or are an early warning of consumers not being able to pay their bills.

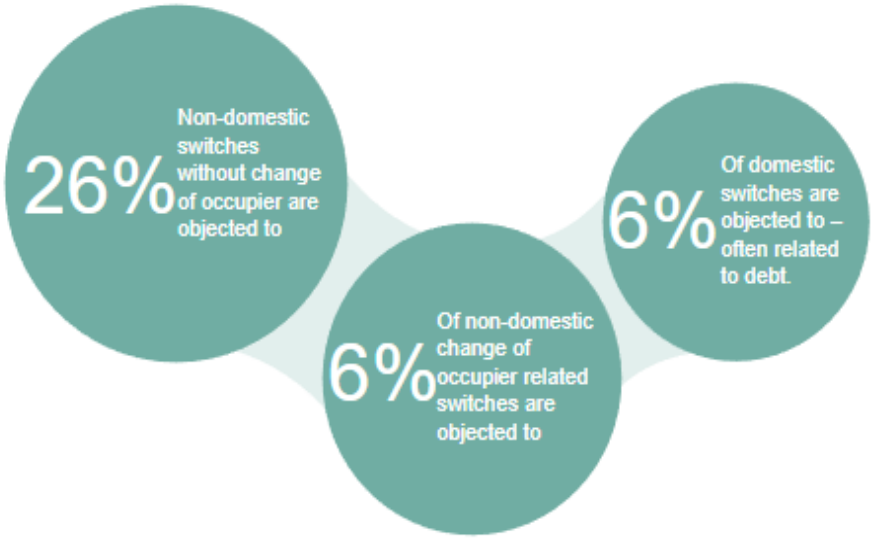


Figure 6 Switching trends: The use of objections

Through our work we identified that:

- In the vast majority of cases Suppliers are following the requirements of the REC.
- In some non-domestic switches Suppliers are communicating to customers that they need over 20 working days to review information to determine if a switch can proceed.
- One organisation was automatically objecting to switch requests, even without valid justification. With this organisation we have applied progressively more serious PATs, including a referral to Ofgem, as well as attendance at PAB to present improvement activities. We are pleased to be able to report that this approach has driven significant behaviour change, which is resulting in improvements to performance. We are continuing to work closely with this organisation.
- There were several instances of Suppliers with misconfigured systems, resulting in higher objections, that detailed monitoring was able to identify and resolve quickly.

The evidence that we uncovered in relation to non-domestic objections was key to the initiation of a RECCo project that later resulted in R0155, a change to better define the evidentiary standards around specific types of objections. Performance Assurance of this solution is essential, so that Suppliers correctly implement the intended solution and that we can understand if the intended solution is effective in improving consumer outcomes and, if not, act to improve the solution. This assurance will take place in the coming year and will be a key component of the Performance Assurance strategy relating to switching.

Our work has improved performance across all of the switching processes – we have:

1. Identified organisations who have struggled to send valid messages to CSS and initiated the prompt resolution of this issue. This reduces switching and data errors for other Parties.

2. Tackled iDNOs who share inaccurate or delayed Meter Point Location addresses. This improves address quality, which has knock on issues with switching at a later stage.

3. Identified the root cause of switch meter read delays, and raised a change which is progressing through the change pipeline to resolve the issue.

Overall switching is faster, and more reliable than before CSS go live, although there is more that can be done to improve reliability. In the coming years we expect significant innovation in the market, including tariffs linked to equipment installed in consumers' homes, such as solar panels and heat pumps. This could result in new areas in which consumers need protecting from blocking access to competitive tariffs. Given the current switching journey, particularly for non-domestic consumers, has customers find out they aren't eligible to switch late in the switching process through an objection, revisiting these processes could resolve significant consumer issues. Given the scale of this change we recommend this is considered through a Forward Work Programme project, not a single REC Change.

4. METERING



Metering Assurance comprises the following components:

- On site metering, performed by Meter Installers, is subject to a metering accreditation scheme with dedicated metering auditors, Wilcock.
- Consumer experiences are assessed in one instance, when consumers have their first smart meter installed through a consumer survey.
- Meter data management has been subject to an evolving assurance approach, looking at process compliance, resolving process issues and assuring the data outcomes.

On site metering

Assurance of on-site metering has a separate metering audit process. This involves a compliance assessment, with 'non-conformances' reported back to the metering provider. The metering auditor then tracks actions through to completion until the metering provider has met all the requirements of the Code. Depending on the market role the number of clauses reviewed varies, with the briefest assessments at registration assessing 3 clauses, the most thorough assessing 310. Almost 80% of metering providers have no areas of non-conformance with the Code of Practice identified, with the average provider resolving all their non-conformance within around 80 days. We have set out below a breakdown of non-conformance during the metering audit.

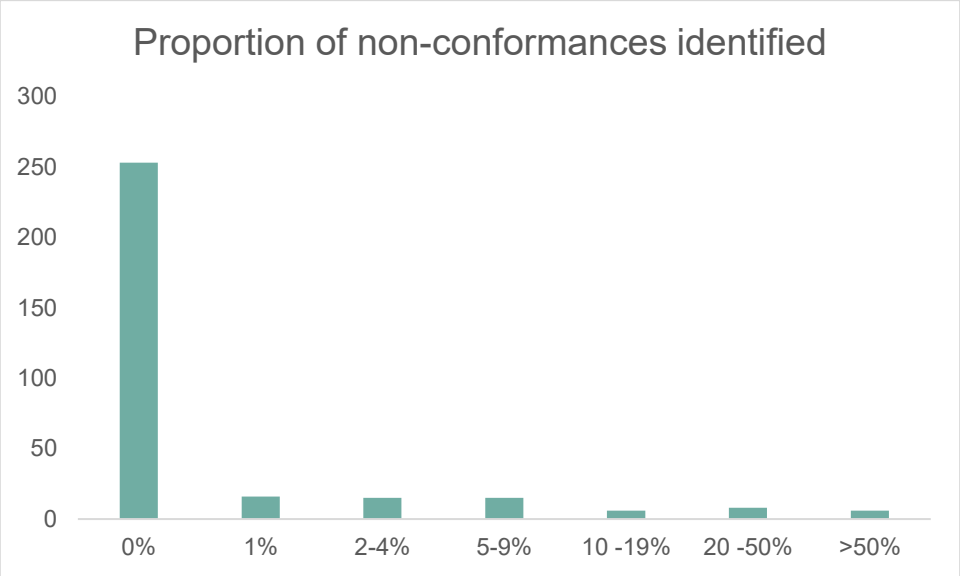


Figure 7 Proportion of non-conformance noted during metering audits

Of the six organisations that complied with less than half of the Code requirements, three did not meet over 83% of requirements, with one failing to meet 96% of requirements. Whilst this level of non-compliance raises serious concerns, we need to be aware of the issues caused by the flawed consolidation of metering codes. Implemented in April 2023, issues were identified in November 2023, for which the PAB provided a derogation to organisations, suggesting they should follow the previous metering Codes when unclear. A change to address this, R0152, will go live in June 2025. Up to this point the uncertainty that participants face relating to the Code requirements has meant a more supportive approach to REC Parties has been taken.

At the point of implementation of R0152 we intend on strengthening the escalation process by:

- Requiring all organisations that met less than 80% of requirements or failed to close their non-conformances within 3 months, to an annual reassessment at their cost.
- Providing a suspension of metering activities that do not meet over 50% of requirements, until they have demonstrated they have met all key safety requirements.
- Escalating to the PAB organisations that persistently defer audits or not pay their accreditation fee.
- Developing a performance rating system for MEMs, which incorporates both on site metering and data management, so that we can share information on the performance of MEMs with the Suppliers that procure them.

We envisage that any sharing of performance data for MEMs would follow the gradual approach we have taken with Suppliers and DNOs, where they are initially provided a rating confidentially, then this

information is shared with peers, considering wider sharing (for example with Suppliers who purchase these services) if evidence supports this.

The types of findings across CoMCoP varied significantly, however some of the most common findings related to:

- Reviewing the competency of staff and contractors by a suitably qualified individual.
- Installers having processes to manage damaged equipment safely.
- Installers adapting the meter installation for the needs of vulnerable customers.

Whilst these were some of the most common issues, non-conformances varied across CoMCoP, without a clear pattern.

Safe Isolator Providers

In June 2023, R0021 brought a new role into the REC – the Safe Isolator Provider. These organisations provide metering works directly to consumers, and therefore need to follow some, but not all, of the requirements a metering provider would usually provide. During the year, we have delivered tailored market entry processes, which involve a combined process and data assessment alongside a technical metering assessment. Eight organisations have qualified in this role, with more organisations in entry process. RECCo are working on further developing and refining this role, to support an expansion of meter works for the installation of heat pumps and EV chargers in a safe way.

Smart Meter Installation Survey

The Smart Meter Installation Survey was created at the start of the Smart Meter rollout, originally referred to as the Smart Meter Installation Code of Practice Survey. This is measured quarterly, with Suppliers who plan on installing over 20,000 Smart Meters at Domestic Premises or 5,000 Smart Meters for Micro-Business Consumers each year, or annually, with Suppliers who have fewer installations. This survey was intended on measuring risks identified prior to the Smart Meter rollout, including the risk of cross-selling of non-energy products. Throughout the year, the survey has indicated very low reporting of being asked to pay for goods and services, consistently below 1%. Given that some consumers may make mistakes if surveyed online, we consider this evidence that any cross selling is very rare. 95% of domestic consumers report that they were aware the meter installation would involve a Smart Meter, with Suppliers more likely in 2024 and 2025 to have taken into account customer vulnerabilities, such as health problems. This has risen from 72% of cases where there is a vulnerability to 80%.

We have seen consistent performance in this survey, only intervening with a growing Supplier, whose first reported results were worse than the rest of the market. We worked with them to address this performance concern. Given the consistent performance, we are looking at how we can improve this survey, working with the REC Change team on I0189 (Voice of the Consumer) to develop this survey to provide meaningful insight into other REC consumer outcomes. We will use this information to make better changes, as well as more targeted assurance activities. We would recommend to the REC Board that, once live, this information is used as an input into the REC Forward Work Programme development process.

Meter Data Management

Metering data drives many consumer and industry processes, particularly settlement and billing. We originally took an approach focused on the use of central data, monitoring data flows across the Data Transfer Network, with organisations using alternative approaches providing data to us directly. This had the benefit of reducing the volume of information provided to us, but raised a significant number of false issues, mostly because many organisations started meter data processes on industry networks, but did not complete them.

During the period we completed two significant pieces of analysis, a detailed MEM RFI which substantiated that meter faults were growing and bringing the results of the CDSP reconciliation, which indicated approximately one third of the data held centrally was inconsistent with Party data for three of the central data items (Meter Serial Number, Meter Model and Manufacturer), into the Data Cleanse Sprint Processes – moving the CDSP Reconciliation from a passive to active output for the first time.

The scale of these issues indicated that cause of these issues was not simply non-compliance, but problems with the design of metering processes and the supporting technology.

As a result, we took a twin track approach, working with Parties to drive up outcomes, whilst also identifying the ways to address process issues, focusing on gas as MHHS is bringing about significant changes to electricity processes.

Our gas process work followed the timeline below:

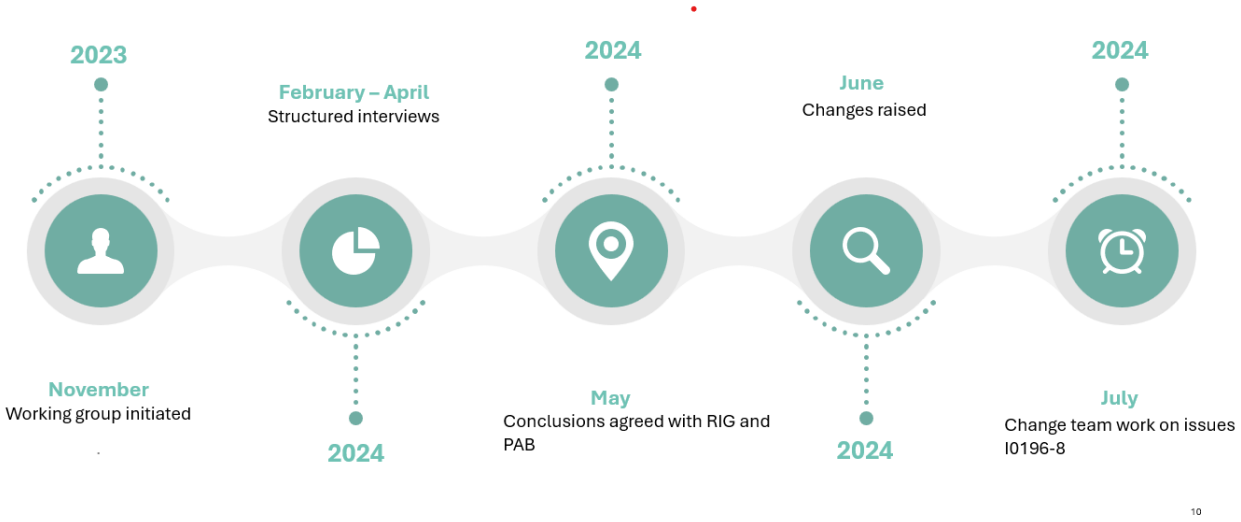


Figure 8 Timeline of the improvement initiative for Gas metering

This close work with Parties identified multiple issues, with different MEMs utilising different communication methods and organisations even ignoring information on newly installed meters if sent using the wrong method. We also identified that as market participants share information with multiple organisations in parallel, if the MEM rejects a request from a Supplier this often results in data errors, as CDSP data can already have been updated at this point.

Working with industry we grouped these into four agreed actions, three of which are working their way through the change process:

1. High Impact: More predictable Metering Asset Manager (MAM) Communications through the implementation of a Communications Method Register
2. Medium Impact: Introduce a maximum timeframe Fault Resolution deadline.
3. Low impact: A process in the Code that requires the Supplier/Shipper to validate and enrich the data from the MEM prior to this being updated in CDSP.

As well as one which has been implemented, through the data access approach.

4. Medium Impact: Addition of MEMs to the Gas Enquiry Service (GES) API.

We have continued to focus on driving up outcomes as well, working with Gas MEMs to drive up data quality utilising the outputs of the CDSP reconciliation. This has delivered over 50,000 data corrections to date, although more is still to be done. We plan on:

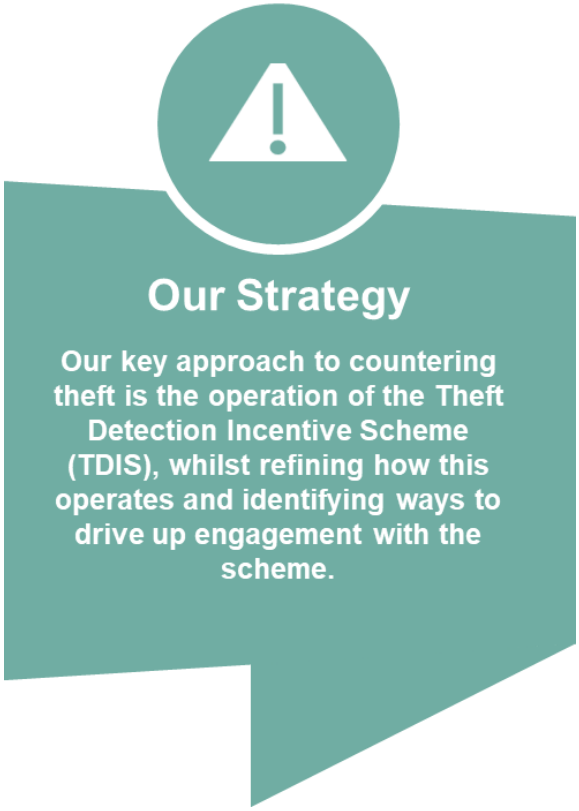
1. Continue to include meter data items in Data Cleanse Sprints, driving Parties to focus on resolving aged items, as well as resolving the market wide issue with MAP ID, with the support of MAPs.

2. Making the CDSP reconciliation more timely and frequent, which makes it easier for Parties to completed related data cleanse activities.

3. Extending this concept to electricity, to support the cleanse activity in the run up to MHHS as well as maintaining high quality data going forwards.

Consistency of meter data flows represents a key opportunity for the REC Board. Whilst we envisage improvements when the three REC changes are implemented, there is still scope to both drive better consumer outcomes and reduce the amount of time Parties spend resolving errors through improvements to metering processes and systems, particularly in gas. The REC Board should consider how these opportunities are realised through its digitalisation strategy, as well as linkages with other major industry programmes, such as Project Trident and the MHHS Programme.

5. ENERGY THEFT



Context

Energy Theft remains a significant challenge for the Energy Sector, with illegal tampering with meters and illegal connects presenting significant safety risks to consumers and the wider public and with the cost of energy theft borne by bill-paying customers. Work by RECCo in late 2022 through the Theft Estimation Methodology estimated that the cost of Energy Theft was between £830m to £1.388bn per year.

In addition to obligations under Standard Licence Conditions on Energy Suppliers and Networks in respect of Energy Theft, under Schedule 7, Energy Suppliers are required to take actions to seek to reduce theft of energy by identifying and addressing individual cases of Energy Theft. To support this activity TDIS has operated for a number of years, previously under the governance of DCUSA and SPAA and now under REC governance.

Our Activities during the period

During the period covered by this Report REC Change R0091 was implemented, transitioning additional responsibilities to the Performance Assurance Code Manager in relation to the Theft Target Methodology – which sets out key parameters that influence how the TDIS operates. Due to the timing of the associated activity (engagement commencing in September, with a final TTM published by early February) two cycles of this activity have occurred in the period covered by this report. In addition, we have taken a variety of steps to improve the operational delivery of the scheme and engaged on potential future change initiatives. Key activities during the period include:

- We consulted on a wide range of options for the 2024/25 Theft Year TTM, considering there had been little previous change implemented. We introduced additional splits to the domestic pot to separately consider smart and non-smart meters with a higher weighting applied to non-smart meters when applying targets, reflecting the differing theft risk factors for these meters. This also resulted in targets being set that were more reflective of individual supplier portfolios where they had a significantly skewed Smart/Non-Smart mix. We explored the option for splits in the non-domestic sector – particularly to differentiate between SME and

I&C customers – but the lack of a consistent and reliable industry definition and supporting data made change infeasible.

- Results to date for the 2024/25 Theft Year (which will be finalised after publication of this report) indicate the pot changes are having a positive effect, with investigations and reported thefts significantly higher for non-smart meters.

- The TTM for the 2025/26 Theft Year was recently completed and applied, more limited change was made in order to allow sufficient time for the measurement of the impact of previous changes. However, we made adjustments, particularly within the gas sector, to reflect the decreasing proportion of non-domestic gas meters and observed weighting of theft between smart and non-smart meters in the gas sector.

- We also responded timely to an issue raised by Parties with the quality of the Domestic Premise Indicator held within CSS and used to provide market share splits into the theft target process. Due to limited availability of granular data, we devised a pragmatic approach which was approved as a derogation to allow temporary adjustment of portfolio data by Parties who were significantly affected by this issue – ensuring targets were set for Parties based on the segments in which they truly operate. Regrettably we have had to repeat this workaround for a second year as the industry data problem has not been resolved.

- Reflecting the concern that Suppliers could "buy out" their obligations in the scheme by making a payment based on the debit/credit rules and not undertaking any activity we have made changes to the data reporting to require Parties to provide detail of all investigations rather than just confirmed thefts and have included in the annual rating a measure of engagement with the scheme. Even where investigations do not lead to confirmed thefts they can still act as a disincentive and can reduce the safety risks arising from illegal tampering. We have seen a 26% reduction in unengaged Parties through this change.

- We have made a number of operational changes to the scheme, including simplifying the inherited data template included in the PARC and providing additional self-service data via the Performance Assurance dashboards to allow parties to understand the details of and reasons for any rejected theft submissions. This has had a positive effect, with the number of helpdesk enquiries relating to theft data submission falling which reflects impacts on Suppliers, the helpdesk team and data specialists in the Code Manager.

- We have had significant engagement with the Theft Issues Group since it was formed in 2024, with the Code Manager leading on the identification and design of the proposed change R0173 to extend the incentive payment mechanisms to cover site visits and some desktop investigations.

- We continue to work with the RECCo Theft Team to facilitate appropriate broader use of the theft data to support wider theft resolution initiatives being undertaken by RECCo under their remit for Theft Strategy under the REC.

Outcomes

The graphs below show an overview of the outcomes of the Theft Scheme since 2022 in terms of the number of Confirmed Thefts – this reflects the efforts and activities of all Suppliers involved, facilitated and supported by the Activities and changes made by the Code Manager over that period.

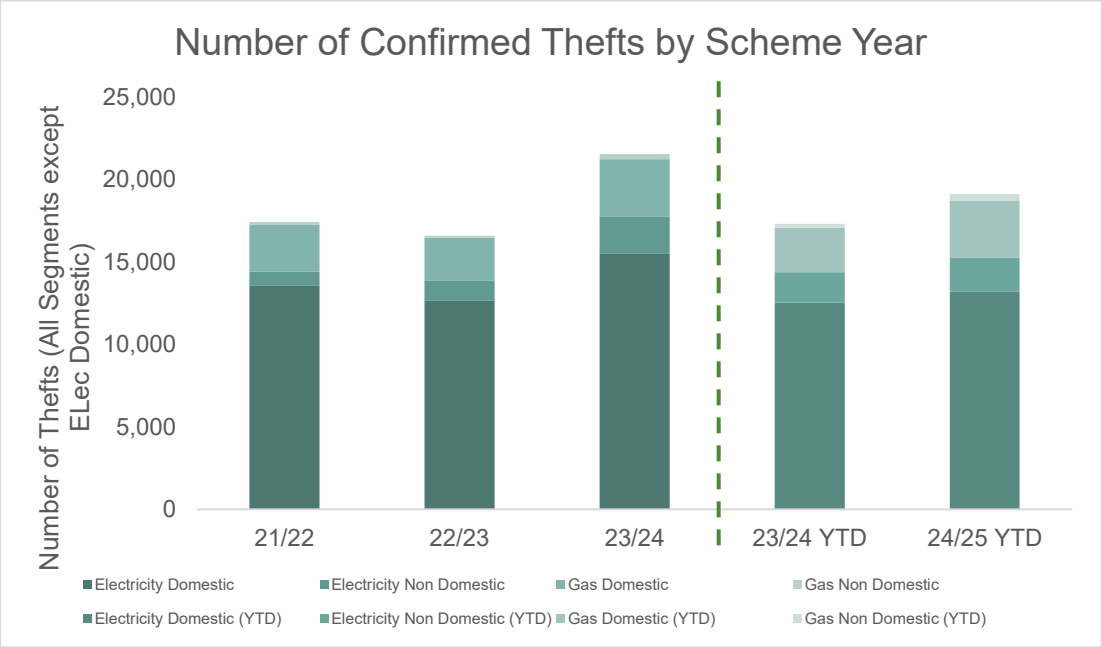


Figure 9 Number of Confirmed Thefts per Reporting Year

From the 2021/22 Theft Year to 2023/24 there was a 24% increase in the number of confirmed thefts reported (equivalent to an annual increase of 11%), with improvement across all four incentive pots. Based on year-to-date a further 10% YoY improvement can be seen.

For the domestic sector the current year was split between Smart and Non-Smart meters, with an initial 0.6 weighting applied for Smart Meters (i.e. for every 3 Smart Meter thefts it is expected there will be 5 non-smart meter thefts). Based on year-to-date data (through 31 January 2025) this weighting is consistent with the reported thefts for the electricity segment, with the gas segment showing a more significant weighting of approximately 0.8.

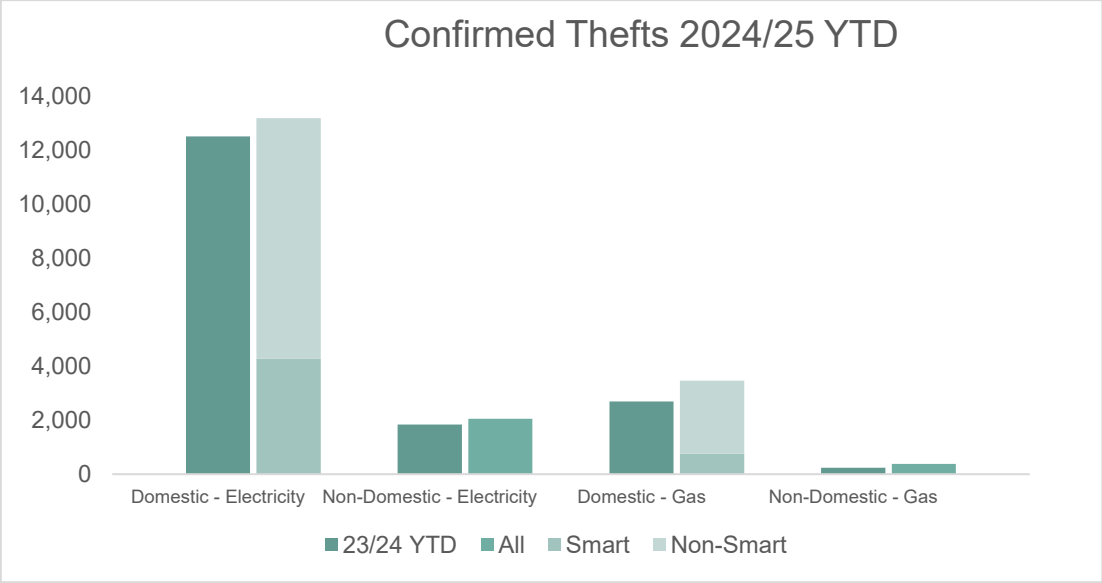
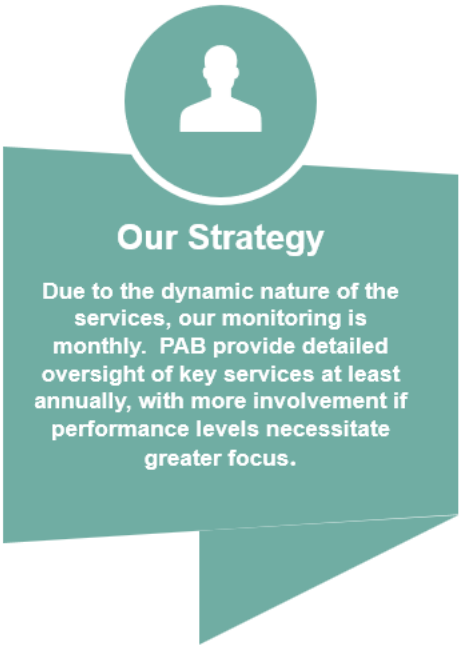


Figure 10 Breakdown of Confirmed Thefts for Domestic Sector Pots YTD 23/24 vs 24/25

6. SERVICE PROVIDER PERFORMANCE



Under the REC there are 11 key Services, 7 provided to industry by RECCo, three by DCC and the final one by DNOs. RECCo and DCC then outsource elements of these services. Each of these services has defined performance levels and plays a part in key processes such as REC Change and address management. The assurance approach considers both compliance with the Code, as well as if the services are delivering the right outcomes for market participants and consumers.

Every month each service's performance is reviewed, with action plans put in place to address performance issues where appropriate. The PAB also has received deep dives into the most significant services GES, EES, and CSS. In each of these cases, the deep dive has addressed one-off performance challenges and focused on the overall improvement in service delivery.

DCC: CSS, the Switching Operator and the CSS Certificate Authority Performance Levels:



Over the past 18 months we have seen an improvement in the number of performance metrics met. Where metrics have not been met we have also seen the gap between the performance level and the target reduce.

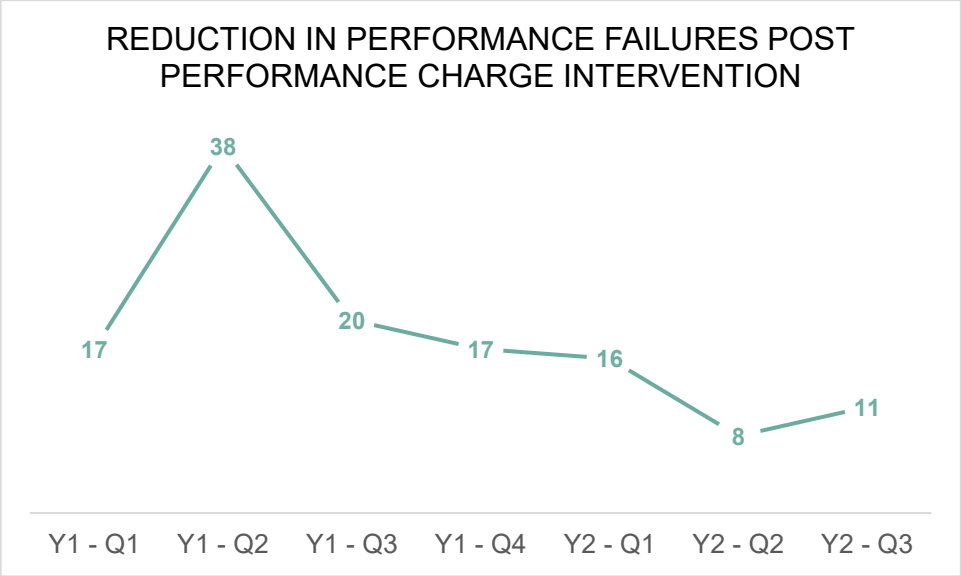


Figure 11 Impact of introduction of CRS Performance Charge

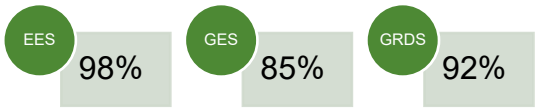
A key contributory factor to this has been the implementation of Performance Charges in April 2023. Between the end of CSS hypercare and the implementation of the Performance Charge DCC missed on average 12.8 SLAs each month, during this subsequent 18 month period this has dropped to 5.

The Code Manager has also reviewed the structure of the performance charge, as well as the appropriateness of the metrics, in the form of R0092A.

The PAB has reviewed DCC's response to the major incident, and progress closing down the actions identified to address the causes of the incident and challenges with the response, DCC's security, and progress against Address Management activities.

DCC have also driven up improvements to the responsiveness of CSS. DCC's ongoing challenges primarily relate to communication with industry, particularly in relation to incident management.

RECCo: GES, EES, The Code Manager and smaller services Performance Levels:

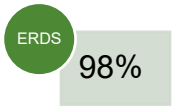


The SLA performance of the two enquiry services has improved over the past 18 months, with more performance challenges reported against the Gas Enquiry Service than the Electricity Enquiry Service. RECCo and the outsourced service providers have presented to the PAB on the performance of each service, and whilst there are areas that require improvement we have observed positive engagement and behaviours seeking to resolve issues that arise.

The PAB has also overseen the performance of the Code Manager, focusing on key process pillars of Assurance, Change, Stakeholder Engagement. In the coming months the PAB will also review the Committee Management and Technical Services. These have resulted in improvement activities,

including a simplification of the way the Code Manager engages with industry based on regular performance monitoring, assessing how the Change process gets the right engagement when progressing Change and a focus on Changes having more clearly defined benefits to make more rigorous case for change as well as a simpler way to check Changes have been effective. Work will report shortly on an assessment of how effective a sample of significant changes have been in meeting their intended benefits case.

DNOs: ERDS Performance Levels:



DNOs have several key interactions with CSS, where they provide key information such as address data, and need to receive information on which Supplier is responsible for each meter. Overall DNO performance has been good, with 99% of reported metrics meeting or exceeding SLA. Isolated issues exist, primarily with small iDNOs resolving switching incidents.

KPI review

Assuring performance is not just about Services delivering in line with the existing SLAs, it also is about assuring that the SLAs themselves are fit for purpose. With REC Services operating for several years since REC go live (or CSS go live). The Code Manager is assessing the appropriateness of the current KPIs. In our operating plan period 2024/25 we are reviewing the KPIs of two other elements of the Code Manager RTS and RPS, as well as two key switching services GRDS and ERDS. We report our findings back to RECCo for Code Manager services, progressing changes for GRDS and ERDS as appropriate. This approach considers both the inclusion of new or improved SLAs to better drive performance, as well as the removal of redundant or poorly designed metrics.

Common Service Provider Challenges

Through the year we have identified some common challenges that have affected the key REC Services. These include delivering change to the relevant timelines, acting agilely to resolve identified challenges and resolving issues that require coordination across multiple services.

Four technology changes have not been deployed to their intended timeline, R0063 (an SO change), R0098 and R0108 (linked changes to EES) and R0120 (a change to GES). Each of these changes was intended to deliver enhancements that benefit a small group of users, but do not affect most market participants. Each of them was delayed very close to their release date, which makes it hard for users to plan any system changes they need to deliver to use new functionality.

The PAB have set action plans for R0063, R0098 and R0108, which included targeted process improvement. R0120 occurred recently and decisions on the actions needed yet to be concluded. Further assurance work will be needed to tackle this cross cutting risk, through the summer.

Further work is needed to coordinate the resolution of cross cutting issues that affect multiple Parties and Services. A recent example of this is the identified Domestic Premises indicator. This indicator affects the way switching processes operate, as well as how payments are calculated in the Theft Detection Incentive Scheme and Payment Method Levelisation. Parties raised this issue in relation in our theft work, however the resolution needed coordinated efforts across multiple teams, as well as data from CSS. The resolution of this issue has taken several years, in part due to the difficulty and costs getting information reported from CSS.

This provides an example of a common challenge, coordinating the work of multiple organisations agilely. Whilst the Assurance function has identified ways to better integrate various services that have been implemented, including coordination meetings across providers to identify priority messages to land with REC stakeholders as well as coordination between the different work programmes of the Code Manager and RECCo, there is more to be done to be able to deliver agile, mutli-organisation issue resolution. This is likely to be more important given Ofgem's decision on the CRS transfer, with DCC having a critical and enduring role in REC arrangements. We are aware that RECCo is working on an approach to do this, but consider this integration and coordination should be a key area of focus as the REC Board responds to Code Manager licensing and improving REC governance. In particular this should include establishing effective arrangements for both RECCo and DCC to deliver improving consumer outcomes combined.

7. REC QUALIFICATION



Qualification to access services

Qualification is an essential part of Performance Assurance as it helps us ensure organisations acceded to the REC, and those accessing REC data meet the standards expected within the Code. It is also important to give Market Participants and Consumers the confidence that their data is managed in line with the REC.

There continues to be high levels of demand for access to enquiry services, both through traditional entrants and through new types of access agreement. This demonstrates a key trend – the broadening of REC stakeholders beyond Suppliers and DNOs to a much wider user base.

This increase has included organisations accessing data for the purposes of switching, such as Third Party Intermediaries, as well as a broadening of use of this data, including multiple requests related to the better management of energy, such as property owners attempting to improve their energy use and government organisations, both central and local, looking to use REC data as an input into policy making and delivery.

Following the implementation of R0118, the PAB has been responsible for decisions on specific data access requests. The PAB has approved 23 different use cases to access REC data, providing access to this data, whilst determining how to mitigate any risks associated with the sharing of data through controls and assurance.

We set out below a breakdown of the different types of applications we have received in the 18 month period:

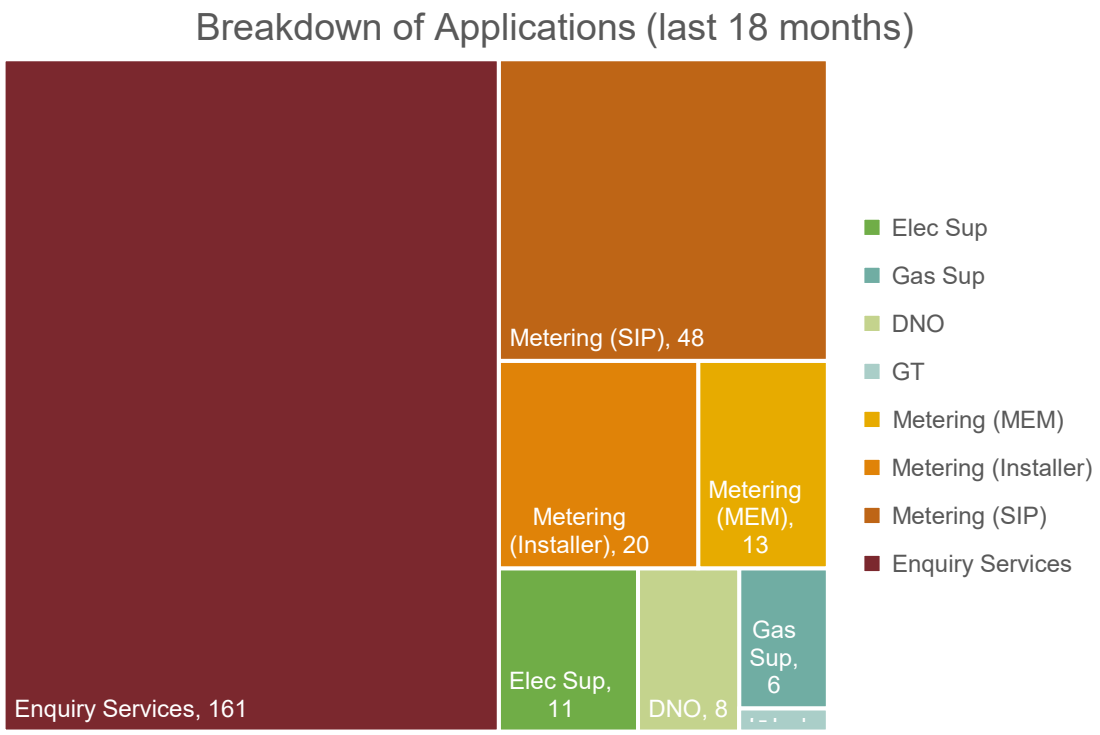


Figure 12 Number of Applications by role progressed by REC Performance Assurance between September 2023 and March 2025

Notable over the period has been the return of Energy Supplier and Network applications, indicating a reinvigoration of the competitive market following challenging market conditions as energy prices rose dramatically in 2022.

Whilst 2022 was the most active year for enquiry service applications, driven by users looking to access REC systems as faster switching created new opportunities and information and the Gas Enquiry Service came into scope, 2024 has seen an overall increase in the number of applications:

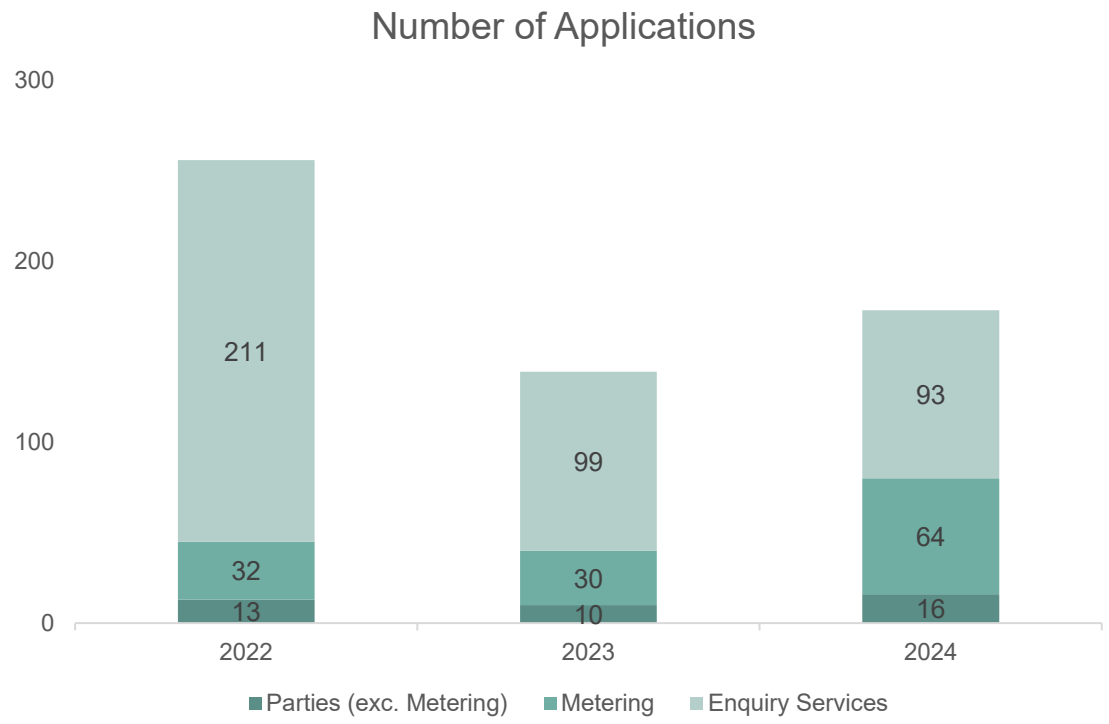


Figure 13 Number of Applications by year progressed by REC Performance Assurance

Given REC entry systems and processes were designed with an expected 20 Party and Metering organisations each year, there continues to be a case for user experience enhancements, providing better, simpler information directly to organisations.

A critical element of the activity in this period has been defining the MHHS approach, in collaboration with the BSC, and providing guidance to affected organisations. Significant progress has been made in this period designing a targeted assurance approach that integrates with the BSC, who have similar requirements. This approach uses more effective technology to drive a better user experience, an approach we would be keen to apply to REC applicants. The Board should consider how the in-flight Digital Services programme can improve the experience of both applicants and existing market participants completing Qualification activities.

MHHS Qualification Testing timelines varies depending on the type of organisation and the 'Wave' they qualify within. The first wave of organisation has submitted qualification evidence to us, which is used to assess their broad business solution. When these organisations have made sufficient progress they then undergo system testing referred to as 'Qualification Testing'. We have set out below the timelines we are working to for different organisations:

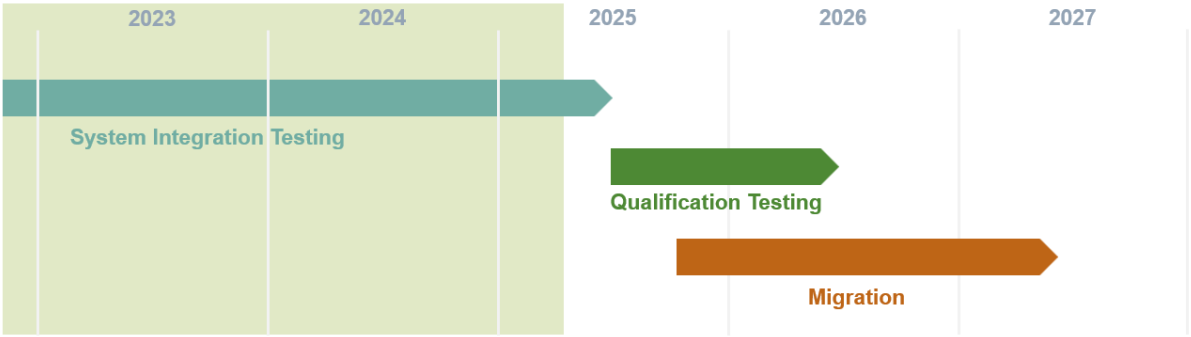


Figure 14 Plan on a Page (POAP) for MHHS Programme Testing and Migration

Managing information security risks

The Board has delegated to the PAB responsibility for specifying REC Party, Non-Party REC Service User and REC Service Provider security and data protection requirements under the REC and determining action to take following notification of a data protection or security breach to these organisations.

During the period the Code Manager conducted 183 information security assessments of new or existing Parties. This is approximately the number of assessments planned for in a three year period when setting up Qualification processes. The PAB set the risk appetite for these activities, both in terms of the frequency and depth of assessment.

The PAB has reviewed the information security approach for existing entrants, identifying ways of streamlining this where appropriate, utilising pre-existing sources of assurance and seeking to improve the user experience of applicants.

The Performance Assurance function has handled security issues relating to the impact on REC Services where REC Parties have suffered cyber-attacks that resulted in significant additional load on enquiry services. This involved working with the affected Parties, allowing continuing access only where there was trust the service was being used appropriately.

It also has investigated allegations relating to the use of REC data beyond the permitted use, including responding to consumer concerns about the sharing of REC data, and allegations of attempts to resell this data.

Assurance has also covered the security of REC Services, completing assessments of DCC's service, with assessments in train for EES and GES.

The PAB has also proposed to the Board methods to enhance the information security approach, including a defined process for handling decisions relating to organisations wishing to access REC Services from outside the EEA.

8. SERVICE IMPROVEMENT

Performance Assurance activities themselves have been improved through the period. This has involved increased two-way dialogue with market participants in particular. We have identified a key activity to further improve this referred to as 'PA check ins' which was trialled successfully and we now plan to launch this fully during the next financial year.

Feedback to the annual survey demonstrated clear service improvement, with the majority of respondents not able to identify an area in which the Code Manager's assurance function could be improved. Three quarters of respondents that had noticed the service had changed in the past 12 months identified that the engagement approach had improved. This is an area we will look to further enhance, as we deliver the service.

One element of this better communication has been improving how we structure our requests. For example, structuring data cleanse around 'sprints' has made it easier for organisations to engage with this process, as they have predicable timelines and focus areas to deliver to. This has improved cleanse success.

We also updated our Performance Assurance Methodology to ensure Parties have an opportunity to self-correct, and transitioned to a quarterly approach to PATs. We notify Parties when they exceed the thresholds set by PAB and allow time for them to take corrective action; only escalating matters and applying additional PATs where a either no improvement is noted, or urgent improvement is required. This approach has worked well to increase Parties' engagement with assurance activities.

Since June 2024, we have pivoted away from broadcast-only Performance Assurance engagement sessions, such as our quarter webinars and developed these sessions so attendees had an opportunity to constructively engage. We do so by given REC Service Users visibility of the topics we will cover and ask them to reflect on questions we want to seek their views on.

To ensure Parties do not miss key actions required of them, we share a high-level checklist of activity planned for the quarter, while also requesting positive confirmations on the most key aspects – such as targets for TDIS – to ensure we do not assume a lack of a response as acceptance.

Workshops to develop a voice of the consumer are developing a key missing element for a retail Code, presenting direct opportunities to address issues causing poor consumer experience or detriment.

We will continue to look to develop this service and improve transparency to REC Parties in particular of the work that we are doing, its outcomes and benefits to them.

We have deployed a variety of enhancements to the Performance Assurance Dashboards that provide a key point of interaction with Parties, including facilitating a range of self-service functionality. Changes have been made based on Party feedback, our continuous improvement activity and to

support wider changes to the Performance Assurance function. As the variety of information in the dashboards has grown we took advantage of the REC Portal UI/UX project to split the main Party dashboard into three discreet dashboards and refresh the layout and visual style in line with the wider UI/UX changes. This change will also allow future changes planned by the Portal team to allow more fine grained access control. We added additional self-service capabilities including to allow tracking of data submissions and more detail on acceptance/rejected of TDIS submissions. We also added new functionality to facilitate sharing of the Annual Rating as outlined on page 7.

Based on our experience from previous years, and through deep-dive reviews focusing on areas of greatest Retail Risk impact, we adopted a forward-looking risk management approach for REC Services. This improved the PAB's ability to manage both existing and emerging risks, whilst enabling REC Services to adapt to unwanted events or crises and mitigate their potential impact on performance. This was achieved through periodic operational deep dives which included an assessment by the Code Manager along with an update from the Service Provider, identifying opportunities for continuous improvement.

Based on Party feedback on the level of concurrent transformation, the Performance Assurance Operating Plan (PAOP) for 2024-25 has included a review by PAB of the approach RECCo is taking, with a focus to encourage sufficient consideration is taken to understand the demand on Parties and have safeguards in place to prevent issues which may arise due to multiple initiatives. Additionally, we are highlighting opportunities for RECCo to intervene in areas most relevant to REC users and consumers such as prevention of energy theft, error resolution and improvement of data quality for data items governed under the REC, such as the Domestic Premises Indicator (DPI), which serves as a base data for various market schemes.

We have also played a pivotal roles in improving Code Manager processes through our input into the Codes Roadmap and also recommending the key messages initiative across the Code Manager functions to ensure Parties received the right level of information through relevant channels to ensure focus.



To find out more please contact:

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RETAIL ENERGY CODE