



Our 2024-25 *Budget*



Welcome & *Housekeeping*



Rachael Anderson

Director of Corporate
Affairs

- Please keep your camera and microphone switched off during the speaker presentations.
- Please use the Microsoft Q&A function to ask questions during the speaker sessions, as the chat will not be available. You can also 'raise your hand' during the Q&A sessions.
- Please keep questions relevant and avoid mentioning other organisations. Please note that questions may be visible to others after the event.
- This meeting will be recorded and shared on our YouTube channel and website.

Your *Speakers*



Rachael Anderson
Director of Corporate
Affairs



Elizabeth Lavelor
Chief Operating Officer



Brian O'Shea
Chief Finance and Commercial
Officer

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Excellence

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About *RECCo*

Mission statement:

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 consumer outcomes*.

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



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



1. Delivering Service Excellence

Our *Services*



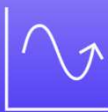
**REC
Code Manager**



**The Energy
Enquiry Services**



**Central Switching
Service**



**Market Scheme
Administration**



**Green Deal Charging
Database**



**Energy Theft
Reduction Services**

Delivering Service *Excellence*

Improving the Code Manager Services

Improvement plans in 2024:

- Building on positive service elements;
- Expanding the OAM team;
- Improvements to the change process;
- Enhancing the user experience across our REC portal and EMAR;
- Improvements to performance assurance.

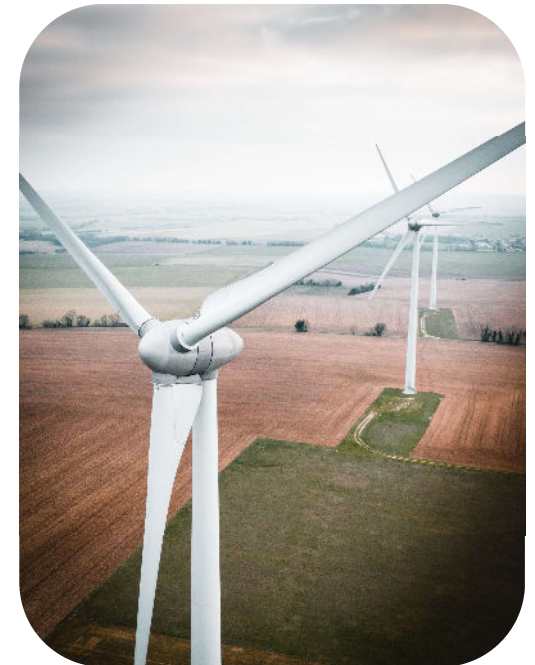
We will continue to meet with stakeholders in 2024 to ensure that the improvements are making a positive difference.



Delivering Service *Excellence*

Improving the Enquiry Services

- We will improve the capacity and delivery of both the gas and electricity enquiry services;
- Gas Enquiry Service (GES) migration to a new data environment;
- Industry-led changes happening to the Electricity Enquiry Service (EES) i.e. improved OAM utilisation, enhanced reporting and increased capacity;
- EES user suggestion box.



Delivering Service Excellence

Improving theft and metering services

Theft

- Enhanced approach to our energy theft remit;
- Enhanced information and engagement approach for end consumers;
- Upgraded Crimestoppers Stay Energy Safe website;
- Introducing industry expert forums to develop further theft prevention strategies;
- Refining the energy theft related incentive scheme.

Metering

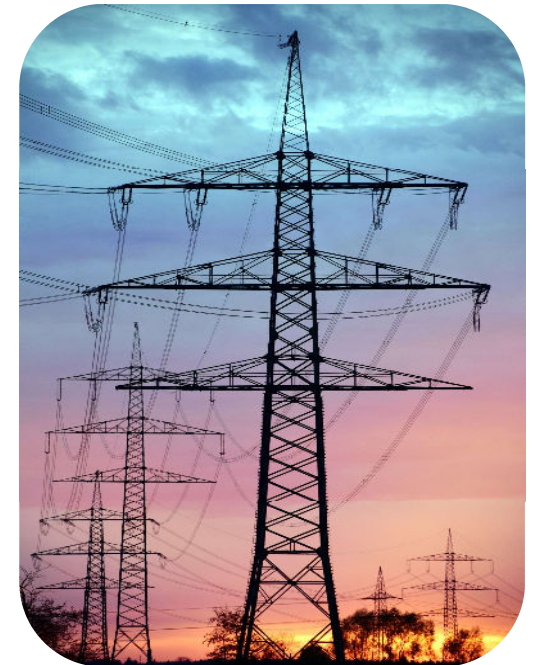
- Review and improve the metering code of practice and audit processes;
- Ensure they are fit for purpose:
 - Giving the right advice to all stakeholders and;
 - Delivering the right outcomes for the end consumer.



Delivering Service *Excellence*

Improving the switching service

- Switching Arrangements governed under the REC – Schedules, Service Definitions, Service Levels – and overseen by the REC Performance Assurance Board
- Working collaboratively with the DCC to ensure delivery of all elements of the CRS and Switching Operator role
- Improvement plans in place to address:
 - Performance
 - Change Management
 - Incident Management





2. Q&A Panel

Q&A Panel

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3. Financial Overview

Budget *foreword*

- RECCo ensures the proper, effective, and efficient management of the REC as it evolves;
- Our role is to deliver secure, scalable, adaptable services which are economical, efficient and meet users' needs;
- Our strategy reflects the functions and duties assigned under the REC and other activities considered by the Board to further REC Objectives;
- The Board consider that all activities set out in this Budget will further the REC Objectives;
- We are cognisant that we are spending industry and consumers' money;
- We publish our Budget to enable Party scrutiny and challenge.

Financial Scrutiny and Control:

- Bottom-up approach to developing the Budget;
- Challenge of service provider costs;
- Scrutiny at Exec, Finance and Audit Committee and Board level;
- Ensures cost allowances are meaningful and justifiable.

Our 2024–25 Budget reflects:

- Focusing internal resource capability on addressing service areas which require improvement;
- Increased service delivery obligations;
- Delivery of key programmes to meet REC Service users' current and future needs as well as acting on direction from Ofgem; and
- Enhanced internal capacity and capability.

Consultation *process*

- REC Board is required to consult on its proposed strategy, including indicative costs;
- REC Parties can appeal the Board’s decision to approve the budget to Ofgem (deadline 6th March);
- The criteria against which an appeal can be raised, as well as the Ofgem assessment criteria, are set out in Section 9 of the REC;
- We consulted on our Strategy & Forward work Plan in January 2024;
- One response received from DCC:
 - DCC performance improvement and CRS Transfer project;
- As required by the REC, the Board have fully considered the comments;
- Assessed against their obligation to further the REC Objectives;
- The Board believe that the approach set out in the Budget for DCC performance improvement is fair and reasonable;
- It aligns with their policy of holding service providers accountable;
- The Board believe that the CRS Transfer project allowance meets the REC objective of protecting customers’ interests;
- The CRS Transfer project allowance is required to deliver against the Ofgem requirements set out in its DCC Review: Phase 1 decision published in August 2023.



Financial *overview*

- The Budget includes the resources to address the REC Service areas which require improvement as well as planning for the future;
- **Our draft 2024-25 Budget is £53.05 million;**
- **A £2.5 million(5%) reduction on the indicative costs we expected for 2024-25;**
- We challenge our service providers to deliver value year on year (*active service provider management*);
- Modest increase in our internal resources;
- We will continue to deliver on our industry & Ofgem obligations, e.g. MHHS, Tariff Levelisation, CRS Project;
- Looking to the longer term:
 - Code Manager Services evolution
 - Enquiry Services evolution

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

*2023-24 rebate will be returned to Parties as an offset against these costs.

2024-25 charges

- The 2024-25 Budget costs will be recovered evenly across the year;
- Invoiced in the first month of each calendar quarter;
- MHHS charges will be invoiced separately;
- We will continue to invoice non-REC Parties for User Pays services;
 - Economic review of User Pays charges will be completed in 2023-24.
- DNOs will continue to be charged a portion of the Electricity Enquiry Service costs;
- Proactive credit control to minimize the risk of bad debt.

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



4. REC Services Budget

REC *Services*

- Contracted, outsourced services;
- Essential to the efficient operation of the retail energy market and delivering consumer benefits;
- Enable REC Parties to discharge their regulatory obligations;
- Fixed cost contracts have mitigated inflationary impacts;
- Service providers are held to account for service performance;
- In 2024–25, we will use all hard and soft contract levers, alongside implementing new developments as necessary, to ensure achievable improvements are delivered;
- Increase in years 2 and 3 due to indexation impacts post initial terms;
- Allowances for new theft services coming onstream.

RECCo 3-year projections summary	2024/25 Indicative £'000	2024/25 Budget £'000	2025/26 Indicative £'000	2026/27 Indicative £'000
Central Switching Services	18,554	16,500	17,540	18,598
Code Manager	10,713	10,663	11,142	13,103
Enquiry Services	4,846	4,772	5,005	5,225
Theft Services	3,104	1,469	2,840	2,908
REC Support Costs	600	505	436	411
Other Services	223	276	530	556
Total	38,040	34,185	37,493	40,801



5. Operations Budget

RECCo *Operations*

- Full suite of REC Services live since Summer 2022;
- New obligations, e.g. MSC & Tariff Levelisation;
- The nature of the services influences the level and nature of RECCo resources required;
- We have sized our operational capability and capacity to;
 - Deliver successful services and address areas needing improvement;
 - Deliver transformation and change;
 - Enhance our stakeholder engagement and
 - Discharge all our corporate obligations
- Operating costs c11% of total budget;
- RECCo operational model reflects some of the key characteristics of future models of good governance:
 - stakeholder-led governance processes;
 - an independent Board with accountability to stakeholders;
 - A focus on service delivery and performance for the benefit of customers and, ultimately consumers;
 - strong customer engagement element to ensure consultation & scrutiny.

RECCo 3-year projections summary	2024/25 Indicative £'000	2024/25 Budget £'000	2025/26 Indicative £'000	2026/27 Indicative £'000
Board Costs	284	336	377	369
Staff	3,954	4,647	4,965	5,195
Operating Costs	1,077	1,119	1,171	1,225
Total	5,315	6,102	6,513	6,789

RECCo should be an expert organisation consisting of employees with a deep understanding and knowledge of the REC Services.



6. Projects Budget

Projects

- Prioritised our projects to focus on key programme initiatives;
- Any new regulatory obligations will be funded by company Contingency Allowance;
- Delivering industry programme obligations (MHHS) represents 55% of our project budget;
- Longer-term Code Manager procurement will be validated through market testing in 2024;
- Enquiry Service providers will be given the opportunity to present compelling proposals for long-term extensions;
- Theft projects will focus on the evolution of existing initiatives;
- CRS Transfer: work required to date of Ofgem decision only;
- Uplift in CM costs in year 2 are indicative, presented for early sight and will be subject to validation in 2024.

RECCo 3-year projections summary	2024/25 Indicative £'000	2024/25 Budget £'000	2025/26 Indicative £'000	2026/27 Indicative £'000
MHHS	3,704	3,745	1,720	0
Code Manager Procurement	518	880	7,200	350
CRS Transfer	0	420	0	0
Enquiry Services Evolution	161	300	190	1,000
Code Reform	0	100	200	0
TPIs: Accreditation Scheme	0	100	0	0
Theft Programme	575	500	500	1,000
API Gateway Implementation	0	415	0	0
Open Data Programme	876	100	500	1000
REC Development	175	100	100	100
Other Projects	113	100	100	100
Total	6,122	6,760	10,510	3,550



7. Change Allowance & Contingency Budget

Change Allowance & *Contingency*

Change Allowance:

- REC Change Process efficiency will be improved in 2024–25;
- This will facilitate more efficient and timely change;
- Enable backlog of change to be cleared;
- Fund the cost of changes to REC Services;
- Allowance maintained at the expected level.

Contingency:

- RECCo is required to develop its budget on a bottom-up basis;
- We have not included any project or service-specific risk premiums in the appropriate budget lines;
- This contingency which is c3.7% of our total budget;
- Hedge against any future regulatory requirements developed by DESNZ or Ofgem;
- Mitigate inherent uncertainty in the market.

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Contingency	2,000	2,000	2,000	2,000
Total	6,000	6,000	6,000	6,000



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Thank you for
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Comments

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