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Switching Programme and Retail Code Consolidation: Proposed changes to licences and industry codes

Citizens Advice response part 2

9 September 2019

Citizens Advice welcomes the opportunity to respond to the questions posed in the latest consultation on the Retail Energy Code (REC), its schedules, and the licence changes required to deliver faster, more reliable switching and Retail Code Consolidation.

We do so as part of our statutory role to represent domestic and small business energy consumers in Great Britain (GB). Our response is not confidential and may be freely published. We are happy to discuss further any of the issues raised.

As expressed in the first part of our response, we remain strongly supportive of the planned approach to the development of the new code and its role in facilitating faster, more reliable switching as a means to achieving better consumer outcomes.

Tom Crisp
Senior Policy Researcher

1.1 Do you agree that the mission statement and objectives encapsulate the functions of the code, can drive activity of the governance functions and assist decision-making on changes to codes?

We would agree that the mission statement and the objectives as drafted encapsulate well the core mission of the REC. Promotion of innovation,

Patron HRH The Princess Royal

Chief Executive Gillian Guy

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competition and positive customer outcomes are all goals which, if achieved in harmony, should serve to deliver a well run retail market. We particularly welcome the explicit recognition in both mission statement and objectives for the need for the code to meet consumer interests.

1.2 Do you agree with our proposals on the initial and ongoing appointment of RECCo Board Members?

The proposals on the initial and ongoing appointment of the RECCo board members are appropriate and a process we support. In regard to the interim appointment, it was of clear interest to have board members from the existing code bodies with clear synergies in required expertise and competencies, and the fact that an industry selection process had already taken place. The appointment of the initial nominations committee by Ofgem is also logical, though greater transparency on the selection criteria beyond “a variety of backgrounds and experience” would be welcome given the small number.

On the enduring board selection and requirements, it is welcome that the terms of reference of the nominations committee is fluid to have a role in identifying any gaps or desirable additions to the board’s skill set and competencies. The non-traditional market role could serve to offer representation to metering interests, given the potential to integrate governance of MPAS in the REC. We think that to add impartiality, the consumer constituency expertise could be provided by a board member distinct from those offering supplier or network experience.

On the issue of maintaining accountability for the RECCo Board, an annual report and comment from Ofgem on the meeting of objectives is an appropriate mechanism. We would further suggest though given the multi-year nature of much of Ofgem’s current planning, a broader longer term plan could be of use, perhaps mirroring Ofgem’s strategic narrative of three to four years ahead.

We also support a mechanism to remove executive directors that have lost the confidence of REC parties in extremis, although this may not be appropriate for non-executive directors as it could impact their independence.

1.3 - 1.5

Answered in initial consultation phase.

1.6 Do you agree with our proposals on the set-up of the REC Change Panel? Do you foresee any problems with these proposals?

We have no concerns over the set-up of the REC Change Panel and welcome that the panel will have independent members sufficient in number, or with sufficient voting rights, to ensure that decisions are not taken against the consumer interest. Regarding capability to take decisions quickly, a framework or key performance metrics to determine what is appropriate speed could be useful to assess the work of the change panel.

1.7 Do you agree with our proposals on the set-up of the PAB? Do you foresee any problems with these proposals?

We have previously expressed strong support the creation of a Performance Assurance Board (PAB) as part of the REC, given the importance of the processes for a positive switching experience. To deliver these outcomes successfully and maintain consumer confidence in switching there must be robust oversight of performance, with steps taken to enforce code requirements where necessary, to a higher level than conducted currently through MRA/SPAA.

Recognising the long lead time in establishing other performance assurance boards in other codes, the establishment of the PAB early in the transitional period is an approach we are supportive of, particularly enabling the PAB to have a role in market entry and testing.

We also remain supportive of the prospective collaboration between the REC Manager and RECCo board in appointing the PAB, as well as for the PAB to be a mix of people from within and outside of the energy industry, allowing cross-sector learnings and experience to be brought to bear. More specificity about which sectors are under consideration for this role would be welcomed. We would broadly be supportive of an elections approach for industry representatives which is recognised as helping establish legitimacy as well as enhancing candidate quality through competition.

We welcome the potential for data collected by the PAB to be published more broadly than simply as an evidence base for implementing remedies. This will allow reputational incentives to come into play through mechanisms such as performance league tables, noting the positive impact our own energy supplier star rating on supplier performance.

Recognising that the approach to liabilities and sanctions is not yet set out in the published draft Performance Assurance Schedule, we repeat our position that the PAB methodology should be prescriptive enough that it is bound to apply appropriate sanctions at each stage, with deviation from these only in exceptional circumstances.

The allowance for administrative efficiency and prioritisation to be reasons not to take action in particular should be scrutinised by the RECCo board when

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appropriate and a case-by-case assessment made of whether such reasons are appropriate.

1.8 Do you agree that the inclusion of the principles outlined (as included in the draft change management schedule) should address some or all of the problems associated with existing code governance?

We support Ofgem's view that a broad range of stakeholders should be able to raise modification proposals, including consumer representatives, and see this as central also to allowing greater levels of innovation. This will often be driven by those outside the conventional supplier licence framework, including third-party intermediaries.

As well as broader participation, the other key barrier in our view - and that of industry - is the speed of change. To that end the provision of expedited impact assessments and access to subject matter experts are both positive developments.

Linking back to the role of the REC Manager, the importance of the critical friend function also continues to be seen as important in successfully progressing change. To ensure understanding by parties and interested stakeholders, changes should be explained in simple, clear terms, which are recognised in the plain English principles.

2.1 Do you agree with our proposed choreography of the Retail Code Consolidation SCR, Switching Programme SCR and associated licence changes, including our proposals that the Switching Programme changes will be introduced as 'dormant' before being made 'active' following Authority direction?

In our last consultation response in November 2018 on the REC, we strongly supported the proposal for a second, parallel SCR to run alongside the existing switching programme SCR.

We also welcome the greater certainty provided by having a firm date for implementation of the revised governance arrangements. It is important that this can develop independent of the switching SCR process, given the track record of delay in this area.

We look forward to more detailed information on the interim governance arrangements in the Autumn.

2.2 Do you agree with the approach we have described for managing the delivery of the Switching Programme SCR and the Retail Code Consolidation SCR?

In our view, the approach set out conforms with Ofgem's guidance for selecting option 3; the the Ofgem-managed end-to-end approach for conducting an SCR. This is particularly relevant, given potential timing and implementation issues and issues affecting multiple codes. The guidance acknowledges that such a timetable will, inevitably, be subject to change and while an overview of the expected milestones is helpful, a more granular timescale and consideration for contingencies would be valuable going forward.

The decision to not implement a code modification freeze during the timescale is one we support, given the potential need to address unforeseen short-term issues that cannot be deferred to Retail Code Consolidation. Another consideration will be communication and alignment, given the significant volume of work related to both the REC and Switching SCR and ongoing legal drafting.

2.3 Do you have any views on the draft consequential changes to industry codes and work plans described in Appendix 5 that would help deliver the Switching Programme and Retail Code Consolidation SCRs?

Having reviewed the draft consequential changes, we have no substantive comments. Hosting drafting and summaries on the RECCo website going forward would be a logical next step in ensuring the code is seen as increasingly active and therefore engaged with directly, rather than through Ofgem.

3.1-3.5

Not answered.

3.6 Do you agree that the draft Resolution of Consumer Facing Switching and Billing Problems Schedule meets the Regulatory Design Principles? If not, please explain how the Schedule could be improved?

We agree that the draft resolution meets the regulatory design principles. The envisaged timetable for erroneous transfer resolution in particular should deliver consumer-focused outcomes through its swifter process.

3.7 Do you agree that we have adequately captured the requirements of the ETCC within the draft Resolution of Consumer Facing Switching and Billing Problems Schedule, taking account of the existence of Guaranteed Standards of Performance that cover engagement with the consumer and resolution of erroneous transfers?

We would agree the requirements are captured within the draft schedule, acknowledging the standards themselves will need to evolve over time.

3.8 Do you believe there is merit in extending obligations relating to the resolution of Erroneous Switches, Crossed Meters, Switch Meter Read Problems and Duplicate Meter Points to micro-business consumers or should these requirements more generally apply to all Non-Domestic Energy Suppliers? For Switch Meter Read Problems, should the scope be extended to cover domestic and micro-business consumers who are settled on a Half-Hourly basis?

We have consistently argued that microbusiness consumers should be equally protected, regardless of fuel or settlement type. While the I+C Code of Practice is set to replicate these provisions, it is non-mandatory.

We would therefore generally support harmonisation of these rules wherever possible, unless there is a strong argument against doing so. Evidence from our consumer service and the Extra Help Unit demonstrates the detriment that can occur when switches fail, and the difficulty that can occur determining if a consumer is domestic or non-domestic. For example, a converted office block that houses flats can continue to be on a non-domestic tariff.

Given that suppliers sometimes suggest there are difficulties for them in identifying micro-business customers, the best way of ensuring they are covered may be to apply the requirements to all non-domestic suppliers, unless there are clear reasons why this may not be appropriate.

We would also strongly agree that given the expected widespread adoption of half-hourly settlement, Switch Meter Read Problems resolution procedures should extend to these customer segments too.

3.9 Do you agree with our proposal to introduce a harmonise procedure for escalating delayed and disputed problem resolutions for all problem areas covered by the draft Resolution of Consumer Facing Switching and Billing Problems Schedule? If not, please explain how the approach for escalations could be improved.

In principle, the proposed escalation procedure is a good approach, with escalation to the REC Code Manager and PAB acting as a strong incentive on suppliers to ensure swift resolution.

3.10 Do you agree that the draft Prepayment Arrangements Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved.

The schedule in our view meets the required standards set out in the Regulatory Design Principles. While switching meters to credit mode in a switch mitigates the risk of customers being left off supply, it should also be recognised that this could leave these customers at risk of building up debts and will need to be supported by the relevant suppliers.

3.11

Not answered.

3.12 Do you agree that the draft Data Access Schedule meets the required standards set out in the Regulatory Design Principles? If not, please describe how you think it should be improved.

The schedule in our view meets the required standards set out in the Regulatory Design Principles.

3.13 What changes would you make to best align the draft Data Access Schedule to the Energy Data Task Force recommendations?

While Midata is excluded from the scope of the SCR, we would encourage continued communication between the SCR and the Midata workstream to ensure infrastructure and governance arrangements are not developed in isolation that could act as barriers to the programme.

3.14 Do you agree that obligations should be placed on networks and suppliers to ensure that RECCo procures gas and electricity enquiry services and that obligations in the Gas Transporter and Distribution Licences can be removed?

If networks and suppliers would have an obligation under the REC, there seems no need to repeat it in a licence obligation.

However, the proposal is based on the assumption that all relevant networks are party to the REC. We would encourage Ofgem to ascertain whether there could

be a future scenario whereby an independent network provider may not be part of the REC and therefore not covered by the Enquiry Service obligation, and whether this would lead to market data not being available.

3.15-3.17

Not answered

3.18 Do you have any additional comments on the drafting of any of the schedules, in particular in relation to whether they effectively achieve the outcomes described here and articulated in Design Baseline 4 or other programme documents?

No additional comments.

Question 4.1 Do you agree that Ofgem should lead an end-to-end process to develop the code modifications to deliver retail code consolidation?

As stated, we agree with Ofgem leading the end-to-end process given the complexity and cross-cutting nature of the issues at play. Other options risk dilution of responsibility between different parties and delay.

Question 4.2 Do you agree with the proposed scope of the Retail Code Consolidation SCR? Do you think any additional areas should be in scope?

We agree with the scope of the SCR, but recognise the process should be alive to the possibility that midata provisions may have to be incorporated at a point in time that is, as of yet, uncertain.

Question 4.3-4.4

Answered in initial consultation phase.

Question 4.5 Do you agree that the GDAA and Green Deal related provisions in the MRA should transfer to the REC?

The Green Deal may again prove relevant given considerations as to how to incentivise uptake new energy technologies. There is the potential, in a reformed format, for the Green Deal to act as a vehicle to increase uptake in the able-to-pay market. Given this, we would favour pursuit of option 2, facilitating

removal of inefficiencies and duplications, and improved governance, such as through the oversight of the REC Manager.

Question 4.6 Do you think GDAA parties should accede to the REC, or be engaged in governance through some other means?

In principle, we would support GDAA participants being able to accede to the code to facilitate broader participation.

Question 4.7 - 4.8

Not answered.

Question 4.9 Do you support our proposal for consolidating the metering CoPs into the REC?

We continue to support alignment of these codes to drive efficiencies.

Question 4.10: Do you think MEMs should be parties to the REC?

Given the consumer-facing activities of MEMs, we would support the proposal that MEMs should be REC parties.

4.11 Do you think changes to the metering Schedule(s) of the REC should be progressed through the Change Panel only, or should there be an additional MEM Panel?

This would be a decision that can best be determined by participants, although inclusion in the normal Change Panel process would seem to maximise integration and efficiency.

4.12 Which of the requirements within SMICoP, if any, should extend beyond the initial installation of the smart metering system?

Monitoring install and leave experiences

Almost 3mn consumers who have smart meters installed do not benefit from smart meter functionality because their supplier is unable to receive a signal from their smart meter. "Install and leave" installation processes mean that the installation of a smart meter is not complete when an installer leaves the property. This means a meter might never receive a reliable service.

With 10% of all contacts to our consumer service relating to smart meters, surprise at still receiving estimated or inaccurate readings is one of the most

common. Consumers often report not being informed by their supplier that their bills will be estimated, which means the consumer can end up with long periods of estimated bills and then back billing.

Suppliers performance in completing installations should be reported through the RECCo. This is likely to require the RECCo having access to information relating to the number of meters installed without smart functionality and the number those that later become smart. There should also be an audit of consumers' recall of any communications from their supplier regarding the failure of smart functionality.

As the install and leave process is part of the installation the REC should monitor this process. It is important for trust in the programme and realising the promised benefits. As part of the process, consumers need to be informed if there is currently, or there is a strong possibility, they will need to provide meter readings in lieu of automated readings. Installs in the northern smart meter region have often been in this category due to network issues.

We hear from many consumers that their smart meters can lose the ability to provide readings automatically at any time. This may affect the consumers' perception of their installation experience. We think that it is important that whenever functionality is lost that consumers are informed by their supplier. As a result, monitoring within the REC in this area would encourage adherence to the same standards about communicating a loss of smart functionality irrespective of when functionality is lost.

Consumers inheriting meter arrangements

When tenants or homeowners move into a new property they may be unfamiliar with the smart meters, including the particular nuances of the technology and tariffs that they inherit. It may be a consumer's first experience of a smart meter.

As smart meter technology develops and there is more variation from a standard meter and default tariff options there will be a greater chance of confusion for consumers who have moved into new properties and inherited existing smart products and services. In particular: the availability or not of an In Home Display; smart tariffs; changing modes of payment and remote meter readings. The complexity is also likely to increase with the uptake of electric vehicles, electric heating and smart appliances which have more complex and often intense energy needs. It is vital that consumers who find themselves in such situations are able to understand and engage with the systems they inherit if they are to benefit from them.

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Citizens Advice encourages Ofgem to consider whether the REC can place an obligation on suppliers to inform new occupants of a property how they are being metered and billed. Once a consumer has notified a supplier of their occupancy there should be a fixed, limited timeframe in which suppliers have to provide this information. This will give consumers moving into new properties earlier and better control over their energy usage and bills, which will be vital, particularly if they are inheriting increasingly complex and potentially inappropriate arrangements.

4.13 Which of the requirements within SMICoP, if any, should apply to installation of non-smart metering systems and other site visits required to carry out metering related work?

Most suppliers are running down their stock of old type energy meters and so change to the code for non-smart metering systems has narrow scope.

This is particularly the case as the New and Replacement Obligation already requires suppliers to install the latest available metering technology. However, suppliers should be required to clearly communicate to consumers the type of technology (analogue, “advanced”, SMETS1, SMETS2) they are receiving. This should be covered by license obligations but inclusion in SMICoP would help clarify the issue. We receive contacts from consumers where it has not happened and it leads to consumer mistrust and confusion.

There is a requirement for an agreed industry approach for consumers who do not want a smart meter installed. Some suppliers currently offer to install a smart meter in “dumb” or analogue mode for a consumer. This stops their meter automatically sending readings to their supplier. It provides a suitable option for the current consumer. It also enables a supplier to remotely activate smart functionality at a later date for the consumer or for a future occupant. Citizens Advice suggests this a minimum that all suppliers should be obliged to offer, and should be set out in the REC. Our own conversations with suppliers indicate that policies in this area are widely variable, far greater consistency across industry is needed.

Installs under warrant and emergency installs

Installations under warrant continue to occur where consumers have run up debts and suppliers identify a need to put them on prepayment. It is increasingly

the case that smart meters are being installed in pre-payment mode in such circumstances but processes are not currently consistent between suppliers.

There are also circumstances where a meter needs to be moved or replaced due to age or environmental factors. In some cases, this work will be undertaken by a network operator as part of a Post Emergency Metering Service (PEMS). In these instances where a smart meter is installed for the first time it is particularly important that a consumer is given the choice of whether to accept smart functionality.

4.15 What are your views on our proposals for the governance and assurance of the SMICoP provisions once migrated to the REC?

Ongoing development of good practise in smart meter installations

We have outlined elsewhere our views on the suitability of the REC as a governance mechanism. Incorporation of SMICOP into the REC is an opportunity to bring these processes into SMICOP, as it is currently limited in scope to the installation process while other Forums provide oversight of the ongoing consumer experience.

BEIS manages the Consumer Reference Group and Smart Meter Operations Group as part of the Smart Metering Implementation Programme. Both groups work with industry and suppliers to develop and share expectations for good practice for suppliers. This often includes ways of implementing SMICOP and providing guidance on the consumer experience. These groups have fulfilled a function outside the formal scope of SMICOP, but which provides an important guidance function for the installation of smart meters. The benefit of these forums has been shown in the provision of reactive guidance for installations for vulnerable consumers, prepayment meters and for the enrollment and adoption of SMETS1 meters into the DCC. Similar guidance in other areas of the smart rollout will be required in the future - for example, on data sharing arrangements, issues relating to multiple suppliers operating the same meter and on the use of Consumer Access Device (CAD) solutions built into smart home management systems. It is Citizens Advice's view that REC working groups will need to be established to ensure that there is a standard for installations and that these policies that continue to develop and evolve as technology capabilities change.

Citizens Advice has been able to offer consumer advice as a result of the coordination of industry practice through these groups. There should be scope

within the REC to be reactive to future developments and offer consumers guidance on what they can expect from a meter installation.

4.16 Do you agree with our proposal for incorporating PSR provisions in the REC?

We would agree that the REC is the best vehicle to incorporate PSR provisions. We have previously highlighted the poor track record of industry in identifying priority service consumers and maintaining their PSR registers, so a consolidated and coordinated approach to governance offers the prospect of improvement. We calculated in 2018 that 11mn households in the UK can get help if they sign up for the PSR, but only 2 million do so¹.

Citizens Advice has committed to building and testing a tool to help consumers sign up to priority services registers/special assistance registers across the energy and water sectors and we would welcome engagement in this process to ensure the intent behind this consolidation can aid in delivering this.

5.1- 5.4

We are not aware of any licence changes that would need to be pursued that have not been identified.

¹ Citizens Advice (2018) [9 million people are missing out on support with their energy supply](#)