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Electricity and gas supply licence holders, gas shipper licence holders, electricity and gas distribution licence holders, code panels, industry bodies, metering agents, consumer bodies, and other interested parties

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Date: 30 April 2021

Dear Colleague,

Retail Code Consolidation Significant Code Review: Authority-Led Code Modification Proposals

This open letter confirms that the Gas and Electricity Markets Authority (the Authority)¹ is today commencing its submissions of Authority-led code modification proposals pursuant to the Authority's Retail Code Consolidation Significant Code Review (SCR).

Between 30 April 2021 and 21 May 2021², the Authority will submit a suite of Authority-led proposals³ in respect of code modifications required to implement Retail Code Consolidation to the relevant panels and administrators of the following industry codes:

- Balancing and Settlement Code (BSC)
- Distribution Connection and Use of System Agreement (DCUSA)
- Independent Gas Transporter Uniform Network Code (IGT UNC)
- Master Registration Agreement (MRA)

¹ The terms "the Authority", "we" and "us" are used interchangeably in this document.

² Unless the Authority subsequently amends the time window – please see below.

³ Each of the industry codes defines a code modification proposal raised by the Authority pursuant to an SCR differently, but generally we refer to it in this document as an "Authority-led modification proposal" or "Authority-led proposal".

- Smart Energy Code (SEC)
- Supply Point Administration Agreement (SPAA)
- Uniform Network Code (UNC).

(together, the “**Relevant Codes**”).

Background

We launched the Retail Code Consolidation Significant Code Review (SCR) in November 2019⁴. The purpose of this SCR is to rationalise retail energy codes by closing down the electricity Master Registration Agreement (MRA), gas Supply Point Administration Agreement (SPAA), the Smart Meter Installation Code of Practice (SMICOP), and Green Deal Arrangements Agreement (GDAA). The requirements from these codes will be consolidated into the Retail Energy Code (REC) or transferred to another industry code where this is more relevant.

The REC will also bring together gas and electricity metering arrangements, consolidating the Meter Operation Code of Practice Agreement (MOCOPA) and parts of the Balancing and Settlement Code (BSC), together with the metering provisions that sit under the SPAA (Metering Code of Practice (MCoP); formerly Meter Asset Manager Code of Practice, (MAMCoP) and Approved Meter Installer Code of Practice (AMICoP)).

The Retail Code Consolidation SCR scope also covers, importantly, improvements to cross-code change management. This is due to be achieved through the introduction of a Cross Code Steering Group under the REC, and modifications to the other relevant codes to embed a new process for managing cross-code changes.

When we launched this SCR in 2019, the scope of Retail Code Consolidation included consolidation of energy theft detection arrangements in the REC. As a result of Covid-19 we deferred Retail Code Consolidation by five months and separated the theft consolidation elements from the delivery of Retail Code Consolidation, to better align the theft changes with key dates for the theft detection schemes. Energy Theft Consolidation was designated by the Authority as taking effect from 1 April 2021.⁵

While the vast majority of the changes required to deliver Retail Code Consolidation concern the relevant industry codes, today we have launched our statutory consultation on modification of the following licence conditions, with a view to ensuring that the new

⁴ <https://www.ofgem.gov.uk/publications-and-updates/retail-code-consolidation-scr-launch-statement>

⁵ <https://www.ofgem.gov.uk/publications-and-updates/designation-energy-theft-consolidation-1-april-2021>

governance arrangements and structures required for and being realised by Retail Code Consolidation are reflected in the licensing framework:

- Smart Meter Communications Licence conditions
- Standard conditions of Electricity Supply Licence
- Standard conditions of Gas Supply Licence
- Standard conditions of Gas Transporter Licence
- Standard Special Conditions parts A, B and D of the Gas Transporters Licence
- Standard conditions of Electricity Distribution Licence.

As defined under the REC, Retail Code Consolidation occurs at the time designated by the Authority. Retail Code Consolidation is planned to come into full effect on 1 September 2021.

Development of the REC

The REC will bring together the code requirements relating to retail energy activities, and is being developed over a number of stages. Version 1.0 of the REC was designated by the Authority in February 2019⁶, primarily to establish the code and place requirements on parties with regard to delivery of Ofgem's Faster, More Reliable Switching Programme⁷. The REC was then revised, following consultation with stakeholders, to make the necessary changes to facilitate Energy Theft Consolidation. In accordance with the Change Management Schedule to the REC, version 1.1 was implemented via the the Ofgem Switching Programme Change Process, and took effect from 15 January 2021⁸. REC version 2.0 is planned to come into full effect on 1 September 2021, the planned date of Retail Code Consolidation.

We consulted on the REC version 2.0 legal drafting in December 2020⁹, and today we are publishing our decision¹⁰ on the way forward for the questions we asked in that consultation, for example those regarding metering code consolidation and the operation of the new cross-code change arrangements. We have previously said we would publish the REC version 2.0 text alongside the proposed Authority-led SCR modifications to other codes. However, in early 2021 we revised this plan, in recognition of the scale and scope of the REC drafting, to allow an additional six weeks for finalising and quality-assuring the REC text. In accordance with this new plan, Ofgem intends to raise a Switching Programme

⁶ https://www.ofgem.gov.uk/system/files/docs/2019/02/retail_energy_code_designation.pdf

⁷ <https://www.ofgem.gov.uk/gas/retail-market/market-review-and-reform/smarter-markets-programme/switching-programme>

⁸ <https://www.ofgem.gov.uk/publications-and-updates/decision-proposals-retail-energy-code-v11>

⁹ <https://www.ofgem.gov.uk/publications-and-updates/retail-energy-code-v20-and-retail-code-consolidation>

¹⁰ <https://www.ofgem.gov.uk/publications-and-updates/decision-rec-v2-and-retail-code-consolidation>

Change Request in mid June 2021, including the full REC text and details of how stakeholder comments have been addressed from the final consultation, with the intention to take a decision on whether to implement REC version 2.0 in early July 2021.

The REC is subject to a second SCR, the Switching Programme SCR¹¹, which will introduce REC version 3.0 when the new faster, more reliable switching arrangements go live, currently planned for mid-2022. The current version of the REC can be accessed on the REC website at: www.retailenergycode.co.uk/the-rec.

Authority-led modification proposals: development, timetable and next steps

Ofgem's 2016 Code Governance Review (phase 3)¹² created three pathways for SCRs with increasing levels of Ofgem involvement in the industry code modification process¹³. In our launch statement for the Retail Code Consolidation SCR, we said that we would take pathway three for this SCR whereby Ofgem leads an end-to-end process to develop code modifications within the Relevant Codes.

The Authority-led modification proposals under the Retail Code Consolidation SCR have been developed through extensive consultation. In line with the Authority's SCR guidance¹⁴, we have worked with code administrators and stakeholders, mostly in the Regulatory Design User Group under the Switching Programme, on the modification proposals. In addition to the detailed development work within industry groups, the Retail Code Consolidation SCR process has included the following publications:

- Switching Programme and Retail Code Consolidation: Proposed changes to licences and industry codes (published 17 June 2019)¹⁵
- Retail Code Consolidation SCR launch statement (published 29 November 2019)¹⁶
- Switching Programme and Retail Code Consolidation: Proposed licence modifications (published 12 November 2020)¹⁷

¹¹ https://www.ofgem.gov.uk/sites/default/files/docs/2015/11/switching_scrlaunch_17112015.pdf

¹² https://www.ofgem.gov.uk/system/files/docs/2016/03/code_governance_review_phase_3_final_proposals_2.pdf

¹³ The three pathways are:

Pathway 1: Ofgem directs licensee(s) to raise modification proposal(s), which then follow the standard industry modification processes;

Pathway 2: Ofgem raises modification proposal(s), which then follow the standard industry modification processes; and

Pathway 3: Ofgem leads an end-to-end process to develop code modification(s).

¹⁴ https://www.ofgem.gov.uk/system/files/docs/2016/06/scr_guidance.pdf

¹⁵ <https://www.ofgem.gov.uk/publications-and-updates/switching-programme-and-retail-code-consolidation-proposed-changes-licences-and-industry-codes>

¹⁶ https://www.ofgem.gov.uk/system/files/docs/2019/11/rcc_launch_statement.pdf

¹⁷ <https://www.ofgem.gov.uk/publications-and-updates/switching-programme-and-retail-code-consolidation-proposed-licence-modifications>

- Consultation on Retail Energy Code v2.0 and Retail Code Consolidation (published 15 December 2020)¹⁸ – this included a large amount of the proposed code drafting for each of the Relevant Codes
- Statutory consultation on proposals to modify licence conditions as a result of Retail Code Consolidation (published 30 April 2021)¹⁹
- Way forward on Retail Energy Code v2.0 and Retail Code Consolidation (published 30 April 2021)²⁰

We have now carefully considered the responses to our December 2020 consultation, sought further feedback from industry on certain points, and finalised our Authority-led modification proposals for each of the Relevant Codes. As set out in our December 2020 consultation, we planned the next steps of the SCR to be as follows:

- 30 April 2021: Ofgem puts the code modification proposals to the respective code panels
- 18 June 2021: Code panels provide a response to the proposals to Ofgem
- 2 July 2021: Ofgem issues a decision on the code modifications.

Following discussions with colleagues in the code bodies, we are submitting all Authority-led proposals in relation to the Retail Code Consolidation SCR to the panels of all relevant industry codes within a specified time window to ensure, as far as possible, that the submissions align with the dates on which the relevant panels convene, namely between 30 April and 21 May 2021 unless this time window is subsequently amended by the Authority (in which case we will notify the panels of all Relevant Codes). This means that there will not be a single date for Authority decisions on all of the Authority-led modification proposals under the Retail Code Consolidation SCR. We have been working with colleagues in code bodies to coordinate panel procedures for consideration of the Authority-led modification proposals in line with the following planned timetable:

Code	Authority submits Authority-led modification proposal	First panel meeting	Consultation / Impact Assessment / Voting period	Second panel meeting	Final Modification Report (FMR) submitted to Authority	Authority decision (target)
MRA	30 April	12 May	14 May-1 June	16 June	18 June	2 July
SPAA	30 April	11 May	13-28 May	8 June	15 June	2 July
DCUSA	4 May	19 May	21 May-11 June ²¹	N/A	15 June	2 July

¹⁸ <https://www.ofgem.gov.uk/publications-and-updates/retail-energy-code-v20-and-retail-code-consolidation>

¹⁹ <https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-licence-changes-retail-code-consolidation>

²⁰ <https://www.ofgem.gov.uk/publications-and-updates/decision-rec-v2-and-retail-code-consolidation>

²¹ The DCUSA modification will not have a consultation period, but there will be a two week voting period for parties to vote on the modification and submit supporting comments if they wish.

UNC	4 May	20 May	21 May – 4 June	17 June	18 June	2 July
IGT UNC	21 May	28 May	1-14 June	25 June	29 June	9 July
SEC	5 May	14 May	N/A	26 May ²²	27 May	2 July
BSC	30 April	13 May	17 May-17 June	8 July	9 July	23 July

Each of the Relevant Codes has its own procedures in relation to Authority-led modification proposals. Beginning today, and in line with the above planned timetable, the Authority will under separate cover submit to each code panel its Authority-led Retail Code Consolidation SCR modification proposals in respect of that code, together with instructions in relation to timetables for completion of procedural steps and proposed implementation dates, if the Authority proceeds to approve the relevant modifications. The Authority-led modification proposals in relation to the Retail Code Consolidation SCR will be published on that code’s website in accordance with its own procedures.

This is an Authority-led end-to-end SCR and so we expect that modification in respect of the Retail Code Consolidation SCR will end when the Authority makes its decisions following its receipt of the relevant panel reports. We will confirm when we have made our final decision and the Retail Code Consolidation SCR has ended.

We have provided our target dates for decisions in this matter above. It will then be for the panels of the Relevant Codes to implement the modifications, if the Authority decides to approve the proposals, ahead of Retail Code Consolidation on 1 September 2021.

Finally, we would like to once again extend our thanks to the Code Panels and code administrators for their support in developing the legal text for the SCR modification proposals on the timelines that have been required by the programme.

If you have any questions or comments on this letter, please contact switchingprogramme@ofgem.gov.uk.

Yours faithfully

**Rachel Clark,
Programme Director, Switching Programme**

²² The “second Panel meeting” for the SEC modification will be a Change Board meeting, in accordance with the SEC change procedures