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PARTY ASSURANCE QUARTERLY UPDATE

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We invite RIG members to note the following updates:

- Current Activity in the Market
- Performance Assurance Activities
    - Performance Assurance Engagement Approach
    - Areas of focus in relation to Retail Risks
    - Data cleanse sprint 1 PATs
    - Trends we see for Smart Meter Installation Surveys
    - Service Provider Assurance PATs

Discussion:

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

CURRENT ACTIVITY IN THE MARKET

Switching volumes were driven up by internal migration activity by two REC Parties. The total estimated internal migration in December 2023 was c. 600,000, a significant decrease from prior month. The actual switching volumes across the market have decreased to c. 400,000 from c. 470,000 in prior month.

Domestic Supply:

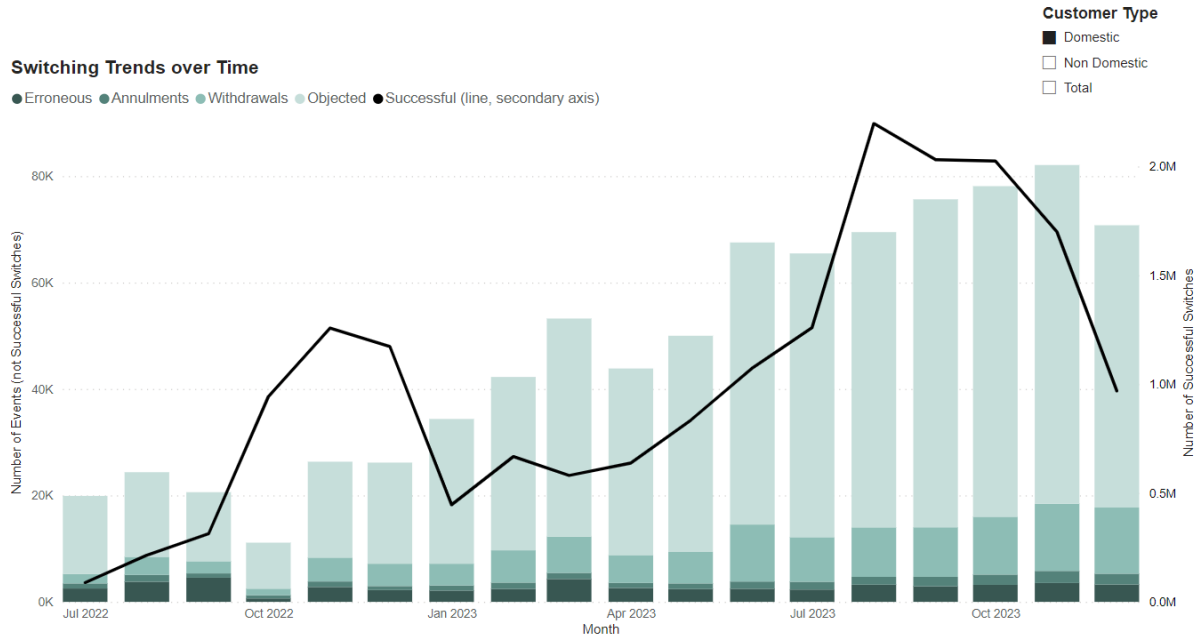


Figure 1 – Switching trends amongst domestic customers.

In Figure 1, there has been a month-on-month decrease in domestic switching activity since August. This is primarily driven by a decrease in the volume of assumed internal migration activity, declining from c. 1,285,000 to c. 600,000. The level of actual switching activity over the period has also decreased to c. 400,000 but remains consistent with historical volumes.

In terms of the non-successful switching outcomes:

- The volume of objections has decreased to 53,000 following 3 months with consistent volumes between 62,000 - 64,000.
- The volume of annulments and withdrawals remains consistent with prior month, with volumes of 2,040 and 12,400, respectively.
- The volume of erroneous switches showed a small month-on-month decrease from 3,500 to 3,200. The erroneous switch rate has shown a small increase as a result of the lower switching volumes; however it is in line with historic performance.

Non-Domestic Supply:

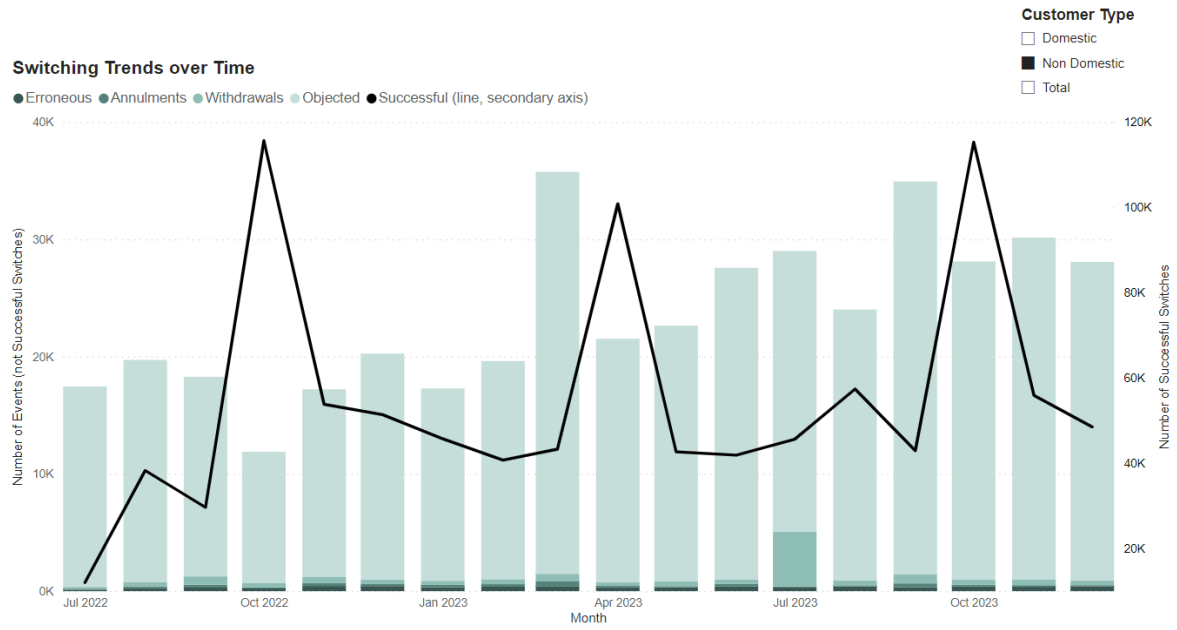


Figure 2 - Switching trends amongst non-domestic customers.

In Figure 2, there is a month-on-month decline in the volumes of successful switching for non-domestic customers, following a significant spike in October that coincides with the renewal contract round.

In terms of the non-successful switching outcomes:

- Objection volumes have shown a small decrease from 29,000 to 27,000.
- The volume of annulments, withdrawals and erroneous switches remains consistent with previous months.

PERFORMANCE ASSURANCE

The Code Manager monitors and assures the performance of organisations operating in the retail market. These organisations are referred to as Performance Assurance Framework Participants and include REC Parties, REC Service Providers and specific Non-Parties that use REC Services. This assurance process focuses on risks to retail energy consumer outcomes and the effectiveness of the retail market. This will be provided through a Performance Assurance Framework (PAF) underpinned by a comprehensive Risk Register and associated interventions. The Performance Assurance Board (PAB) oversees the PAF.

We invite RIG members to note the following in this quarterly performance assurance update:

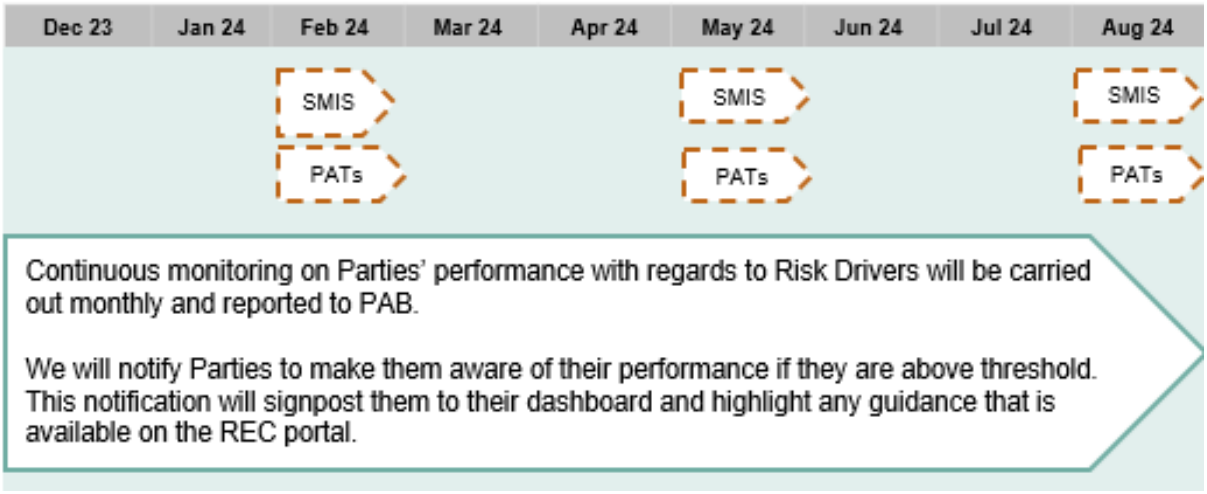
- Performance Assurance engagement approach with REC Parties.
- Update on performance in the last quarter for REC Parties.
- Application of Performance Assurance Techniques for REC Parties.

PERFORMANCE ASSURANCE ENGAGEMENT APPROACH



Key Observations

- We monitor REC Parties performance following REC processes through monitoring risk data, with thresholds set for investigation. This contrasts how we monitor REC Service Providers, which is against set SLAs. Note some organisations do both of these things, most notably DNOs.
- To support feedback we received from Parties, during the November RIG we first highlighted that if a Party was above threshold, we would engage with them via a notification in the first instance.
- This has resulted in us moving to issuing most PATs (i.e. Queries/RFIs etc) on a quarterly basis in line with SMIS reporting. This was with the aim to improve the effectiveness of PATs. There may still be some instances where more urgent action is needed, for example in response to whistleblowing cases.
- We have seen an improvement in engagement with Parties as we utilise notifications and collaborate with their Operational Account Managers further. In addition, we have been engaging with the industry more via the RIG forum to provide an overview of the whole markets performance. This has resulted in us gaining great insight from industry.
- February was our first 'active' month; we have decided to not use any of the more elevated PATs.

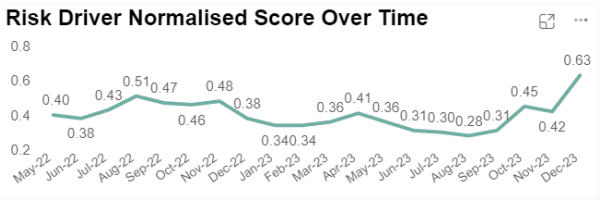


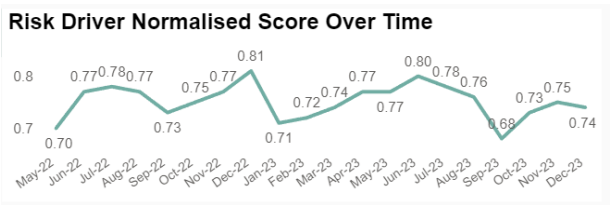
PERFORMANCE IN THE LAST QUARTER FOR REC PARTIES

1 AREAS OF FOCUS IN RELATION TO RETAIL RISKS

Switch Meter Reads- Retail Risk 5

We have seen an increase in switch meter reads that are not responded to in line with the REC's timelines (chart on the left), with a continued high rate of delays responding to proposed alternate reads (chart on the right).





We have found that notifying Parties who have high rates of this has had a really positive effect, highlighting that they are utilising the D0086 (Notification of Change of Supplier Readings) to provide alternative readings, instead of the process set out in the REC. Parties not following REC processes sometimes causes unintentional issues for others, in other cases it might just be that the REC needs updating.

We don't think that any elevated performance assurance techniques are required in this area but do want to understand more. We are in the process of reviewing the report that is received from Electralink and performance in this area.

RIG Discussion Point

Are you caused any issues if other Parties don't follow REC Switch Meter Read processes? If so, what?

Should the REC simply be updated to be clearer on multiple valid ways of agreeing a read?

Does the fact people are working around the process indicate a bigger problem the Code Manager should understand and help address with agreeing reads?

Objections Process- Retail Risk 8 Delayed Switches provides a negative consumer experience of the energy market (outcome measure):

We have monitored the use of objections, withdrawals and annulments since CSS go live. This has been really valuable, identifying the following:

- Confusion between annulments and withdrawals process, that we ascribe to misunderstanding which process to use in various scenarios. To support Parties we issued better guidance on this and are in the process of changing the Code so it includes clear descriptions of when to use each.
- Investigation into organisations with higher rates of objections, which identified an organisation with system issues that automatically objected to all switches, as well as an organisation that appeared to be using ambiguities in the Change of Occupier process to block valid switches or hold customers on deemed tariffs. We have acted against these organisations, to prevent the impact on both customers and suppliers behaving legitimately.

We do acknowledge that in the process of understanding the above we also requested information and support from organisations that are following appropriate processes and would like to thank all

those that helped us. At the completion of this work we acknowledged a need to better target our measures and have worked with ElectraLink and the PAB. This is with the aim to both track more specific data and set thresholds that are better tuned to the differences in the domestic and non-domestic market. We have summarised below how the market is performing for the new risk drivers.

Risk Driver 8.9 – the Supplier objects to a Switch with Change of Occupier (CoO).



Figure 1 Rates appear within a consistent band, and it appears reasonable to look into outliers, but we are not proposing any specific investigation at this time.

Risk Driver 8.10 – A high-percentage of Objections use by a Supplier for Switch Requests related to Domestic Consumers indicates potential inappropriate use.



Figure 2 Market rates are also low, with the highest rates only relating to suppliers with very low switch rates. We do see organisations with higher rates of prepayment meters having higher rates of objections, as you would expect. We want those with higher rates to be aware of this but are not proposing any elevated PATs.

RIG Discussion Point

Are there any instances areas where higher rates of domestic objections cause your organisation issues?

Risk Driver 8.11 - A high-percentage of Objections use by a Supplier for Switch Requests related to Non-Domestic Consumers indicates potential inappropriate use.

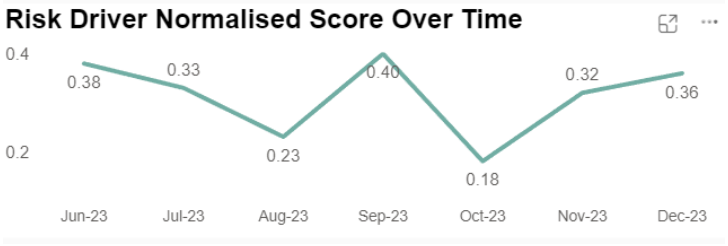


Figure 3 We see moderate rates of objections, as you would expect due to rights within non domestic contracts and expect significant seasonality in this. This is a complex area to monitor, as REC Parties need to be able to object, but also need to be protected from inappropriate objections.

2 DATA CLEANSE SPRINT 1 PATS

Data Cleanse reports were issued to Parties on 7 December 2023 and the sprint was closed. We completed an in-depth review of the sprint and assigned Parties to the following:

1. Parties that had met their target successfully for the selected reports.
2. Parties that had made over 50% improvement during the data cleanse activity but just missed their target for the selected reports.
3. Parties that had not made sufficient progress against their targets for the selected reports.

Each Party was assigned a category that relates to a Performance Assurance Technique. This was presented at the January Retail Issues Group to outline what communications REC Parties can expect from the Code Manager to close sprint 1 appropriately. Parties had 10 working days to complete the Performance Assurance Technique meaning the deadline was 8 February 2024.

The table below provides further details:

Category	Next Steps we have taken
1	• We reached out to each Party via a tailored email to thank them for their contribution to sprint, outlining that they successfully reached their target, so no further action was required. • In the email, we also outlined further details for sprint 2 and expected timeframes.

2	• We reached out to each Party via a tailored email to thank them for the progress that they made, whilst issuing them a Remediation Action Plan. The key areas we wanted to understand for Parties in Category 2 was:
	  ◦ If they had any plans in place to address and meet the target set for Data Cleanse Sprint 1
	  ◦ If they were able to provide any information on if there were any blockers resulting in them making progress but just missing the target.
	  ◦ If they are taking any actions that they are taking to mitigate the risk of missing the target for future sprints.

Category	Next Steps we have taken
	• Secondly, we also held a drop-in session for these Parties on 31 January at 13:30. This session was to allow Parties to provide feedback and help us understand how we can improve future iterations of this exercise.
3	• We worked collaboratively with the Parties' Operational Account Managers to schedule 1:1 calls with each Party. During the call we discussed the following: ○ Was the Party aware of the sprint? ○ If so, did they choose not to engage or did they not have the resourcing to do so? ○ If not, is there something we can improve in our comms or are they generally disengaged? ○ Were there any depending on factors that meant the target was not met? • In addition, during the call we outlined to each party that they would receive a Management Assertion which would cover: ○ Acknowledgement of the organisation not meeting the sprint targets ○ Providing an explanation as to why this occurred. ○ Confirming actions they are taking to complete the data cleanse activity required and by when these will be done. ○ Confirming they will adhere to targets set by future sprints.

During this engagement for data cleanse sprint 1 we found that the organisations that had made the least progress often identified they hadn't looked at their targets or were confused as to how to get specific information. In addition, Parties were not clear on the deadline for this activity, and we have taken on this feedback to ensure that it is clear for sprint 2. In these scenarios your OAM will always help you with queries or challenges, so please reach out if you need support.

RIG Discussion Point

Did you find this type of engagement before receiving a PAT useful?

Are you clear on steps that your organisation needs to take for data cleanse sprint 2?

Next steps: We will review the latest reports available and will be presenting at April RIG a review. Here, we will share information on the success of the data cleanse activity with lessons learned for future developments.

3 SMART METERING INSTALLATION SURVEY PERFORMANCE

Key Observations in the last quarter:

- Domestic survey results were in line with the prior quarter. Small decreases in performance were noted against the two questions relating to provision of an in-home display and equipment.
- Microbusiness survey results were in line with historic performance.

Engagement:

- Previously we contacted the Department (DESNZ) to understand the work they complete in relation to analysis of SMIS result and Party engagement. DESNZ confirmed that they have

particular interest in monitoring questions 4, 4a and 4b on suppliers underperforming. We wanted to understand this before we consider actioning any PATs further along the hierarchy in future months.

- Below is what we see from the data. We would like to discuss the trends with you at RIG to gain a further understanding of the reasons for the industry trend. It is worth noting that there are 11 SMIS questions in total, however, to align with DESNZ we focus on the 4 questions below as there is greater customer impact.

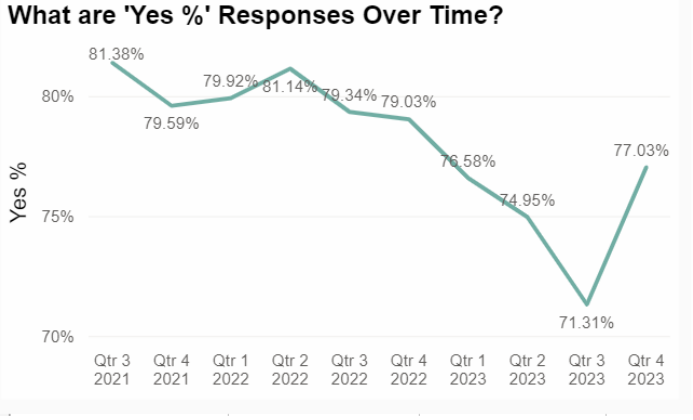


Figure 4 Q3 Did the installer/technician provide a demonstration of the equipment installed? This shows that in the last quarter an increase in the average % of responses that were “yes”.

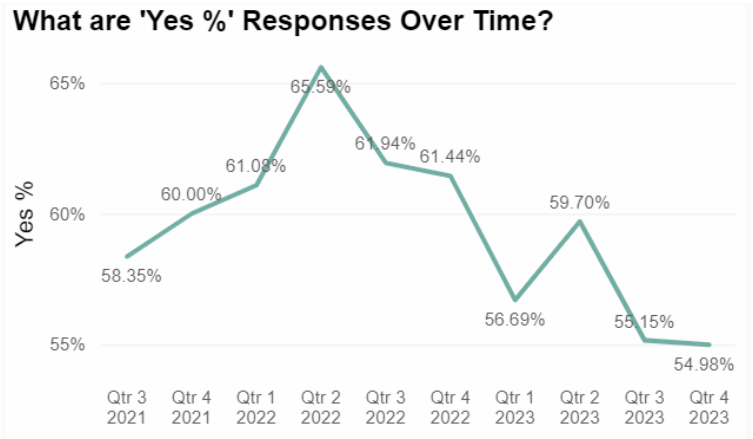


Figure 5 Q4 Did the installer/technician offer advice or information on how to use less energy during the visit? This shows that in the last quarter a decrease in the average % of responses that were answered “yes”.

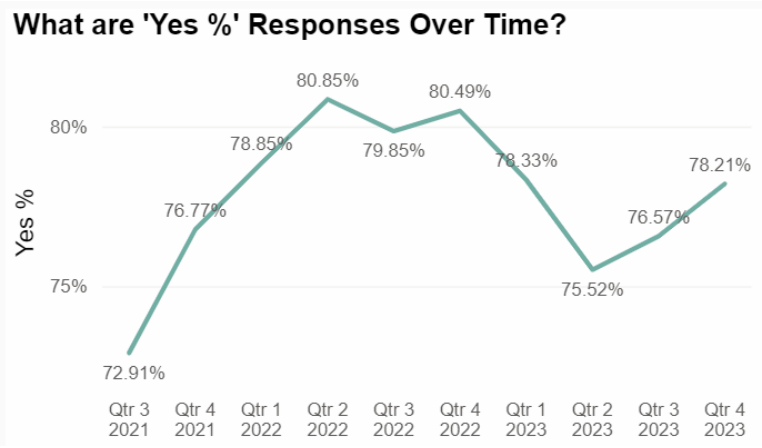


Figure 6 Q4a If the installer/technician did offer advice or information, did you take up the offer. This shows that in the last quarter there was an increase in customers wanting to understand more on how to use less energy. Given this trend, installers/technicians may want to ensure that they do offer to give advice as from the data there appears to be a customer need which would align with the financial climate currently.

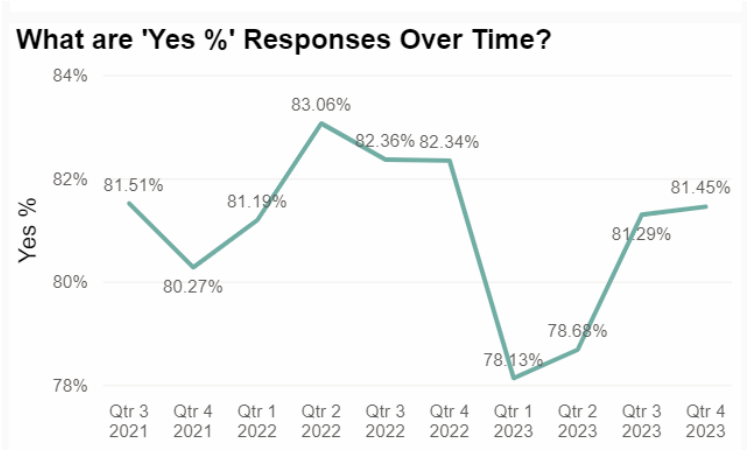


Figure 7 Q4b If yes, did the advice or information given consider your home and/ or how you use your energy? This shows that installers/technicians are providing greater targeted guidance to customers as there has been an increase in the average % of responses that are “yes”. We feel that this trend is positive for the end customer as the information provided is tailored to specific requirements.

Next steps: Depending on the feedback we receive from RIG members. We then plan to set up a call with the Parties with their Operational Account Manager that are displayed as an outlier to understand if there are any external factors causing their performance to be different from the industry trends.

RIG Discussion Point

Are there any reasons that it would not be appropriate to provide a demonstration of the equipment that was installed to the customer?

Are there any events occurring in the industry that would result in the installer/technician to not offer information on how to use less energy?

4 SERVICE PROVIDER ASSURANCE PATS

We also provide assurance over the REC Service Providers. These include the switching services provided by DCC, RECCo and DNOs, Code Manager services provided by RECCo, and the Enquiry Services provided by RECCo. We will provide a summary of our work in this area below, with more details provided at our quarterly Performance Assurance webinar. Key activities include:

1. Assessing whether Service Providers accurately report their performance, and ensuring any errors are corrected and processes put in place to prevent recurrence.
2. Setting and administrating a performance charge regime which applies to the CRS Provider, due to its unique role and charging approach. This has regime has applied the maximum permissible charge in each quarter it has operated.
3. When services are below the expected levels engaging to understand why, challenging Service Provider's rectification plans if appropriate, and making sure these plans, and formal PAT action plans, are completed to both time and quality.
4. Identifying lessons learned for where significant issues have occurred, sometimes directly, sometimes ensuring that the Service Provider does so thoroughly themselves.
5. Specifically checking and challenging the operation of the change process.
6. Investigating security events and outages, including ensuring that thorough reviews have taken place to understand security controls and address weaknesses. Recently this has included reviewing security assurance over CSS infrastructure, as well as a review PAT over the release management process over CSS changes.

We constantly keep under review our activities and approach and want to engage with the RIG to understand if there are any areas.

RIG Discussion Point

What more information would be useful for you on assurance over REC Service Providers?

Are there assurance activities that would be valuable to you that we have not set out above?