recco

Strategy & Forward Work Plan

2024 - 27

Contents

CEO *Foreword*   1

Sid Cox
Chief Executive Officer

I am pleased to introduce our **Strategy and Forward Work Plan for 2024-27**. It is less than three years since the Retail Code Consolidation was completed, giving full effect to the Retail Energy Code (REC) and its new model of governance.

Since then, unprecedented challenges in the world economy have been keenly felt within the energy market, impacting energy suppliers' financial sustainability and increasing energy prices for consumers. While there has been some respite in retail energy prices over the past year, consumers continue to struggle with the cost-of-living and interest rate rises. We recognise the effect this has had on all our stakeholders, and our mission statement – **to facilitate the efficient and effective running of the retail energy market and deliver positive consumer outcomes** – is more important than ever.

The consolidation of the legacy codes also brought together the management of services previously provided under those codes, including the Electricity Enquiry Service, Green Deal and the Energy Theft Tip-Off Service. These were joined in July 2022 by the Central Registration Service and the Gas Enquiry Service. While we also delivered new and emerging requirements during 2023/24,

such as the Market Stabilisation Charge and the new obligations placed on us by the Market Wide Half Hourly Settlement Programme (MHHS), that period marked our first full year of 'business as usual' operation of our entire suite of services. This has provided the opportunity to take stock and to reflect on whether we are meeting our own expectations and those of others.

Through stakeholder feedback, input from Ofgem, data-driven evidence, and crucially, engagement and collaboration with our service providers, we have identified areas in which we can take pride in our achievements, and those in which we need to improve. The latter includes change management and performance assurance, better engagement with REC Parties, as well as improvements in our technology and data estate. Such open and ongoing engagement and awareness, allied to our commitment to deliver on the promises made and expectations raised at the time of the REC's creation, has placed improving our quality of service delivery as the central plank of our planning for 2024/25 and beyond, as we apply a **Now, Next, Later approach**.

We must also be ready to provide the retail market with any initiatives that Ofgem and stakeholders believe RECCo is best placed to deliver. However,

we have close regard to our resource limitations and enduring obligation to deliver value for money for our stakeholders. We will only commit to expenditure where necessary, and to the extent that any new initiatives may challenge our capability to meet existing commitments, we will apply strict prioritisation to ensure that resources are focused where required. One such challenge that emerged this year is the delivery of the payment levelisation reconciliation scheme, for which we are on track to go-live from 1 April 2024.

Another such emerging challenge relates to the future of switching services. In Summer 2023, Ofgem confirmed its intention to consult on the potential separation of the Central Registration Service from the Smart Communication Licence, with an option to transfer responsibility fully to RECCo. This is a position RECCo supports, as we consider it would strengthen our ability to manage switching services while delivering potential cost savings and other service synergies. We are also preparing for the next phase of Code Reform, including the licensing of Code Managers, and await confirmation of whether these two initiatives may prove to be complementary rather than progress independently.

CEO *Foreword*

2

The impending licensing of Code Managers may bring with it new requirements and necessitate different ways of working, particularly if there is to be greater consistency across codes. While we anticipate that the impacts upon the REC will be minimal, as that code was developed in parallel with the early thinking on Code Reform and already incorporates many of the initial proposals, such as an independent and proactive Code Manager service, this regulatory change coincides with our own retrospective review of the Code Manager service to date.

As we are committed to competitively procuring REC services as and when appropriate, we have created business cases to support the future development of both the Code Manager service and Enquiry Services and inform those future procurement decisions. For the Code Manager service, we will review and, where appropriate, re-package current and emerging activities, leading to a competitive procurement process

starting in 2024/25 and likely to be in operation by 2027. Some of our other commitments have critical dependencies on the Enquiry Services, which may give greater weight to the benefits of certainty and consistency. We will engage with our existing service providers, seeking compelling commercial proposals to renew existing contracts, including their technology and service enhancement plans. This may negate the need for a procurement exercise in the short term.

As part of our **Data and Digitalisation strategy**, and as a enabler for future improvements to our technical architecture, we will implement an Application Programming Interface (API) gateway. We will continue to work towards collaborating with other organisations to develop tools such as a common data taxonomy, wherever appropriate, opening up access to the data in our care while maintaining necessary restrictions and security. Access to such data will

facilitate greater market efficiencies and innovation, delivering better outcomes for consumers. One such example will be to facilitate the delivery of a comprehensive and evidence-based **theft reduction strategy**, reducing both the cost to bill-paying consumers and the risk of harm.

Our primary role in facilitating Net Zero may be the provision of appropriate access to the retail energy data we govern. We will also have regard to the carbon intensity of our service providers through new procurement processes.

It is clear to me that the next three years of our development will be no less challenging than the first three. However, we have built a strong team, strengthened our partnerships across all REC services and in recognising and addressing where improvements must be made, I am fully confident that we will rise to those challenges.

> ❝
>
> ## *Our mission statement*
>
> **...to facilitate the efficient and effective running of the retail energy market and deliver positive consumer outcomes – is more important than ever.**
>
> **Sid Cox**
> Chief Executive Officer

Executive *Summary*

Our Forward Work Plan focuses on improving our existing services while preparing for the future.

Our 2024/25 four key priorities:

Delivering Service Excellence

In 2023/24, we completed our first year of operation of the full suite of REC Services. These comprise services that went live or were migrated at Retail Code Consolidation and the integration of the Central Registration Services and Gas Enquiry Service, which went live in summer 2022 as part of the Ofgem Switching Programme. Over the last year, we have taken stock and listened to stakeholders. We recognise that some services and code functions need to improve, including change, assurance and technology. We have initiated several immediate improvements, but there is more to do.

We will redouble our efforts to integrate closely and work in partnership with our service providers to deliver unified, effective, and efficient services to parties by improving the operating model across RECCo, the Code Manager and other services. This will be a renewed focus as we anticipate our role becoming a licensable activity, as provided for in the Energy Act 2023. Our main objective in 2024/25 will be implementing improvements to our core services, targeting issues raised via stakeholder feedback and changes that will have the greatest impact on delivering our mission statement.

1. Code Manager services

mprovements to the Code Manager services will focus on service quality, ways of working, and increasing industry knowledge within delivery teams. The Performance Assurance team will focus on the simplification and improved targeting of reporting and improving the qualifications process. We will provide further support for REC Parties by upskilling and increasing the capacity of the Operational Account Managers (OAMs). We will build upon and improve the REC change management process, minimising outstanding changes and expediting appropriately prioritised future changes. When developing solutions, we will increase and better target our stakeholder engagement. We will extend our work on improving the user experience of our platforms and build on the progress that has been made on the REC Portal and the digital REC to the extent possible in the short-term.

2. Switching Service

The REC holds the Data Communications Company (DCC) to account for its Central Registration Service (CRS), albeit this accountability is limited to the recovery of service performance credits. As retail market conditions continue to evolve, it is critical that there is confidence in CRS's ability to cope with increased switching volumes. A significant part of our work in the coming year is to complete a review of the performance charge regime. We will also feed into the Ofgem review of the DCC licence and continue to advocate for a separation of switching arrangements from that licence, with improved governance and accountability for the delivery of switching services wholly under the REC and/or contract with RECCo.

3. Enquiry services

We are mindful that many of the other programmes and initiatives that we and REC stakeholders wish to progress will be dependent upon change to the enquiry services, not least the Market Half Hourly Settlement (MHHS) programme. In the coming year, we will seek to maximise service performance while improving the user experience and security

4. Our people

Our efforts to continually improve the services we provide and work more effectively in partnership with our service providers will be supported by ongoing learning and investment in our people. We have also learnt from operational experience how to perform our role more effectively as contract managers. Our plan, therefore, includes bolstering our operations team to ensure we have the resources necessary to manage our service providers' delivery.

Effective and efficient procurement is a cornerstone of our approach to service delivery. We believe that a disaggregation of the services that constitute REC code management allows for the procurement of 'best in breed' service providers, obviating the need to compromise in any aspect and delivering a partnership that is greater than the sum of its parts. However, experience has shown that some lower-level activities may have been performed better or achieved greater synergies if they had been performed as part of a different role. In advance of the services reaching the end of contractual renewal or expiry dates, we will initiate a project to re-organise the Code Manager services, informing a competitive procurement no later than 2027.
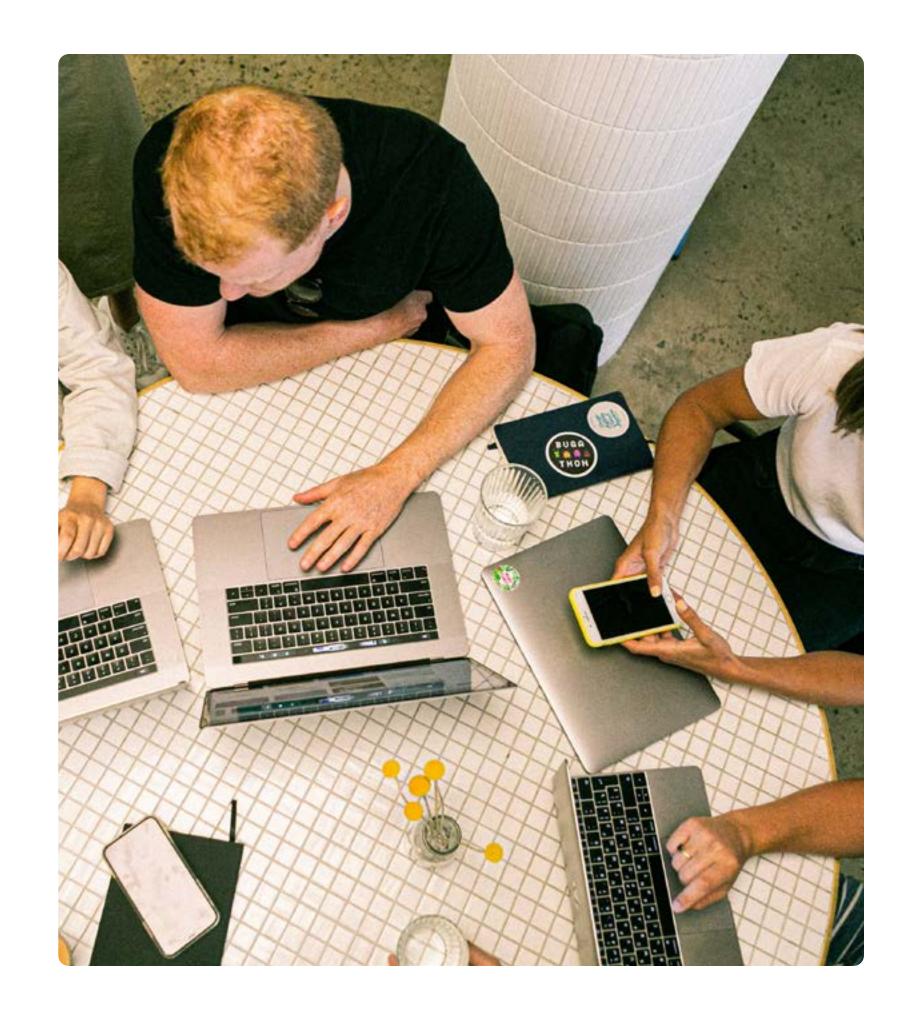
Data and Digitalisation Strategy

In 2024/25, we will address pain points experienced by users of our enquiry services and disparities in the use of technologies, standards of security and access to data, many of which are a legacy of the formerly separate governance arrangements.

We will continue to simplify the process by which REC Parties and other users access enquiry service data, while maintaining strict controls over what they have access to and for what purpose. We will continue to strengthen the security and resilience of the services, including the way we respond to potential incidents.

This year, we updated our Data and Digitalisation Strategy, which focuses on opening access to REC controlled data and consumer consent. We consider that facilitating appropriate access to data will be a key contribution we make towards the delivery of Net Zero, for instance, through facilitating a consumer-centric approach to more flexible energy management. The greater sharing of data with appropriate consumer consent may also allow for the better targeting of support.

We have also delivered several user experience improvements, including a **Digital Navigator and** ERIN **(Energy Resource Information Network)** tool built using Artificial Intelligence (AI) and Natural Language Processing (NLP). This enhances digital users' experience by providing clear, conversational and understandable information on REC products in an efficient and easily accessible way.

Over the coming year, RECCo will be implementing an **Application Programming Interface (API) gateway**. We will move to a microservice architecture to allow greater flexibility in the system, better enable continuous improvement and to enable changes to the current RECCo enterprise architecture. A microservice architecture is where applications are structured as a collection of services organised around business capabilities, with each service being independently deployed and maintained. Moving to this approach will support our drive to deliver large, complex applications in a more agile way, bringing improved reliability and scalability.

Energy Theft Reduction Strategy

Our Energy Theft Reduction Strategy aims to deliver the insights, services and other tools that will enable REC Parties to more effectively *Prevent, Detect and Respond* to energy theft.

We facilitate work on behalf of REC Parties to identify the scale and nature of energy theft and provide services to help them prevent, investigate and resolve the problem.

For instance, in 2022, we commissioned what we believe to be the first independent and industry-wide review of theft for around ten years. It found the combined volume of gas and electricity theft in Great Britain to be worth around £0.9mn – 1.4bn per year (based on December 2022 prices).

Our work to assist REC Parties to more effectively tackle theft and keep consumers safe from the dangers of meter tampering will focus on five key areas:

Engagement
We consider that the issue of energy theft can only be tackled through coordinated and collaborative action. Engagement will support us in developing the Theft Reduction Strategy and associated initiatives.

Awareness
We will build upon the work conducted in Autumn 2023 to identify where we must focus our efforts in raising awareness of and changing attitudes towards the issues associated with energy theft. This will, in part, be aimed at driving additional calls about individual cases of theft to the tipoff service operated by Crimestoppers, but we will also prompt greater engagement with policy-makers and other agencies, with whom the industry must work to address the systemic problems.

Data and Insights
We will continue to identify, procure and analyse data that may better inform RECCo and REC Parties' efforts to identify the scale and location of likely theft or other inadvertent causes of energy consumption being unmetered. We will continue developing the services we procured during 2023/24 to support this work, including social media monitoring and the theft data portal.

Incentives
We will improve the efficacy of the Theft Detection Incentive Scheme to increase the number of investigations. As additional data and insights become available, we may seek to incentivise other behaviours that mitigate the risk of energy theft.

Enforcement
We will continue to work with the police and other agencies to strengthen the options available to REC Parties to tackle serious and systemic instances of theft. This may involve establishing a means of direct referral for police investigation and providing guidance to REC Parties on best practice in respect of evidence-gathering and other issues

Regulatory Programmes and Policy Delivery

In addition to the work that we may plan for ourselves or raise through the REC Change Management process, we must also respond appropriately to policy initiatives of Ofgem or Government that affect the REC or wider retail energy arrangements.

These key pieces of work are set out in the Regulatory Programme and Policy Delivery section of this document.

Those with the greatest impact upon the REC and RECCo are summarised below:

Deliver our MHHS obligations

In 2024/25, MHHS will enter a critical phase of development, namely **Systems Integration Testing** (SIT). We will resource our MHHS team to ensure we meet our programme deliverables on time, within budget and to the quality standard required.
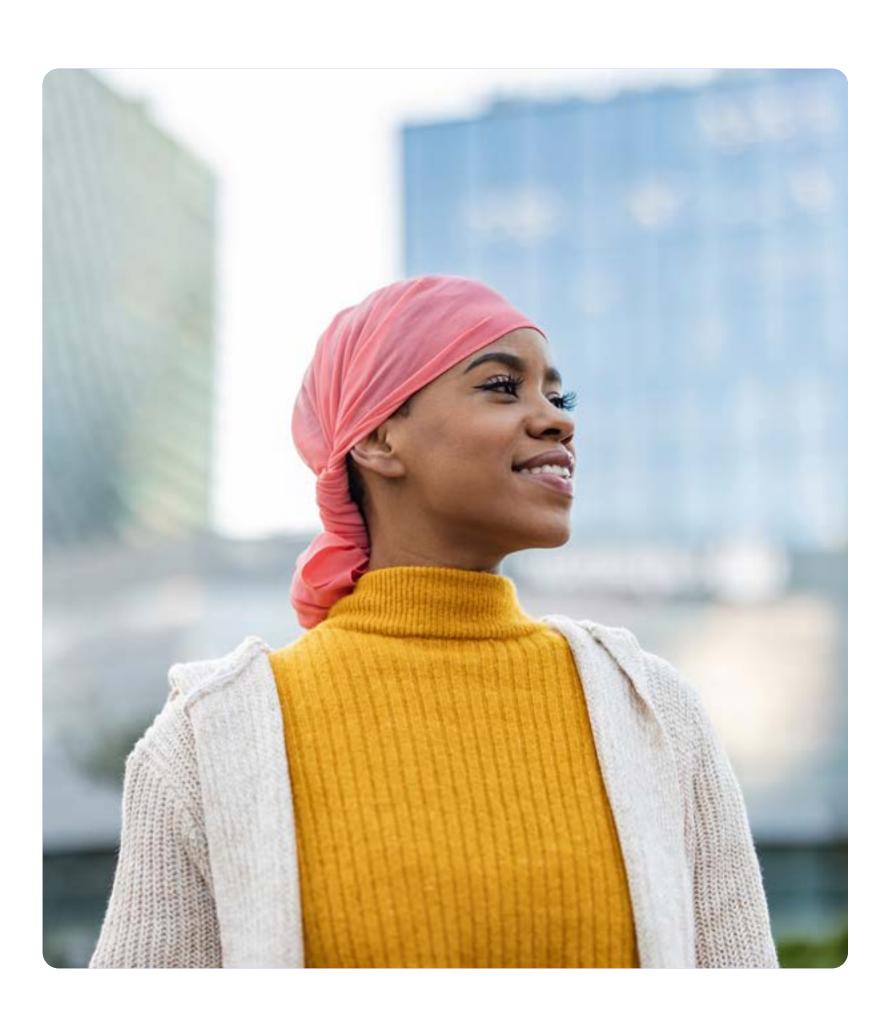
Code Reform and Licensing

We will continue to engage with Ofgem, Government and other code bodies to share the learnings from Retail Code Consolidation and REC Code Manager services procurement. This will help facilitate wider code governance reform and minimise disruption to REC parties and service providers.

Tariff Levelisation

We will design, build and deliver the systems and processes required to facilitate the removal of the Pre-Payment Meter (PPM premium) from domestic standing charges. While Phase 1 of this levelisation policy will be implemented by 1 April 2024, the ongoing development of Ofgem's policy in respect of standing charges may have further implications for us.

Third Party Intermediaries

Following on from the introduction of the TPI Code of Practice, we will develop an accreditations and assurance framework which will, subject to approval by Ofgem, facilitate it being made a mandatory requirement under the REC for non-domestic suppliers to use only a TPI that is compliant with that Code of Practice.

Table of Key Deliverables

Strategic Priorities	Workstream	Outcomes	Consumers	Climate	Competition	Cost	Catalyse
Delivering Service Excellence	Code Management	• Enhance the efficiency and effectiveness of the REC Change Management Process • Grow RECCo Code Manager support resource • Optimise REC Service User engagement and accessibility across REC help desks and other advisory services • Improve the REC performance assurance regime aligned to stakeholder feedback • Improve the user experience across our digital platforms • Initiate the re-procurement strategy to prepare for the contract renewal process	✓			✓	✓
	Enquiry Services	• Enhance RECCo's data management practices • Improve the capacity and performance of both our electricity and gas enquiry services • Work to deliver an Open Data approach to enquiry services • Advance security incident management practices			✓	✓	✓
	Switching: Central Registration Services	• Implement recommendations from P1 Major Incident • Improve incident and performance management procedures • Enhance operational ways of working with DCC • Review governance model and implement improvements • Engage with Ofgem on the separation of CRS from the DCC licence	✓		✓	✓	✓
	Our People	• Launch a comprehensive programme to enhance team capabilities • Introduce new initiatives to support physical and mental health				✓	

Table of Key Deliverables

2

Strategic Priorities	Workstream	Outcomes	Consumers	Climate	Competition	Cost	Catalyse
Data and Digitalisation	Data and Digitalisation	• Continue to support Ofgem and DESNZ in their development of policy on Consumer Consent • Improve REC alignment with Ofgem's Data Best Practices • Implement changes to RECCo's enterprise architecture • Implement an API gateway • Strengthen RECCo system security • Continue to develop AI capability	✓	✓	✓	✓	✓
Energy Theft	Energy Theft Reduction Programme	• Improve the efficacy of the incentives scheme • Develop a portal to improve industry-wide data sharing • Consult on a proposal for a dedicated police unit to tackle energy theft • Progress reocmmendations of the end-to-end process review	✓	✓	✓	✓	✓
Regulatory Policy Delivery	Market-wide Half-hourly settlement (MHHS)	• Deliver six core workstreams (code drafting, qualification, design changes, testing, operational readiness and stakeholder engagement) to support the successful implementation of MHHS	✓	✓	✓		✓
	Code Reform and Licencing	• Engage with and implement code governance reform • Undertake preparation and process to acquire Code Manager license	✓	✓			✓
	Tariff Levelisation	• Deliver payment levelisation reconciliation from 1 April 2024 • Assess impact of standing charge levelisation to inform future policy development	✓				
	Third-Party Intermediaries	• Develop assurance and accreditation processes for the TPI Code of Practice	✓			✓	✓

About RECCo

1

Building a Retail Energy Market fit for the *future*

REC services we are responsible for:

- REC Code Manager
- Central Registration Service
- Enquiry Services
- Energy Theft Tip-off Service
- Green Deal Data Base
- Market Stabilisation Charge

Service Excellence

Providing a best-in-class governance model, adapting to meet evolving industry needs

Stakeholder Engagement

Earn and sustain stakeholder trust through openness, honesty and transparency

Manage and evolve the Retail Energy Code

Solve industry issues through our work programmes

Design, procure & manage REC Services

Data and Digitalisation

Championing a 'digital by design' ethos, leveraging technology to help innovation

Our People

A dedicated team of motivated experts realising the RECCo vision

Procurement and Financial Management

Delivering value for money and driving efficiencies

| REC Parties and Non-party Service Users | Regulator and Government | Other Key stakeholders |

About RECCo

2

Mission Statement and Values

Collaboration

Accessibility

Customer Focus

recco

We will facilitate the efficient and effective running of the retail energy market, including its systems and processes.
We'll do this through promoting innovation, competition and delivering positive customer outcomes.

Sustainability

Innovation

Efficiency

Our 5C's of Outcomes Promoted

Consumers

Working towards the ultimate aim of delivering consumer benefits

Climate

Supporting the decarbonisation of the energy industry and contribution to the UK's overall Net Zero transition

Competition

Proactively identifying efficiencies and innovations that will support competition

Cost

Our services are efficient and cost-effective

Catalyse Improvement

The steps we take promote change, efficiencies and innovation that contribute to the energy industry move to decarbonisation and deliver consumer benefits

About RECCo

3

Our 2023 at a *glance*

58.3m

4.9m

14,189

£1.84m

7

REC Governed Metering Points

The number of Metering Points managed

Customer Switches

The amount of people who switched

Energy Theft

Public reports of energy theft (Jan - Nov 23)

Stakeholder Saving

GDCC and GES delivery platform migrations

Number of REC Services

Services RECCo procures and manages

Delivering Service *Excellence*

Service excellence across our core services is one of our key strategic focuses. We want to ensure our services are efficient, effective and meet the high standards expected by users. This year, we will focus on improving our core services.

Code Management

Consumers   Climate   Competition   Cost   Change/Catalyst

The introduction of the REC Code Manager was a step-change for the governance of the industry codes that underpin much of the interdependent arrangements of the retail energy market.

It created a fully independent and empowered Code Manager service with a focus on delivering improved outcomes for the market and consumers. The model was the first of its kind, with the intention to use **"best-in-class"** service providers to collectively deliver the requirements of the REC Code Manager service.

Two years into live operations, we identified it as an opportune time to undertake a full review of performance. This was not only imperative as part of our regular health check but would also feed into our future re-procurement strategy. Gathering insights from our Summer 2023 'RECCo on the Road' stakeholder events in addition to our internal service assessments, we have initiated a robust improvement programme.

In the coming year, our focus remains on collaborating closely with Code Manager service providers to refine and elevate our core services across three key areas:
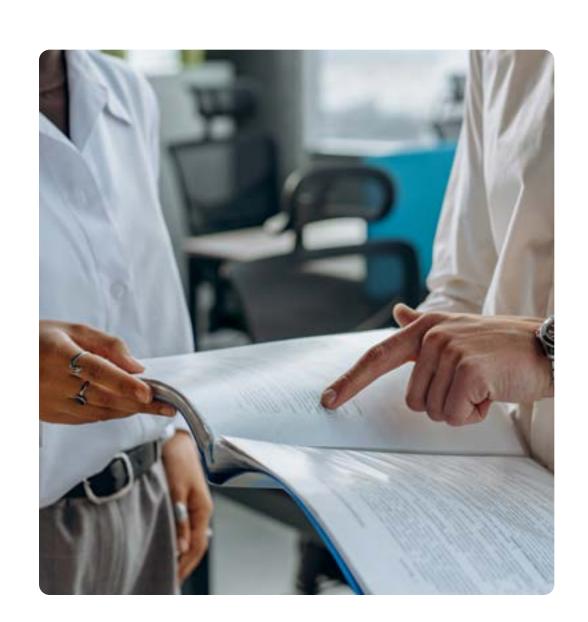
1. REC Change Process

Our focus is on the quality of the solutions and the efficiency of the process. It is vital that we ensure the right level of industry engagement at the right time and that we better leverage the expertise that the industry can offer. After a comprehensive review, which included workshops and stakeholder input, the Code Manager service completed the redesign and presented the revised process to the industry in October 2023 – including proof of concept for a new digital change hub. In the first part of 2024, we will implement the revised change process with stakeholders.

2. User experience

We will continue to make improvements across REC digital platforms like the REC portal and the Digital Navigator. Our goal is to streamline navigation and ensure easy access to information. We are forming user focus groups and collaborating closely with the Code Manager service to address user pain points and enhance platform usability changes which are achievable in the short term. We recognise that more enduring improvements may be dependent upon the Code Manager services reprocurement.

3. Performance assurance

We will prioritise better support for REC Parties and service users through improved qualification activities that focus on the areas of greatest impact. The Performance Assurance team will work with REC Parties to remove confusion in the process and increase first-time success rates. As part of this we will be reviewing our engagement strategy for performance assurance, including recruiting and upskilling a dedicated Operational Account Manager to provide more timely and empathetic support. We will also re-focus the reporting requirements so that they are better targeted on areas of material risk to the efficacy of retail processes. This will include those that currently require a disproportionate amount of additional resource and exceptions handling in order to maintain expected performance standards and consumer outcomes. A greater focus on resolving the root cause of such outcomes should deliver more tangible benefits from the industry's investment in the Performance Assurance Framework.

Energy Enquiry Services

Consumers   Climate   Competition   Cost   Change/Catalyst

We will maximise the performance and management of systems that underpin retail energy industry processes and procedures to drive improvements in data and risk management.

The enquiry services were previously governed by separate codes for electricity and gas, leading to inherent inconsistencies between the two. Together, the enquiry services are a core provision within the REC, supporting switching and providing REC Parties and non-party users with access to a vital range of data for an evergrowing number of use cases.

In the coming year, we will seek to maximise service performance while improving **the user experience and security**. We are also mindful that many other programmes and initiatives that we and REC stakeholders wish to progress will be dependent upon change to the enquiry services, not least the MHHS programme.

It is therefore important to balance the benefits of periodic competitive procurement against the need for **stability and certainty** to encourage investment.

We will therefore offer our enquiry service providers the opportunity to present us with a compelling technology and service development roadmap that will future proof those services, align with our data and digitalisation strategy and potentially negate the need for a procurement activity in the near term. However, we will not shy away from re-procurement if such cases are not forthcoming.

We are seeking to maximise performance in the coming year by focusing on the following:

- Increasing risk management of potential security incidents;

- Improving user experience; and

- Improving data management.

Security risks change over time, and we must ensure that we have the appropriate toolkit to **prevent, manage and respond to potential security incidents**, so that we minimise the risk to REC and other authorised parties. Our plan involves a comprehensive review of our current service monitoring and reporting tools to ensure their relevance amid changing security threats.

Alongside this, we will review the obligations within the REC and the need for supplementary guidance for REC Parties.

We recognise the importance of proactive stakeholder communication during incidents to help identify any potential risks. Therefore, we are exploring ways to provide stakeholders with more timely updates and information, such as detailed usage statistics.

These enhancements aim to offer clear insights into platform health and anticipate unusual usage patterns at an early stage. These changes are expected to be implemented in the second and third quarters of 2024.

It is incumbent on us to prepare for the renewal of the contracts for the enquiry services, which are nearing the end of their current term, and to ensure their functions and performance are fit for purpose. As far as is practicable, we must also ensure they are future-proofed and resilient to accommodate emerging needs. We have undertaken early engagement with REC Parties and wider stakeholders to gather feedback on the enquiry services, informing the development of options and a business case for their evolution. We will publish the conclusions of our work shortly.

Feedback has suggested that there is an increasing use of the **Application Programming Interface**[1] (API) by users, supporting a growing number of use cases that were not originally envisaged in the design of the service. Work has commenced on identifying how the API can be scaled up to meet the increasing demand and expectations of users. This will be a clear area of focus for any option taken forward to enhance the service.

The outcomes of this work will inform the future requirements and delivery model of the enquiry services, as well as the approach to renewal and improvement of the existing contracts or re-procurement.

Switching Arrangements & Central Registration Services Governance

Consumers   **Climate**   **Competition**   **Cost**   **Change/Catalyst**

We will strengthen the governance and improve the quality of switching services in accordance with the REC.

In April 2023, we implemented a performance charge regime to incentivise the DCC's role as the CRS provider. This regime, alongside the Smart Meter Communication Licence, seeks to deliver the operational performance of the DCC within its price control. We continue to assess how we can optimise performance and work with the DCC to improve performance more broadly, but we have identified two key areas of improvement that will be our focus in the coming year.

1. Performance and incident management of the DCC, so that there is a more robust governance framework and operating model to improve the delivery of service level agreements, support speedier resolution of issues and drive an overall increase in the performance of the DCC as the CSS provider.

We will focus on:

- Improving the timely resolution of switching incidents within agreed SLAs;

- Driving forward recommendations to improve the switching processes stemming from our 2023 P1 incident review;

- Ensuring roles and responsibilities within DCC are clearly defined so that they enhance quality of service for all market participants;

- Driving increased rate of SLA achievement with the Central Switching Service (CSS) and;

- Strengthening the Switching Operator communications model to ensure timely engagement with the right people at the right time.

2. Drive change by reviewing the governance model and implementing improvements that will facilitate the achievement of better outcomes.

We will focus on:

- Improving the governance of REC changes that are dependent on the DCC change process and ensuring the risk model aligns with the REC;

- Improving the quality of impact assessments so that they are delivered in a timely manner and right first time;

- Supporting change through the REC, focusing on fixing ongoing issues and continuous improvement; and

- Recommending changes to the Code to support better decision-making from the Switching Operator, ensuring that all the impacted market participants are considered.

Beyond these short-term steps, we are also focusing on Ofgem's review of the DCC Licence, which includes reviewing the governance and funding arrangements for the CRS.

Ofgem's early view includes a preference for a not-for-profit model and further explores options to separate the switching arrangements from the smart licence. This would potentially include the full transfer of responsibility for the CRS to RECCo. A further consultation on this option is expected in April 2024.

Switching services differ from Smart metering services, and the de-coupling of the CRS from Smart is proposed to unlock industry and consumer benefits, including:

- Better alignment with Ofgem's original Switching Programme Business Case;

- Improved service delivery;

- Greater alignment with RECCo's consumer obligations;

- Strategic alignment with the REC and other RECCo obligations;

- Escalating achievement of core principles for the new DCC Licence; and

- Addressing current operational, management, and financial challenges.

Switching Arrangements & Central Registration Services Governance

Consumers   Climate   Competition   Cost   Change/Catalyst

More broadly, benefits will also include direct control of service standards, closer alignment of switching services with other REC Services, synergies across comparable services, rationalisation of processes and data, strategic investments in service evolution, facilitation of consumer/industry-focused data usage, and driving overall organisational synergies and efficiencies.

RECCo has proven capability in managing contracts comparable to those for CRS, and we consider it prudent to assess and prepare for a potential move of the CRS to RECCo. Accordingly, we have developed a Strategic Outline Case, incorporating key principles from the Green Book business case process. Initial analysis of different delivery models, advantages, disadvantages, and timings has led us to the conclusion that transferring CRS responsibility to RECCo in September 2025 would be optimal.

A work programme was established in 2023/24 to prepare for potential transfer, including a detailed delivery and transition plan underpinned by due diligence of the existing commercial and contractual arrangements. The aim is to be ready for a seamless transition of responsibilities in September 2025, pending Ofgem's determination.

We will engage with stakeholders over the coming months to share.

Consumers

- Improved cost transparency and scrutiny of CRS delivery.

- Not for profit organisation responsible, eliminating profit margin.

- Increase in consumer-focused decisions in line with RECCo strategy and purpose.

- Efficient, future-focused strategic investments made with the consumer front of mind.

- Improved control of service delivery and performance.

- Aligns to the goal of the Switching Business Case, allowing for benefits to be realised.

Industry

- Improved cost transparency and scrutiny of CRS delivery costs.

- Not for profit organisation eliminating profit margins.

- Address governance, authority and control issues associated with the lack of a commercial arrangement.

- Address BaU service delivery and performance issues associated with the organisational behaviour and performance of the DCC.

- Increased level of control and authority for RECCo hold providers to account.

- Utilise efficiencies across other REC obligations to realise synergies to reduce time and cost.

- Simplification of the REC for all REC Parties.

Regulatory

- Will enable Ofgem to achieve key elements of future DCC model early (e.g. not for profit, data reuse, focused licensed activity).

- Simplification of the REC, reducing need for Ofgem to regulate CRS as a licensed activity.

- Aligns to the goals of the switching Business Case.

- Increased competition as procurement of CRS only will enhance market traction.

- Improved cost transparency and scrutiny. A Not-for-profit organisation responsible, eliminating profit margin.

- Increased level of control other REC obligations to realise synergies to reduce time and cost.

Our People

We will build the capacity, capability and effectiveness of our people as an integral part of overall REC service delivery.

We have always been committed to having an expert and highly motivated team that will deliver the RECCo vision. Our mission-oriented and consumer-centric culture has often been cited by candidates as what attracted them to work at RECCo, and we have been successful in recruiting high-quality staff from within and outside the energy industry. Two years into live operation, while we augment our team to address our broadening remit, our focus will shift from recruitment to retention. We will continue to work towards closer integration with our service providers and, as the anticipated holder of the REC Code Manager licence, we will seek to provide a more unified, effective and efficient service to our REC Parties.

Valuing, nurturing, and cultivating excellence.

Our people are at the core of everything we do. They are the driving force behind turning our vision for the retail energy market into a reality. They connect us with our stakeholders and service partners and form the foundation of our commitment to delivering a best-in-class code model

Continuous Development

We take pride in the industry expertise within our teams. Our people strategy is built on the principle of nurturing and continually developing their talents. In the years ahead, we will further enhance their capabilities, fostering a culture built on trust, support, and collaboration. We provide a safe space for innovation, even if it means 'failing fast' in the pursuit of better outcomes for our stakeholder community and energy consumers.

Caring for Our People

As we navigate the dynamic energy landscape, we understand that our organisation's success depends on the well-being, development, and retention of our talented team members.

We have three key people priorities:

1. Employee Development
Our commitment to continuous learning and development remains a high priority. We will launch a comprehensive programme to enhance our colleagues' knowledge and capabilities in 2024.

2. Cultivating Well-being
We understand the significance of our team members' well-being and how this generates a positive ripple effect on the organisation's success and the stakeholder experiences. New initiatives will be implemented to support both physical and mental health based on the findings of our employee engagement project at the end of 2023/24.. We strive to lead by industry example, promoting a healthy work-life balance in a safe and supportive work environment.

3. Retaining Excellence
We are dedicated to retaining our top talent, and our people strategy includes offering competitive compensation, benefits, and growth opportunities across the organisation to ensure our high-performing team members continue to grow with us, avoiding unnecessary recruitment costs.

> **We strive to lead by industry example, promoting a healthy work-life balance in a safeand supportive work environment.**

Data and
Digitalisation

These activities support our approach to *improving core services* and are therefore important to our core deliverables, helping us achieve *'best in class.'*

Data and Digitalisation

Consumers   Climate   Competition   Cost   Change/Catalyst

1

Code management is increasingly centred around the management of data. In September 2023, we published our Data and Digitalisation strategy, highlighting the interdependencies that have led us to consider the two elements as part of the same approach to delivering consumer benefits.

The strategy sets out our approach to opening up the data we control, as well as the transformation of data-driven REC Services, systems and processes to better meet the needs of the energy market and consumers. The publication of the strategy provided stakeholders with an opportunity to input into our thinking and help us refine our approach.

The feedback indicated that we should focus on user experience enhancements to address current underperformance and better data access.

User Experience

We were able to act upon some of the feedback immediately, improving the user experience of the digital REC by introducing the **Digital Navigato**r and the **ERIN** (Energy Resource Information Network) tool, built using **Artificial Intelligence** (AI) and **Natural Language Processing** (NLP).

We are proud to be the **first energy industry code** to implement NLP, which enhances a digital user's experience by providing clear, conversational and understandable information on REC products in an efficient, easily accessible way. We recognise that these improvements are only the beginning. We see this digitalisation and targeted use of AI as a means of making the REC and digital services more user-friendly. This will support new entrants and existing organisations in understanding their obligations

Data Access

We are pleased to have taken the next step in the process of securely opening up REC data by implementing REC Change Proposal R0118, which allows a wider range of users to request access to the enquiry services.

Over the coming year, we aim to introduce classification-based access for data items in the

enquiry services; some data items will become "Always Open" to anyone, while others will require justification. This way, we can ensure organisations can ask for and have appropriate access to specific items based on their needs. No existing access rights will be impacted. These changes will increase the REC's alignment with Ofgem's Data Best Practices, which will enable stakeholders to provide better outcomes for consumers. The changes will lead to:

• Enhanced security by being able to apply strong cyber defences in one location;

• Improved visibility of service use, as information is available from a single source;

• Managing traffic across a single access point, making it easier to apply consistent usage limits and quota management across data services; and

• Enabling the adoption of microservices architecture, which will make it easier and more cost-efficient for RECCo to procure and change services while minimising impacts on users.

API Gateway

Over the coming year, as we take our first steps towards a microservices architecture, and to

enable changes to the current RECCo enterprise architecture, we will implement an API Gateway. API Gateways are a proven technology that enable improved security, service management and cost reduction. RECCo will be utilising the API Gateway to improve the visibility of our services, manage traffic to all REC services via a single access point, and encourage use and innovation. We will use a phased approach to implement the API Gateway, allowing us to test and learn with smaller user groups. This will minimise any possible risk to core services before we roll out the gateway to all users. This will improve:

• Onboarding: Service users will only need to do this once - not for every service;

• Rollout and Service Management: Service provision will be managed centrally;

• Delivery of Change: Release management will be enhanced through our API Management Strategy and code release will be reduced through cross-cutting concerns;

• Trust: An API gateway is a trusted, secure technology for hosting data sets, services and components that can be reused across the industry.

Data and Digitalisation

Consumers   Climate   Competition   Cost   Change/Catalyst

2

Consumer Consent

Many of the future market innovations that will be required to deliver **Net Zero** and reduce the cost of energy for consumers will be reliant upon access to data from - and indeed the ability to interface with - assets such as electric vehicles, battery storage and heat pumps.

Appropriate consumer consent is a recognised mechanism for giving consumers control over their personal data, helping to build trust. There are parallels and potentially lessons to be drawn from work on improving the handling of existing consumer data, for instance in relation to vulnerability. This includes the importance of avoiding fragmentation and a loss of consistency between consent registers.

We support the recommendations of the Energy Digitalisation Task Force (EDiT), including the need for a consumer consent portal. We have been working collaboratively with industry partners, Ofgem, DESNZ and Innovate UK to build collateral that will facilitate the development and implementation of this mechanism. This work has taken a 'consumer first' approach to identifying the issues and potential remedies associated with obtaining consent, incorporating various consumer personas.

We identified five key principles:

Tell me once	Enable consumers to exercise a **"tell me once, in one place"** principle, so that consent is carried between suppliers when consumers change or utilise multiple suppliers in a future distributed and flexible energy system.
Trust	Provide **multiple channels** and routes to update consents so that the entire population can engage appropriately and have **increased trust**.
Understanding	Utilise consistent, clear, and **simple language**, so that consumers have the best opportunity to understand what they are consenting to and for.
Clarity	Clarify policy to **formalise existing industry practices**, with the role the bill payer has, so that the individual vs. household paradigm can be managed.
Verification	Provide **varying identification and verification** methods to enable individual and household identification, utilising existing proven methods used in other industries.

We were delighted that our work and the collaborative approach taken to date was referenced in Ofgem's consultation "Data Sharing in a Digital Future: Consumer Consent".

We will continue to make progress during 2024/25, supporting Ofgem and DESNZ in their development of policy. We must await the outcomes of the consultation process and will only allocate a dedicated budget if we are tasked with a role in delivery.
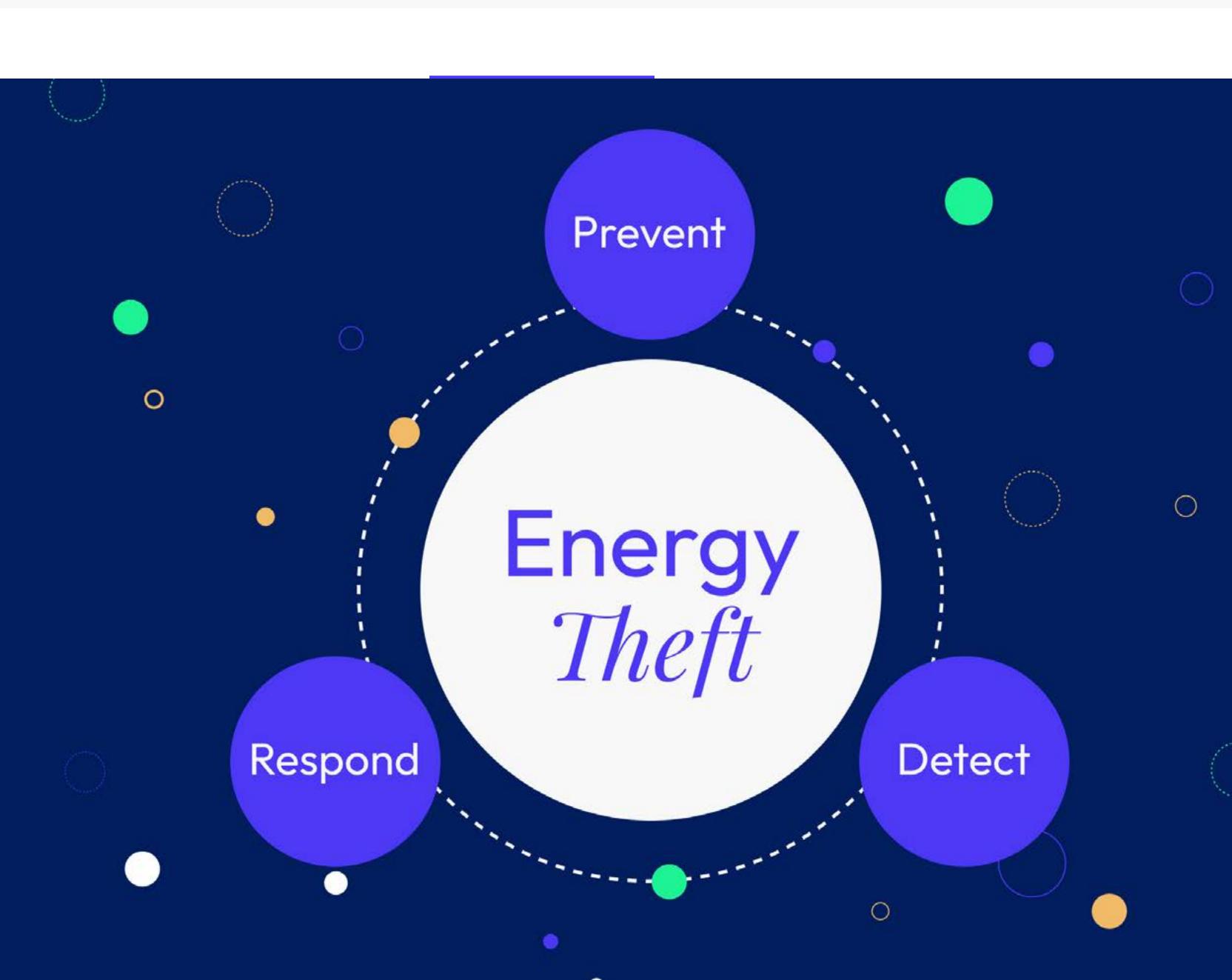
"

…we are firmly of the view that this project must proceed on the basis of a 'consumer-first' principle, which the REC and RECCo are well placed to deliver.

Energy Theft *Reduction*

Our Theft Reduction Strategy aims to deliver the insights, tools and services that will enable REC parties to more effectively *Prevent, Detect and Respond* to energy theft.

Prevent

Energy *Theft*

Respond

Detect

Energy Theft Reduction

Consumers   Climate   Competition   Cost   Change/Catalyst

1

Our work in 2023/24 focused on five key areas, which will continue into 2024/25:

Engagement

We established the **Energy Theft Reduction Expert Group** (ETREG) and Theft Stakeholder Forum.

The ETREG is made up of theft experts from across the industry. To date, it has supported RECCo in delivering the Theft Reduction Strategy, acting as an external stakeholder advisory and steering group. While it will continue to fulfil this function, we will also raise a **Change Proposal** to recognise the ETREG as a Responsible Committee within REC governance, meaning that it will have a **decision-making role** on matters delegated to it by the Change Panel and/or RECCo.

ETREG material is available to authorised users on the REC Portal. The Theft Stakeholder Forum provides an opportunity for us to update all REC Parties and other interested stakeholders such as Ofgem, current and potential service providers and organisations such as the police on our progress in delivering the Theft Reduction Strategy.

The material presented at the webinar and recordings are available to all interested parties on the RECCo website. We will hold further Forum sessions throughout 2024/25 and beyond.

Awareness

Through a combination of direct communication with REC Parties and external agencies, and the funding of the Stay Energy Safe campaign run by Crimestoppers, we have sought to raise awareness amongst consumers and market participants of the safety risks associated with energy theft, its financial impacts and how to report it. Integral to this was the publication of the Theft Estimation Methodology report, which indicated that between £900mn and £1.5bn of energy is stolen in Great Britain each year (based on wholesale prices at that time), costing each household around £50.

To build upon and improve the effectiveness of our awareness-raising activities, we appointed Frog, Capgemini's Creative Consultancy, to produce a theft awareness strategy. This was introduced at a high level at the Theft Forum in November 2023 and has informed our wider work on theft reduction, which we will set out in further detail in our Theft Reduction Strategy update early in 2024. We have also taken direct control over our marketing activity, for which we have recently completed a competitive procurement process. Whilst we will continue to support the Stay Energy Safe campaign and the promotion of the Crimestoppers tip-off line, this will also support our broader Theft Reduction Strategy.

We have been working with the Code Manager services to monitor social media for content that may be promoting illegal and otherwise irresponsible activities, such as meter tampering. This is often used to spread misinformation, whether knowingly or through misunderstanding, but also to encourage acts of fraud. We have been sharing the results of the monitoring with ETREG and will use the insights gained to inform appropriate mitigations. This could involve targeted counter-messaging, provision of consumer guidance and, where appropriate, seeking to have illegal and harmful content removed.

Energy Theft Reduction

2

Data

In the 2023/24 Forward Work Plan, we set out our ambition to develop a **theft data hub and analytics** to benefit industry parties. The first part of this approach is to develop a dedicated portal to improve industry-wide data sharing.

The portal will provide heat-mapping, trend analysis, and threat assessments to be used by various stakeholders to inform their own theft mitigation policies and procedures. The portal is being developed in partnership with **Detertech UK**, who will be known to many REC Parties as having experience in the provision of similar services to combat infrastructure theft. Detertech also has datasharing agreements in place with all GB police forces. We will continue efforts in obtaining access to smart data reads and tamper alerts into 2024/25. As each new data set is made available, we will seek to improve the model used for the Theft Estimation Methodology, including narrowing the range of expected theft.

We also aim to conduct a retrospective analysis of those new data sets against the instances of confirmed theft reported to us through the Theft Detection Incentive Scheme. This will identify any patterns in those confirmed cases that could be applied to the wider population to potentially generate new theft leads. All such approaches would be thoroughly tested and, if appropriate, inform a business case for a new data analysis and lead generation process, fulfilling the role previously performed by the Theft Risk Assessment Service.

Improve Incentives

We implemented changes to the Theft Detection Incentive Scheme in April 2023. These aimed to improve the administrative efficiency of the scheme, clarify reporting requirements, better inform parties of how they were performing against targets relative to their peers, and sharpen the incentives for confirming theft at commercial premises.

We are currently working with the Code Manager services to further improve the efficacy of the incentive scheme and expect a revised Theft Target Methodology and incentive values to be in effect from 1st April 2024.

We have also considered the findings of the End-to-End Review1 and wider stakeholder feedback regarding the incentives for parties and processes that are not currently within the scope of the scheme.

We will further consult with stakeholders before bringing forward proposals on addressing gaps or deficiencies in the existing commercial incentives to more effectively mitigate theft. However, we also have regard to the letter issued by Ofgem in November 2023, which reminded licensees that the regulator would continue to monitor performance against their obligations and scheme targets, and would consider the need to further strengthen obligations in this area pursuant to their own investigations, addressing some of the recommendations set out in the End-toEnd process report mentioned above.

Enforcement

We continue to work with the City of London police and other agencies on the development of a dedicated, but operationally independent, unit to tackle energy theft. We expect to consult on a business case and proposed target operating model for such a unit by the end of 2023/24. Subject to the outcome of that consultation, we will set out the detailed plan for the mobilisation of that service, including the expectation on industry parties to support and engage with it. Any such service would be operational in late 2024/25 or early 2025/26.

In the meantime, the research and analysis being conducted on the potential operating model is helping to inform the development of guidance and other material that may assist REC Parties.

Regulatory Programme and Policy *Delivery*

We seek to ensure that the REC and services provided pursuant to the REC remain relevant to the needs of parties and wider stakeholders and consistent with the delivery of our mission.

We will aim to anticipate and appropriately prepare for new requirements being placed upon RECCo or REC Parties and ensure that they can be delivered in a timely and efficient manner, or where appropriate work with policy-makers to identify a better solution. Whilst none of the activities we undertake are speculative in nature, it is important that we act as a proactive catalyst for change rather than being reactive and potentially finding ourselves posing a risk to timely delivery.

In addition to the work we plan through the annual Forward Work Plan and budget process, we must also respond appropriately to initiatives that emerge through the REC Change Management process or through policy development by Ofgem or the Government. This may, on occasion, mean that priorities must be reassessed throughout the year.

Market-wide Half-Hourly Settlement

Consumers   **Climate**   **Competition**   **Cost**   **Change/Catalyst**

We will prepare the retail market arrangement for the transition to, and subsequent complementary operation with, the new electricity settlement arrangements by 2025.

Expanding half-hourly settlement to market-wide will facilitate the transition to a smarter, more flexible energy system, bringing significant benefits to consumers whilst also supporting the UK's Net Zero ambitions. This reform makes settlement more accurate and timely, creating opportunities to develop new products and services, such as Time-of-Use tariffs and flexibility services. Ofgem's analysis indicates that market-wide half-hourly settlement (MHHS) will bring net benefits for GB consumers of between £1.6bn and £4.5bn over the period 2021-2045 through the optimisation of infrastructure investment.

RECCo's role in the programme will continue next year as we progress towards implementing MHHS. This will be a crucial year, with Systems Integration Testing (SIT) activities completing, and MHHS implementation for central services due to complete by March 2025.

Market-wide Half-Hourly Settlement

Consumers   Climate   Competition   Cost   Change/Catalyst

RECCo will be continuing to focus on six core workstreams to support the successful implementation of MHHS:

Code Drafting

Whilst the bulk of code drafting will have been completed, we anticipate a range of final code drafting activities in the coming year. These include baselining the draft to the programme's key milestone in August 2024 and, following the Authority's approval via the Significant Code Review powers, release for go-live - currently expected to happen in March 2025.

Qualification

Obligations under the REC and the Balancing and Settlement Code (BSC) require REC Parties to become 'MHHS Qualified' to assure they have made and tested the necessary changes for each required Market Role. Impacted REC Parties (Electricity Suppliers, Distribution Network Operators and Electricity Metering Equipment Managers) are required to implement significant changes to their systems ahead of operating in MHHS. RECCo will continue working with Elexon and the MHHS Programme to take parties through the qualification process following the programme plan. This activity will start next financial year, to ensure SIT participants and existing Distribution Network Operators (DNOs) qualify in time for MHHS go-live. It will run to early 2026, when the final tranche will complete their MHHS Qualification.

Design Changes

While the core MHHS design has been baselined for some time, further changes coming from the change control process will continue to require assessment for any impacts on the REC or REC services. This includes changes from SIT and future planned design workstreams, such as the service management design. RECCo will continue to engage in MHHS change control and design workstreams to ensure the impacts to the REC and REC Parties are considered and understood.

Testing

The Electricity Enquiry Service (EES) will be participating in various SIT phases, including SIT Functional, SIT Migration and SIT Operational testing. This will be a significant focus to ensure that the changes to the EES support the end-to-end operation of MHHS. RECCo will work with the EES provider to ensure that appropriate resources are in place to support testing, defect management and release management throughout the various test phases.

Operational Readiness

In preparation for go-live, RECCo will need to ensure that we, the Code Manager services and other REC Service Providers are prepared to operate under the new MHHS Target Operating Model. This includes updating the Performance Assurance Framework to consider new or amended risks, the Change Management process to recognise the introduction of the Data Integration Platform (DIP) and interactions with the DIP Manager, and ensuring systems such as the REC Portal and Energy Market Architecture Repository (EMAR) reflect changes to the REC.

Stakeholder Engagement

Throughout all our workstreams, we will be considering where continued engagement with REC stakeholders is required to support the transition to MHHS. We will be considering the best engagement methods to ensure REC stakeholders are familiar with changes to the REC and REC systems, supporting their readiness for MHHS.

Code Reform and Licensing

Consumers   Climate   Competition   Cost   Change/Catalyst

We will continue to engage with key stakeholders to share learnings from Retail Code Consolidation and REC Code Manager services procurement so that we can facilitate wider code governance reform whilst minimising disruption to REC Parties and service providers.

The Energy Act 2023 embodies the Government's ambitions to transform the energy industry so that it may better facilitate the UK's move to Net Zero and increase energy security. As part of this suite of changes, the Act includes provision for the licensing of Code Managers. This will bring changes to how codes are governed and managed and, in turn, facilitate innovation to delivering Net Zero targets.

Our Strategy and Forward Work Plan in 2023 reflected our belief that certain aspects of the REC are already aligned with the direction of travel for future code management functions. For instance, Ofgem proposed a shift from code Panels to decision-making by the Code Manager with input from a Stakeholder Advisory Forum. This mirrors elements already present in the REC change management model. However, it is crucial that we stay fully engaged with Ofgem and DESNZ during the development of the regulatory framework for code licensing. We are committed to actively monitoring and participating in this process, ensuring our readiness for licensing activities and minimising their impact on the REC.

Tariff Levelisation

Consumers   Climate   Competition   Cost   Change/Catalyst

We will design, build and deliver the systems and processes required to facilitate the removal of the PPM premium from domestic standing charges.

Consumers paying for their energy via a Pre-Payment Meter (PPM) have traditionally faced higher costs than consumers paying through Direct Debit. The cost-of-living crisis and high energy prices have heightened concern over the premium that PPM consumers pay. From 1 June 2023, the Government temporarily removed the PPM premium through an allowance as part of the Energy Price Guarantee (EPG). However, the EPG is due to expire at the end of March 2024. Ofgem has selected RECCo to develop systems and processes necessary to reconcile the impact of the levelisation policy across all domestic suppliers from 1 April 2024. The new arrangements will redistribute money between suppliers, ensuring an equitable recovery of costs irrespective of the balance between PPM and Direct Debit consumers within suppliers' portfolios. The change to the REC will be given effect through Change Proposal R0147.

Ofgem's statutory consultation on accompanying licence modifications also sets out a potential second phase of cost levelisation associated with debt-related costs. That second stage would be implemented no earlier than 1 October 2024. Our work on levelisation will, therefore, continue into 2024/25, ensuring that the impacts of the original scheme are fully assessed and that we can assist Ofgem, REC Parties and potentially any successor scheme provider in preparing effectively for that further development.

Third-Party Intermediaries
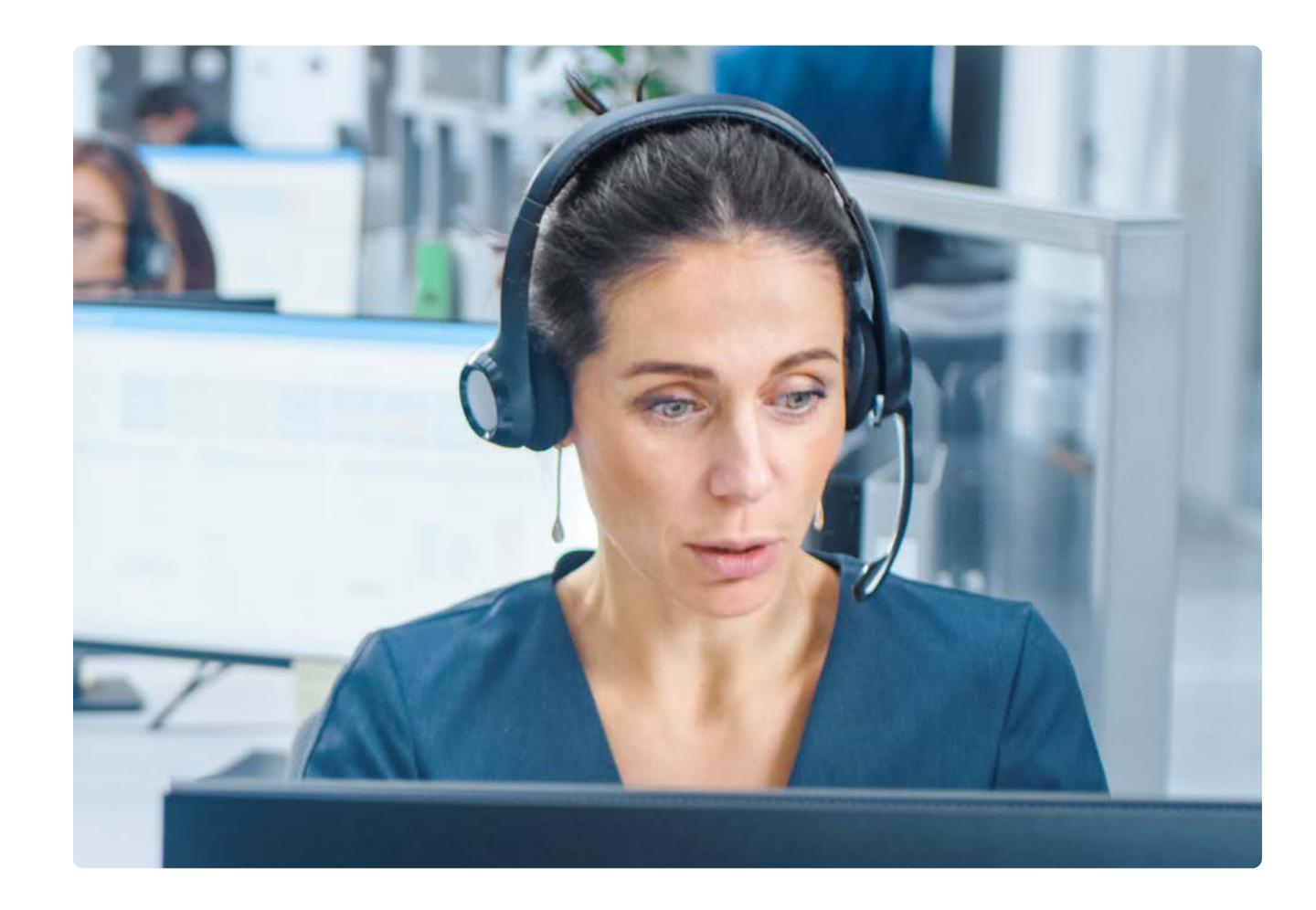
Consumers   Climate   Competition   Cost   Change/Catalyst

We will develop and submit to Ofgem proposals for a mandatory TPI Code of Practice and accompanying accreditation framework to deliver higher standards and drive better consumer outcomes.

Third-Party Intermediaries provide valuable services to consumers, such as sourcing and providing advice on energy tariffs. However, they currently operate outside of the regulatory framework, restricting the ability of Ofgem to deal with instances of bad practice and poor consumer outcomes. We have therefore introduced a Third Party Intermediaries (TPIs) **Code of Practice** (CoP) into the REC. While this is initially a voluntary agreement, we are now developing assurance and accreditation processes that will allow it to become a mandatory requirement.

This assurance framework will include developing and maintaining a publicly available register of accredited TPIs, negating the need for suppliers to undertake their own audits of TPIs and removing much of the existing inefficiency. We will fully engage with stakeholders, providing interested parties the opportunity to input and help shape this framework. As the imposition of standards in any market can have an impact on competition, we expect that the Change Proposal giving effect to the scheme will require approval by Ofgem. It will, therefore, be important to demonstrate, with the assistance of evidence from stakeholders, that the proposal is appropriately targeted upon addressing areas of known consumer harm and that any burden or restrictions it places upon TPIs or suppliers is proportionate to mitigate that harm.

Watching *Briefs*

There are a small number of regulatory policy developments that we expect may have an impact upon the REC or wider retail arrangements. We will dedicate limited resources to these, anticipating or awaiting a formal decision or clear way forward.

Priority Services Register

Consumers   Climate   Competition   Cost   Change/Catalyst

We will collaborate with industry partners to identify improvements to PSR data sharing and ensure the REC is a facilitator of those efforts.

While RECCo is not responsible for the provision of a **Priority Services Register** (PSR), the sharing of PSR data and consumer contact data between REC Parties is governed by Schedule 13 of the REC.

During 2023/24, we continued to explore with industry partners initiatives to enhance the PSR, recognising its importance to vulnerable customers and the challenges that they currently face in having to register their needs with multiple support organisations. Speaking at an Ofgem vulnerability summit held in April 2023, we advocated for the adoption of a widely-accessible PSR, moving closer to the 'tell us once' principle via a broader definition of 'us.' We therefore welcomed the announcement in the Autumn Statement that the Government will explore the development of a cross-utility PSR, though the subsequent consultation by the Department of Business and Trade appears limited to registers maintained by utilities, which may limit its efficacy.

In a paper[1] published in May 2023, we set out our view that the Electricity Enquiry Service could have a valuable role to play in enabling a wider range of relevant agencies to access and act upon vulnerable customer data. We developed our thinking further through use cases that included consumers dependent on running medical equipment at home. In October, we hosted a webinar in order to update stakeholders on these activities and to provide a forum for others engaged in this area across the utilities industries, such as Northumbrian Water, to discuss their work. A recording of the webinar is available on our website.

---
1   How can we improve the Priority Services Register for vulnerable consumers?
Retail Energy Code Company

The approach to, and timescale for, introducing a cross-utility PSR is currently unclear. In the meantime, consumers are not being well-served by the fragmented and inconsistent registers that currently exist.

We will, therefore, seek clarity on the next steps for the Government's work in this area and consider whether there is still value in pursuing our own proposals to the extent that they may provide an interim solution or a stepping-stone to the broader solution.

> **The enquiry services could have a valuable role to play in enabling a wider range of relevant agencies to access and act upon vulnerable consumer data.**
>
> **Retail Energy Code Company**

Demand Side Response

Consumers   Climate   Competition   Cost   Change/Catalyst

We will seek to ensure that policy aimed at incentivising Demand Side Response (DSR) has regard to the needs of all consumers, including those with inflexible usage.

The emergence of Demand Side Response solutions presents consumers with opportunities to save money on their energy bills while helping to establish a more flexible energy system for the future. RECCo responded to Ofgem's consultation, "Smoothing the journey – engaging domestic consumers in energy flexibility", noting that while we agree that domestic consumers will have an important role to play in the delivery of a flexible energy system, it must be with the aim of better serving those consumers rather than constraining them. An important component of a positive consumer experience will be the development of a consent mechanism that makes it easy for consumers to switch between products while giving them confidence that their data is protected.

It will also be important to address the needs of vulnerable people, particularly those whose circumstances may not readily allow for flexible energy usage. They should not be penalised for their inability to engage with or respond to price signals. We will continue to seek opportunities to engage in and influence the development of policy to this end.

Heat Networks

Consumers   Climate   Competition   Cost   Change/Catalyst

We will promote the protections for consumers on heat networks being aligned with those in gas and electricity.

The decarbonisation of heating will be critical if the UK is to meet its emission reduction targets. While some of this may be facilitated at the level of individual premises through the installation of technologies such as air or ground source heat pumps and better insulation, the Government is also pursuing an expansion of heat networks. **The Energy Act 2023** provides the legislative basis for this expansion, including the formal appointment of Ofgem as the regulator of heat networks in Great Britain.

As set out in our Forward Work Plan 2023-26, we consider that it will be important to ensure that the regulatory protection available to consumers on heat networks is comparable to that of electricity and gas, particularly if consumers are to be persuaded to transition from gas. We also consider that there may be economies of scale and other synergies available if, for instance, data services and relevant infrastructure could be extended to incorporate heat providers and their consumers.

In our response to the joint Ofgem and Government consultation on heat network regulation and consumer protection, we set out ways in which REC **services could suitably be extended** to encompass heat consumers in order to realise the benefits mentioned above. We look forward to seeing the outcome of that consultation and what if any, role RECCo may play.

Hydrogen

Consumers   Climate   Competition   Cost   Change/Catalyst

We will continue to monitor developments and assess the likelihood and impact of hydrogen being introduced into the retail market.

Whilst we recognise that hydrogen is likely to have an important role to play in the decarbonisation of GB energy and the wider industry, its precise impact on the retail market, especially concerning home heating, remains uncertain. We will maintain a watching brief on developments, extending support where feasible and actively addressing any barriers that might impede effective trials.

We have also participated in Uniform Network Code Review 0849R, "Commercial framework review to enable hydrogen blending", and look forward to seeing the report from that group early in 2024. We welcome feedback on whether there are any other practical steps that we can take to further prepare for the adoption of hydrogen.

2023-24 Budget

Brian O'Shea
Chief Financial Officer

In February 2024 we published the 2024-2025 Budget, as our good faith estimate of the costs that were anticipated to be incurred when delivering the 2024-2027 Strategy and Forward Work Plan, using a zero-based budgeting methodology. This gave REC Parties the opportunity to scrutinise the Budget and a right of appeal to Ofgem.

One appeal was made to Ofgem by DCC in relation to the CRS Transfer budget line item which the RECCo Board continues to consider to be a reasonable estimate of the cost of the activity (representing less than 1% of our total budget). In accordance with the REC, pending the resolution of the appeal by Ofgem, RECCo shall not incur costs with respect to the CRS Transfer budget line item except as necessary to comply with legally binding obligations that were previously incurred in accordance with the Code. All other elements of the 2024-25 Budget remain uncontested. Upon Ofgem's decision on the CRS Transfer budget line item, RECCo will re-issue its final 2024-25 Budget

separately. The 2024-25 charges by category of funding party are unlikely to be materially changed by the outcome of the appeal to Ofgem.

We are cognisant that we are spending industry and consumers' money and are obligated to deliver secure, scalable, adaptable, economical, and efficient services. This obligation extends to our internal and external resources.

RECCo is responsible for 17 centralised services which support the industry in discharging its regulatory obligations. RECCo operates on a non-profit basis, and its income matches its costs each financial year. Any underspend (including change allowance and contingency) against the overall budget is returned to funding parties as a rebate against the following year's charges. RECCo expects to underspend against its 2023- 24 Budget, which will help mitigate the impact of the 2024-25 charges.

Table 1: RECCo 2024-25 charges by category of funding party

Charges by REC Funding Parties	Annual charge £
Energy Suppliers - Charge per RMP	£0.834
Energy Suppliers - MHHS Charge per RMP	£0.064
Electricity Distribution Networks > 750k RMPs on MPAS, annual charge < 750k RMPS on MPAS, charge per RMP	£42,000 £0.02

Table 2: Budget and indicative projections for the following two years

RECCo 3-year projections summary	2024/25 Indicative £'000	2024/25 Budget £'000	2025/26 Indicative £'000	2026/27 Indicative £'000
REC Services	38,040	34,185	37,493	40,801
RECCo Operations	5,315	6,102	6,513	6,788
Projects	6,122	6,760	10,510	3,550
Change Allowance	4,000	4,000	4,000	4,000
Contingency	2,000	2,000	2,000	2,000
Total	**55,477**	**53,047**	**60,516**	**57,139**

We hope you found this Strategy, Forward Work Plan and associated financial projections useful.

recco

Retail Energy Code Company Ltd,
27 Old Gloucester Street,
London. WC1N 3AX