

# RECCo Budget Stakeholder Event

Informative Session on the RECCo Budget 2022-2023

10 February 2022

Retail Energy Code Company

# Welcome & Housekeeping

01

RECCo Team

# Welcome from the panel

## Housekeeping

- Please raise all questions within the chat function
- We will answer questions at the end of the webinar and provide written responses to all questions after the event
- The 2022-2023 Budget is available on our [website](#), the deadline for appeal submissions to Ofgem is 18th February



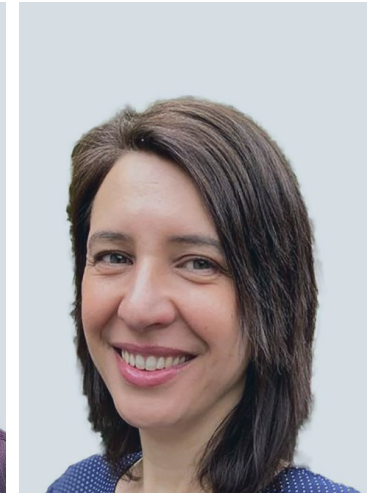
Rachael Anderson

Director of Corporate  
Affairs



Jon Dixon

Director of Strategy &  
Development



Elizabeth Lawlor

Director of Operations  
and Transformation



Brian O'Shea

Director of Finance &  
Commercial

# Agenda

**01**

**Welcome**  
Housekeeping  
Rachael Anderson

**02**

**Recap**  
RECCo's Strategy &  
Forward Work Plan  
Jon Dixon

**03**

**RECCo's Organisation**  
Model for 2022-23  
Rachael Anderson

**04**

**REC Services**  
Delivery for 2022-23  
Elizabeth Lawlor

**05**

**RECCo Budget**  
2022 to 2023 Overview  
Brian O'Shea

**06**

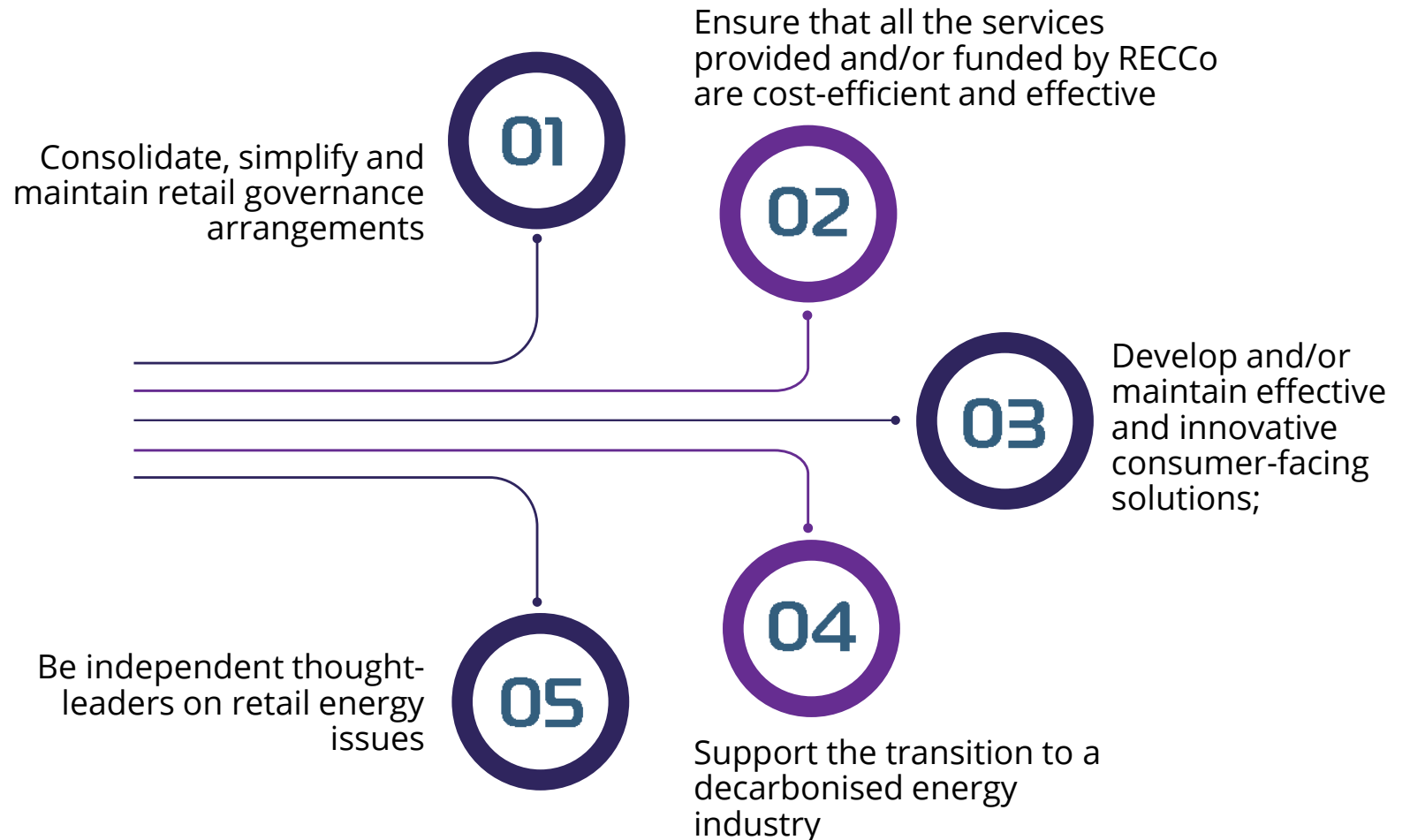
**Discussion**  
Q&A Session

# RECCo Strategy & Forward Work Plan Recap

02

# Strategic Aims

- Our over-arching aim is to deliver governance arrangements and services that enable REC Parties and other users to meet the needs of energy consumers now and into the future.
- To the extent that those needs are constantly evolving, we will facilitate the effective and timely development and transformation of services, to be delivered cost-efficiently and with minimal disruption to business-as-usual activities.



The draft RECCo Strategy and Forward Work Plan is published on the REC website [here](#).

# Workstreams: overview and timeline

	2022/23	2023/24	2024/25	2025+
Enduring/"non-discretionary" workstreams	RECCo development			
	RECCo service delivery and service enhancement – including data stewardship			
	Switching Programme Implementation (CCS go-live)			
	3-year Theft Reduction Strategy			Strategy Review
	Metering CoP consolidation			
	MHHS - preparing retail arrangements and consumers for ToU, etc			Operational role?
	SoLR entry and exit			
New Workstreams (subject to business case)	PSR Improvements			
	Green Deal re-purposing	Design, Build & Test	New scheme growth	
	TPI – develop REC alternative	Roll out scheme (if adopted)		
		Future market design, Code Reform etc.		
		Preparation to transition from 5 Day to Next Day Switching		
	Scope REC role: EV charging, Heat	REC EV and/or Heat strategies/policies		

# Summary of consultation response

- We received nine responses from a mixture of organisations, including six energy suppliers, one trade association, one industry body, and one energy network operator.
- Respondents were generally supportive of our approach and of the proposed strategy and workplan. Several respondents raised concern with the increases to the 2022/23 budget as compared to last year's forecast, and on specific aspects of the forward work plan. The points on costs are dealt with in the [budget](#) published last week, and in later slides. Those attracting the most comment are dealt with below:

Topic	Summary of comments	Next steps
Theft	2 respondents commented and were positive of the proposal and approach (e.g. conducting estimate of theft prior to launching new procurements).	We will continue to gather data on the scale of problem and use that and other evidence to produce a full business case for any further theft reduction initiatives, as part of a wider fully costed Theft Reduction Strategy.
Green Deal	3 respondents agreed that steps should be taken to address current costs and possible improved new approach. However, 3 were unsupportive of a GD reboot due to failure of previous scheme, concern at possible cost and whether this is appropriately a RECCo role rather than government.	We recognise the problems with the original scheme, and the fact that the energy efficiency measures are already subject to a number of government schemes. However, the current GD does not reflect good long term VFM. We consider it appropriate to explore options to improve VFM, including feasibility of re-using the existing asset and development of a robust business case.
Data/digitalisation	1 respondent was fully supportive. 2 respondents wanted to better understand what was involved and related costs. 3 respondents questioned why this workstream was required as we should already by digitised/paid for this already.	This work strand will be focused on making better use of existing digital tools such as the Portal and EMAR, in order to improve their value to users of those services. E.g. we will seek to better understand problem areas in retail and/or REC processes which require manual and therefore expensive interventions.
SOLR/ market reforms	3 respondents were broadly positive of work in this area and wanted to see it expedited. 1 respondent wanted RECCo to wait for Ofgem to make licence changes before making REC changes bought forward. 1 respondent noted that Market Stabilisation Charge proposals refer to a role for RECCo, but that it had not been explicitly mentioned under this work-strand.	We will continue to work with Ofgem and other parties to identify areas where RECCo can be of assistance in addressing immediate problems and delivering any changes to market governance that may emerge. This will include adapting the REC to allow parties to effectively discharge any new licence obligations, etc, which may include the administration of a Market Stabilisation Charge, for which we have made a provision in the 2022/23 budget.

We will contact each of the respondents to discuss their points in detail.  
A full summary of responses and our response to them has been published on the REC website [here](#).



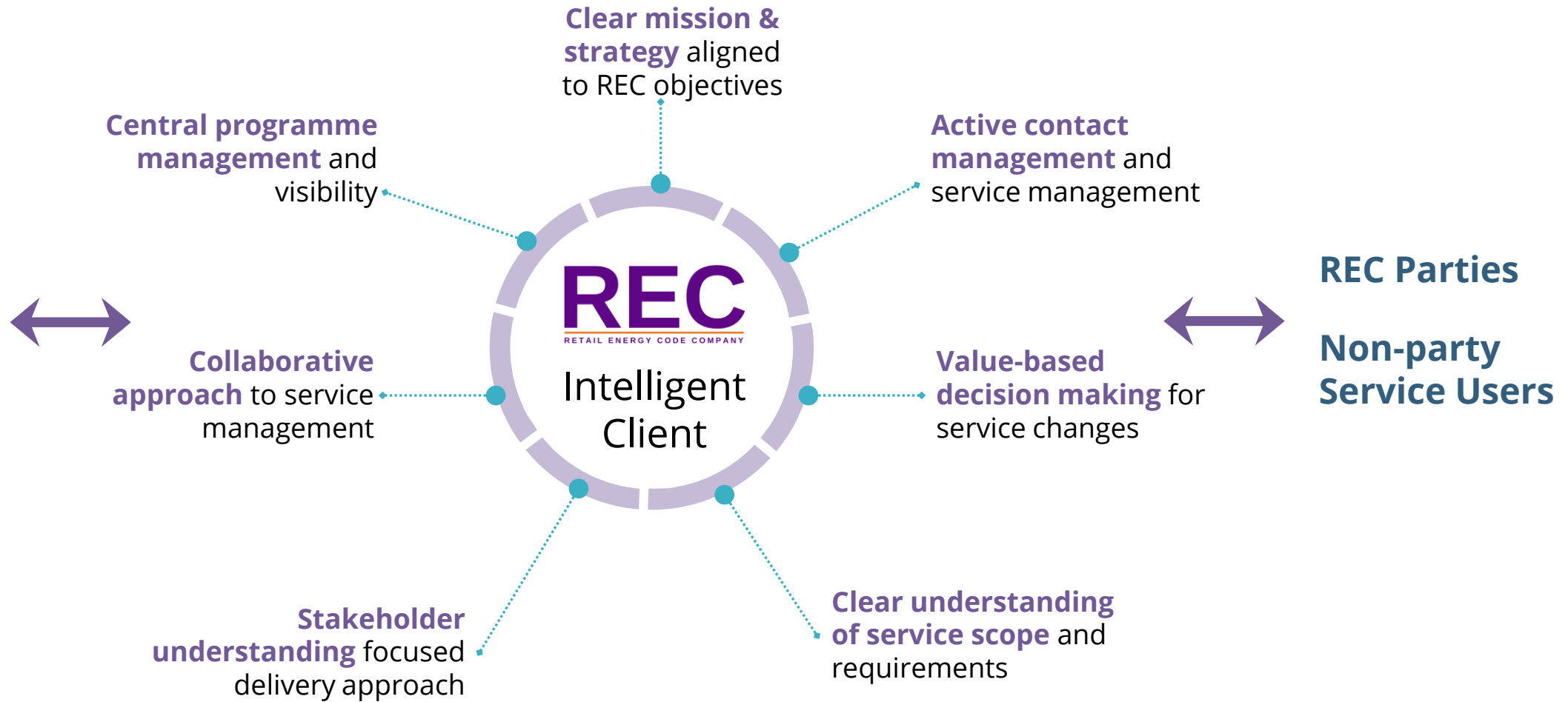
# RECCo's Organisation

03

# RECCo's Operating Model

## REC Services

- Code Manager Services
- Metering Auditors
- Energy Enquiry Services
- Central Switching Service
- Green Deal
- Data Services
- Theft Reduction Services



# RECCo's Corporate Structure

## STRATEGY & DEVELOPMENT



- REC Strategy
- Policy & Regulatory compliance

01

## DATA & TRANSFORMATION

02

- Data Mgmt & Security
- PMO function



## OPERATIONS



- Operational Delivery
- Service Mgmt

03

## FINANCE & COMMERCIAL

04

- Corporate Governance
- Commercial & Financial matters



## CORPORATE AFFAIRS



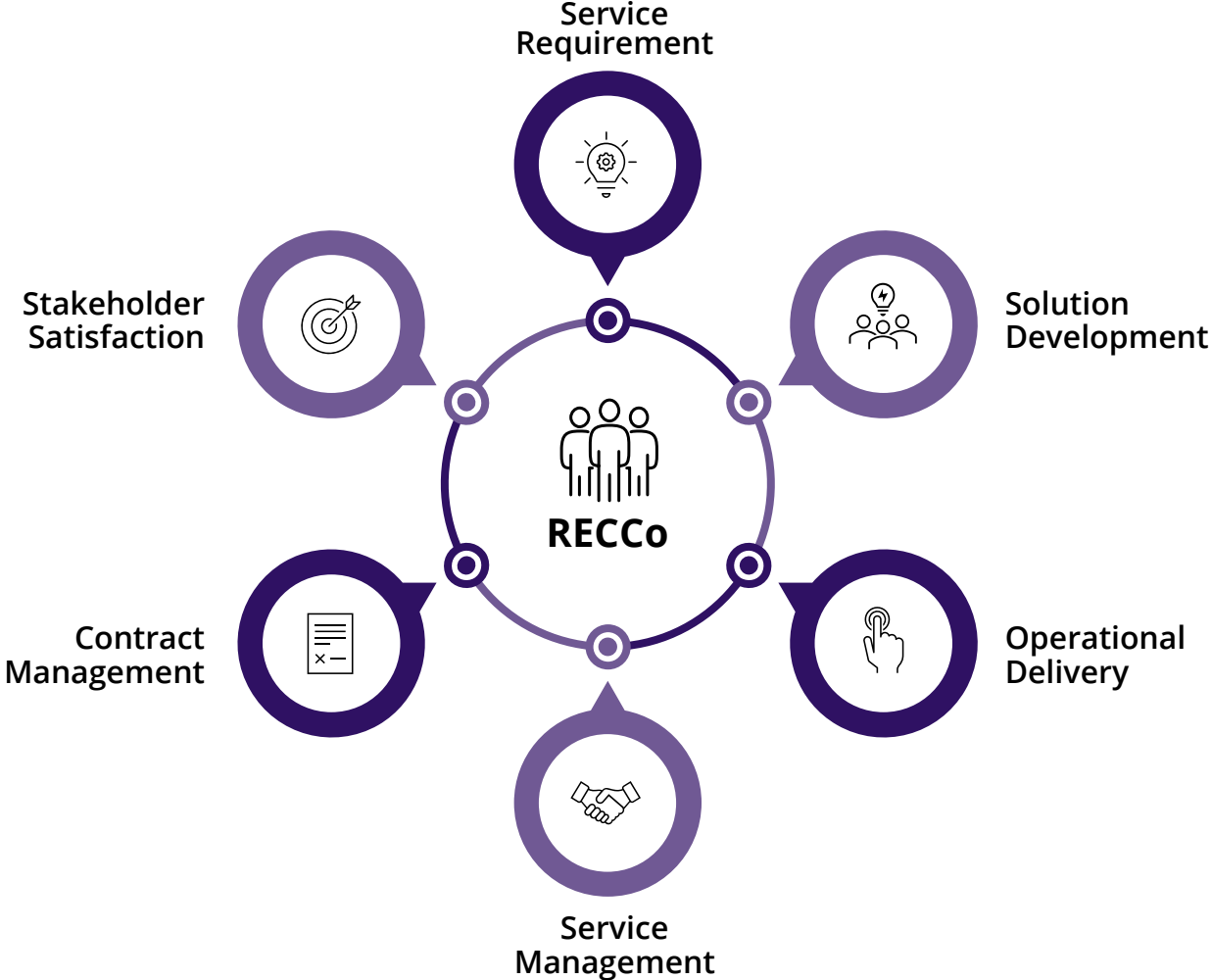
- Stakeholder Engagement
- Comms
- People & Culture

05

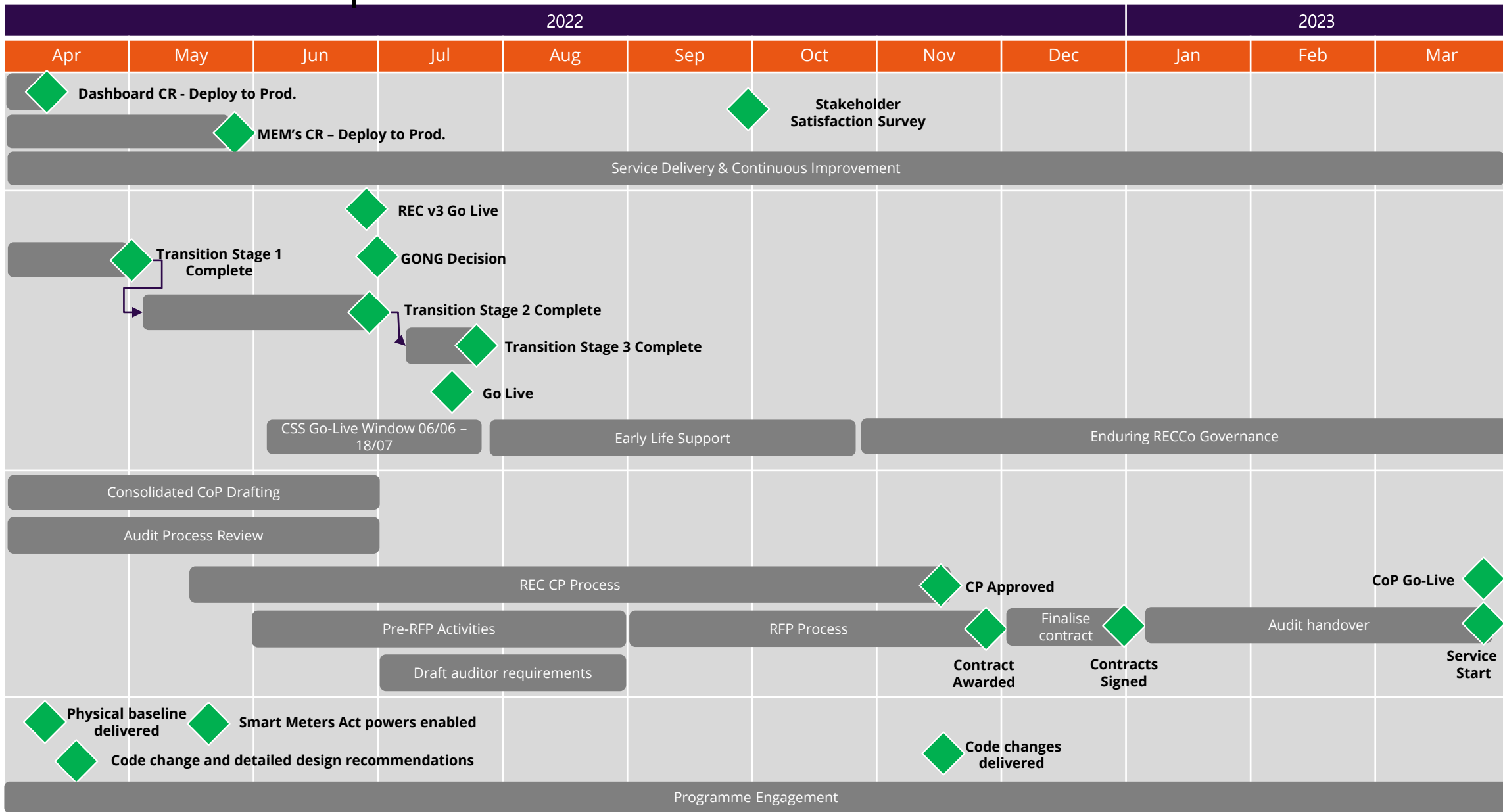
# REC Services

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# RECCo Operations and Transformation



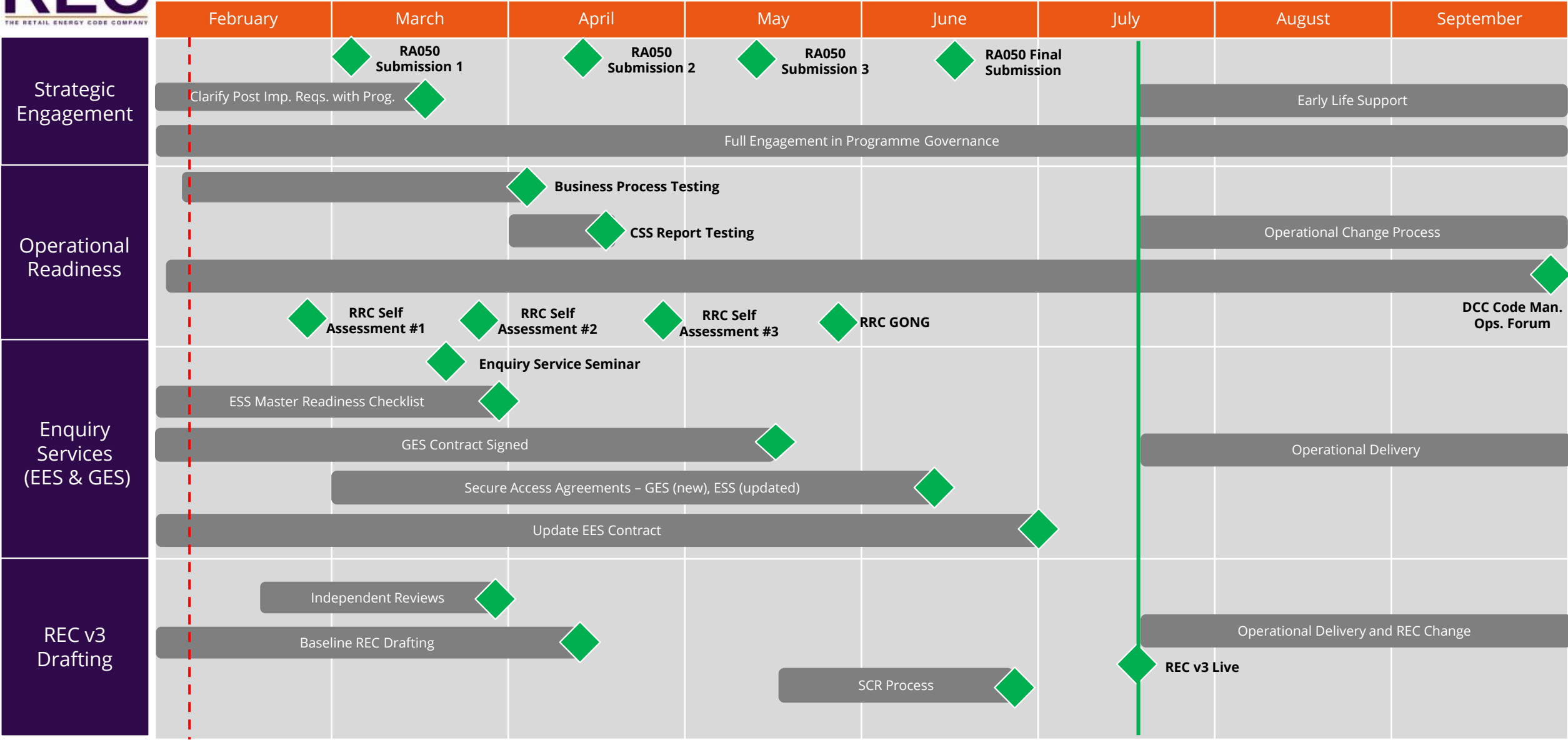
# Operations & Transformation POAP



# CSS Workstream Level POAP



2022



TODAY

GO LIVE - 18/07

◆ =L1 ● =L2 Green = On Track Amber = At Risk or Late Red = Late Critical Path / Missed Blue = Complete

# RECCo Budget 2022-2023 Overview

05



# 2022-23 Budget Overview

2022-23 Budget £'000	2022/23 Budget	2023/24 Indicative	2024/25 Indicative
REC Services	16,053	29,225	35,007
REC Operations	4,234	4,150	4,375
Projects & Workstreams	3,055	2,250	2,650
Switching Programme Support	2,820	-	-
	<b>26,162</b>	<b>35,625</b>	<b>42,032</b>
Change Allowance (REC/Policy)	2,000	4,000	4,000
Contingency	1,700	2,100	2,500
<b>TOTAL</b>	<b>29,862</b>	<b>41,725</b>	<b>48,532</b>

- **Bottom-up** budget methodology
- **RECCo services** are procured and delivered for benefit of industry
- **A challenging**, changing and evolving operating environment
- **Operational resources** ensure all legal, regulatory and business requirements delivered
- **Resources** to address current challenges and prepare for future requirements
- **2022-23 costs** are higher than originally expected for that year
- **Resources** to deliver RECCo strategy, REC objectives and forward work plan

Parties can appeal one or more costs

# 2022-23 Budget key cost drivers

Changes by REC Funding Parties	Annual Charge (£)
<b>Energy Suppliers</b>	0.511
<b>Electricity Distribution Networks</b>	
>750k RMPs on MPAS, annual charge	50,000
<750k RMPs on MPAS, Charge per RMP	0.022

- **REC** is a changed model of code governance and service delivery
- **RECCo needs** to have capacity and capability to ensure delivery of its services
- **Expanding role** in delivery of regulatory requirements
- **RECCo Operating Model**
  - Activities placed with those best enabled to deliver value
  - Out-source model benefits and risks
- **REC / RECCo is aligned** to meet the needs of a changing energy market
- **Better understanding** of our operating environment and transitioned contract costs

The 2022-23 Budget costs will be recovered evenly across the year.

Invoiced in the first month of each calendar quarter.

# REC Services

2022-23 Budget £'000 REC Services	2022/23 Budget	2023/24 Indicative	2024/25 Indicative
Code Manager	10,232	10,000	10,050
Enquiry Services (Electricity and Gas)	3,954	4,675	4,782
Green Deal	468	500	525
Theft Services (ETTOS, Calculator, Analytics)	865	2,450	3,025
Central Switching Services (CSS)	-	11,000	11,000
Metering Services*	-	-	-
Market-wide Half Hourly Settlement	-	-	5,000
REC Support Costs (Legal, Change Board & PAB fees)	534	600	625
<b>TOTAL</b>	<b>16,053</b>	<b>29,225</b>	<b>35,007</b>

- **Contracted** for services
- **Approach** to procurement critical to enduring future cost control
- **Data** management Services
- **Theft** services
- **Switching Go live** operational impact
- **Central Switching Service** budget and cost management
- **Service/payment** obligations timing
- **Metering** and MHHS

\*Metering Services costs wholly recovered through audit fees

# REC Operations

2022-23 Budget £'000	2022/23 Budget	2023/24 Indicative	2024/25 Indicative
Board Costs	313	350	375
RECCo Human Capital	2,677	2,750	2,900
RECCo Operating Costs	1,244	1,050	1,100
<b>TOTAL</b>	<b>4,234</b>	<b>4,150</b>	<b>4,375</b>

RECCo will be an expert organisation, consisting of employees with a deep understanding and knowledge of the REC Services for the benefit of its community.

- **Fully** independent NED Board
- **Capacity & capability** to:
  - deliver successful change
  - manage risk
  - deliver to budget on time and to quality
  - safeguard industry assets
- **Data** increasingly important
- **Reducing** reliance on contractors and SMEs
- **Talent & knowledge** developed and retained internally
- **Debt** management
- **Costs** as a percentage of total budget fall over the planning period

# RECCo Projects and Workstreams

2022-23 Budget £'000	2022/23 Budget	2023/24 Indicative	2024/25 Indicative
Theft Reduction Strategy	600	350	250
Data and Digitalisation Strategies	500	350	350
REC Policy Initiatives	275	250	250
Market-wide Half Hourly Settlement	450	450	450
Metering Code of Practice Consolidation/ Procurement	300	-	-
Market Stabilisation Charge Project	500	500	500
Review of Enquiry Services	-	-	500
Additional Projects (incl. net zero and consumer initiatives)	430	350	350
<b>TOTAL</b>	<b>3,055</b>	<b>2,250</b>	<b>2,650</b>

- **Projects** and workstreams align to those identified within the strategy
- **All** aligned to REC Objectives
- **Theft**
- **MHHS**
- **Market Stabilisation Charge**

# Switching Programme

2022-23 Budget £'000	2022/23 Budget
Programme Coordination & Licenced Party Assurance	1,950
<b>Switching Programme Engagement</b>	
EES PUI Obligations – Service Provider/SME Support	660
GES Service Deployment Support	136
Consumer Initiatives	75
<b>TOTAL</b>	<b>2,820</b>

- **Programme** costs
- **Switching** Programme Engagement
  - Costs to go-live
  - Early life support
- **Assure** that the CSS and GES are fit for purpose and can be accepted
- **Develop** REC v3
- **Prepare** for post go-live
  - Operational management
  - Service provider management
  - Change control
- **Switching** driven consumer initiatives

# Change Allowance & Contingency

2022-23 Budget £'000	2022/23 Budget	2023/24 Indicative	2024/25 Indicative
Change Allowance	2,000	4,000	4,000
Contingency	1,700	2,100	2,500
<b>TOTAL</b>	<b>3,700</b>	<b>6,100</b>	<b>6,500</b>

## Change Allowance:

- Fund the cost of changes to service provider contracts
- Code Manager contracts include cost for managing change
- Uplift due to CSS funding obligation

## Contingency

- Bottom-up budget approach
- Prudent approach:
  - Changing regulatory requirements
  - GES cost risk
  - New services risk

# Q&A Discussion 06



# Thank You

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RECCo Budget Webinar  
2022-2023

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