RETAIL ENERGY CODE

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REC PAB TERMS OF REFERENCE REVIEW

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For Information	This paper provides the PAB with an early view of the changes expected to be required to its Terms of Reference as RECCo implements the new Performance Assurance service delivery model and prepares to become the Licensed Code Manager. Detailed amendments have not yet been drafted and the paper is for information only. PAB Members are invited to: • **NOTE** the drivers and intended scope of the review of the PAB ToR; • **NOTE** the governance principles that will guide the review and the transitional arrangements ahead of Code licensing; • **NOTE** that the new Performance Assurance service delivery model will operate within the existing PAB governance framework pending the substantive update; and • **PROVIDE** any early views on areas of the ToR or PAB governance that members consider should be addressed through the review.

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1 EXECUTIVE SUMMARY

RECCo's Performance Assurance arrangements are entering a significant period of change. From September 2026, the new service delivery model will move Performance Assurance to an integrated model in which RECCo coordinates a number of specialist service providers. This is accompanied by the move towards risk-based, outcome-focused assurance through the new Performance Assurance Strategy.

A further and more fundamental change will follow when RECCo becomes the Licensed Code Manager, currently anticipated around November 2026. The current PAB Terms of Reference (ToR) were developed around the existing Code Manager model and will need to evolve to reflect RECCo's future accountability and the distinction between governance, decision-making and the delivery of assurance activity.

The review is therefore broader than an update to Code Manager terminology. It will provide an opportunity to ensure there is a clear line of sight between the RECCo Board's accountability, the authority and responsibilities of the PAB, RECCo's role in coordinating Performance Assurance and the activities undertaken by specialist service providers. It will also ensure that the PAB's role reflects the move towards oversight of Retail Risks, assurance priorities and outcomes.

The September service go-live does not change the formal allocation of PAB responsibilities. The new delivery arrangements will therefore operate within the existing governance framework pending Code licensing. RECCo will use this period to develop the enduring arrangements and ensure that accountability, decision rights, independence and escalation routes remain clear throughout the transition.

Rather than make successive amendments to the ToR, the substantive update will be aligned to Code licensing. This will allow the document to reflect the future operating model as a whole and provide a stable governance framework that is not dependent on individual service provider arrangements.

No changes to the fundamental purpose of the PAB are proposed at this stage. This paper gives members early visibility of the intended direction and the governance principles that will guide the review and provides an opportunity for the PAB to identify any areas it considers should be addressed before detailed drafting begins.

2 BACKGROUND AND CONTEXT

The current PAB ToR were developed around the existing Code Manager operating model. They set out the PAB's responsibilities for Performance Assurance risks and issues, Risk Management Determinations, Qualification appeals, REC Change and other responsibilities delegated to it by the RECCo Board.

The context in which the PAB operates is now changing. From September 2026, the new Performance Assurance service delivery model will go live, with RECCo coordinating a number of specialist providers delivering different assurance capabilities. This is accompanied by the move towards risk-based, outcome-focused assurance through the Performance Assurance Strategy.

A further change is expected later in 2026 when RECCo becomes the Licensed Code Manager. This is the key trigger for updating the ToR, which currently assign a number of responsibilities to, and describe the PAB's relationship with, the "Code Manager".

Rather than make changes for the September service go-live and revisit the document again shortly afterwards, we intend to undertake the substantive update alongside Code licensing, currently anticipated around November 2026. This will allow us to consider the ToR as a whole and make sure they reflect the enduring operating and governance model.

2.1 RECCO'S ROLE AS LICENSED CODE MANAGER

The ToR contain a number of references to the Code Manager, including its role in PAB appointments, membership, secretariat arrangements and REC Change.

Once RECCo becomes the Licensed Code Manager, these provisions will need to be reviewed to distinguish between responsibilities held by RECCo, activities undertaken by the PAB Secretary and activities which may be delivered by specialist providers on RECCo's behalf.

This will not necessarily be a straightforward replacement of "Code Manager" with "RECCo". The intention is to make accountability clear while keeping the ToR sufficiently service provider-neutral that they remain appropriate if individual service provider arrangements change in future.

We will also review how RECCo is represented at the PAB and the basis on which specialist service providers or other subject matter experts attend meetings where their input is required.

2.2 PAB'S ROLE WITHIN OUTCOME-FOCUSED PERFORMANCE ASSURANCE

The existing ToR place significant emphasis on Performance Assurance risks and issues and the application of Performance Assurance Techniques. These remain important, but the new Performance Assurance Strategy creates a clearer link between Retail Risks, assurance priorities, assurance activity and the outcomes we are seeking to achieve.

The review will consider how the PAB's role is described across this wider assurance cycle, including its oversight of:

- the Retail Risk Register and prioritisation of Retail Risks;
- the Performance Assurance Operating Plan;
- assurance findings, data and insight;
- the outcomes being achieved through assurance activity; and
- the need for further assurance activity or intervention.

This should make the PAB's strategic oversight role clearer without drawing it into the operational management of individual assurance services.

2.3 GOVERNANCE AND SERVICE DELIVERY

The new service delivery model also creates a clearer distinction between governance of Performance Assurance and delivery of individual assurance services.

The PAB will continue to provide oversight, challenge and decision-making in accordance with the responsibilities assigned to it under the REC and delegated by the RECCo Board. RECCo will be responsible for coordinating Performance Assurance delivery and managing the specialist service providers commissioned to support it.

The ToR will therefore need to avoid creating governance relationships between the PAB and individual service providers simply because those providers deliver elements of Performance Assurance.

This will include reviewing the current provision for the Code Manager to be a standing non-voting member of the PAB and considering how RECCo should be represented under the Licensed Code Manager model.

Similarly, the provisions for attendance by non-PAB members will be reviewed to ensure that specialist service providers and other subject matter experts can attend where their evidence or expertise would support the PAB's consideration of an issue, without creating standing governance roles tied to individual

contracts. The existing ToR already provide for external experts to attend at the invitation of the PAB Chair.

2.4 RELATIONSHIP WITH THE RECCO BOARD

Code licensing also provides an opportunity to make the relationship between the PAB and RECCo Board clearer.

The current ToR establish that the RECCo Board delegates certain powers and responsibilities to the PAB and retains the ability to assume PAB responsibilities where necessary.
As RECCo takes on Licensed Code Manager accountability, the review will consider whether the respective roles of the PAB and RECCo Board, together with the appropriate reporting and escalation between them, can be articulated more clearly.

The intention is to maintain the PAB's ability to provide detailed and effective Performance Assurance oversight and make decisions within its delegated authority, while ensuring that the RECCo Board has appropriate oversight of RECCo's discharge of its Licensed Code Manager responsibilities.

2.5 REC CHANGE AND ASSURANCE IMPACTS

The current ToR envisage the PAB considering how effectively a proposed process could be monitored and what Performance Assurance Techniques might be applied.

The future approach takes a broader view of the assurance implications of REC Change. This includes considering impacts on Retail Risks and outcomes, whether new or amended assurance activity is required, data and monitoring requirements and any implications for existing Performance Assurance arrangements.

We will consider whether the ToR need to be updated to better support this approach and the coordination of assurance impacts across the new service delivery model.

2.6 PAB SECRETARIAT AND SERVICE PROVIDER PARTICIPATION

The administrative arrangements supporting the PAB will also be reviewed.

The current ToR state that, unless otherwise determined by the RECCo Board, the Code Manager acts as PAB Secretary. This will need to reflect the future arrangements once RECCo becomes the Licensed Code Manager.

We will also consider how the provisions for attendance by non-PAB members should operate in the new model. Specialist providers may need to attend PAB to present analysis, findings or technical expertise, but this should not create standing governance roles linked to individual service providers or contracts.

3 MANAGING THE TRANSITION

The new Performance Assurance service model will go live from September 2026, ahead of the anticipated transition to Code licensing.

The September go-live changes how Performance Assurance services are delivered but does not, in itself, change the formal allocation of PAB responsibilities. We therefore intend to operate the new service model within the existing PAB governance framework until the enduring ToR take effect.

During this period, we will make sure that:

- accountability for Performance Assurance remains clear;
- the PAB continues to receive the information and evidence it needs to discharge its responsibilities;
- formal decision rights remain with the appropriate bodies;
- service providers understand their role in supporting, rather than replacing, RECCo and PAB governance; and
- any issues arising from the new delivery arrangements are identified and considered as part of the enduring ToR review.

This provides continuity of governance while avoiding the need to introduce interim changes which would be superseded shortly afterwards.

4 NEXT STEPS

Detailed drafting of the revised ToR will be undertaken as part of the preparation for Code licensing, currently anticipated around November 2026.

The ToR are a Category 2 document and can be revised through the REC Change Management Schedule following consultation with the RECCo Board and relevant stakeholders.

We will use the period following the September service go-live to test the new delivery arrangements in practice and reflect any relevant learning in the enduring ToR.

The proposed amendments will then be brought back to the PAB, giving members the opportunity to consider the detailed changes before they are finalised.

PAB Members are invited to:

- **NOTE** the drivers and intended scope of the review of the PAB ToR;
- **NOTE** the governance principles that will guide the review and the transitional arrangements ahead of Code licensing;
- **NOTE** that the new Performance Assurance service delivery model will operate within the existing PAB governance framework pending the substantive update; and
- **PROVIDE** any early views on areas of the ToR or PAB governance that members consider should be addressed through the review.