



Our Budget 2025-26

Executive Summary



Brian O'Shea

Chief Financial & Commercial Officer

RECCo is the corporate vehicle for ensuring the proper, effective, and efficient implementation and ongoing management of the Retail Energy Code (REC). We are spending industry and consumers' money – and we have an obligation to deliver secure, scalable, and adaptable services that are economical, efficient, and meet the needs of REC Service users.

We are providing a **2025-26 Budget**, which is £55.6m, to industry for consultation. The three-year projection provides the financial context by which we will deliver our strategic aims and fulfil all the activities in the Forward Work Plan.

Our strategic aim for the coming years is for the REC, the REC Services, and RECCo to Perform, Protect, and Progress for the benefit of industry and consumers. We will **Perform** through the delivery of clear, consistent, appropriate, and evolving REC governance. This will secure value from the REC Services and RECCo operations, benefiting industry and consumers.

We will prioritise REC Change Proposals to address key market risks and continue to assure REC Party performance to Protect industry's compliance with the REC, in addition to consumers' interests and data in the operation of the REC. We will Progress improvements in governance and services and deliver transformative projects to ensure the industry can deliver on its obligations to protect consumer interests.

As well as RECCo's role in delivering governance of the REC and its operational services, decisions made by both Ofgem and DESNZ (e.g. 'minded to' select the REC as the mechanism to implement Consumer

Consent and the SSES: Tariff Interoperability market scheme) will change the scope of the REC and the services delivered, if confirmed. Alongside these, RECCo will deliver several procurement programmes to address the natural end-of-life of existing REC Service contracts. RECCo will also deliver a new initiative to support industry in the investigation and prosecution of energy theft, thereby reducing both economic harm and injury to consumers.

In recognition of this, and to provide a full scope of our likely future costs, we have included allowances for investment projects contingent on the matters above crystallising. The contingent value of these in 2025-26 is c£9m. Should the projects not crystallise, the costs will not be fully incurred, and we will adjust our charges downwards intra-year accordingly. Each of these will require investment, and we have separately identified the long-term cost of each in our projections.

The proposed Budget shows a modest increase (c1%) on the draft Budget included in the draft Forward Work Plan published for consultation. This is to address changes in indexation factors and recognition of new cost commitments on the REC Services. We have also reached agreement on the value of the rebate due for the 2023-24 Central Registration Service (CRS), which is shown in **Table 1** (see page 5). The inclusion of this rebate will reduce the Registered Measurement Point charge for 2025-26.

Executive Summary

REC Services & Value for Money

As a provider of central market services, we have an obligation to consistently deliver value. While we are a non-profit making organisation, our service providers are commercial entities, and we use commercial principles and tools to manage them. When procuring new services, we use a principles-based intelligent sourcing approach to identify who is best placed to deliver value.

Nonetheless, RECCo will continue to be predominantly a “procure and manage” organisation, in line with the principle set out in the REC. We utilise a variety of commercial levers to secure value, including competitive procurement, no evergreen contracts, Key Performance Indicators linked to service credits, and obligations for continual service improvement and efficiency.

RECCo Operations

To achieve its objectives, RECCo must be a right-sized, expert organisation comprising employees with a deep understanding and knowledge of REC Services. This enables internal knowledge development and retention, and reduces our reliance on bought-in services from contractors and consultants. Our resource capacity for 2025-26 is expected to grow and then remain largely stable over the planning period while investment projects translate into live REC Services.

RECCo Projects

In fulfilling our mission to improve the retail energy market, including its systems and processes, we implement projects mandated by our stakeholders or improve our performance in delivering services to the REC. There is a significant increase in projects for 2025-26 and this is partially offset by reductions in our Change Investment and Contingency allowances. In addition, c80% of the proposed Project budget spend is considered contingent.

Change Investment

This is needed to fund functional changes to REC Services due to REC Change Proposals and stakeholder-led change driven by RECCo. For 2025-26, we have reduced our Change Investment compared to the prior year.

Contingency

Except for the specific RECCo Projects identified, there are no project or other activity-specific contingencies in the financial forecast. Instead, we identify the contingency at a company level to allow for complete transparency. For 2025-26, our contingency is c2% (historically 4%).

2024-25 Forecast Outturn

Our 2024-25 Budget was c£53m, including a £4m Change Investment and £2m Contingency. Our latest forecast shows an expected full-year spend of c£45m, leading to an underspend of c£8m of which £3m relates to an in-year re-baseline downward of the CRS budget.

Recognising our commitment to ease funding burdens on REC Parties, we will have returned c£4.3m of this underspend through an in-year reduction in charges. We will return the balance in 2025-26.

Disclosing Commercial Information

Our current contracts do not allow us to disclose confidential information beyond the level disclosed herein. However, the Code Manager Licence will require greater levels of disclosure, and all our future contracts should allow greater disclosure.

Should REC Parties require us to share redacted information, we will act on that request and engage with our service providers accordingly. However, the sharing of any information would be subject to their agreement.

Corporate Governance

RECCo corporate governance adopts several aspects of the UK Corporate Governance Code and already meets key principles set out for future Code Manager Licences, such as maintaining a wholly independent Board who are appointed by the REC Parties and are required to regularly stand for re-election with maximum terms of office.

Our Process

Budget Consultation Process

The REC requires the REC Board to consult on its proposed strategy, including indicative costs for key activities. On 15 January 2025, the REC Board published its draft Forward Work Plan for 2025-2028 and associated three-year financial projections for consultation. The Board invited comments by 5 February 2025 and received three sets of comments. Two from Energy Suppliers and one from the DCC.

One Energy Supplier commented on the scope and focus of activities proposed in our Forward Work Plan and, in particular, a potential overlap of activities being carried out by Ofgem and DESNZ. The other was from DCC, who welcome our plans. Both requested further clarity on the proposed increase in headcount. The other Energy Supplier was supportive of the Forward Work Plan.

The Board has considered the Forward Work Plan comments received and will publish its response separately to the Budget. The Board did not consider that the comments required a change to the Budget. However, to address the headcount comments, we have enhanced the disclosure within the commentary below. The Board have approved this 2025-26 Budget for consultation.

REC Parties can appeal the Board’s decision to approve the budget to the Authority (Ofgem). Any appeal must be specific to one or more individual cost items, not to the budget as a whole, and submitted within 10 working days of publication (by 5 March 2025). The Authority may allow an appeal where they are satisfied that the cost item in question:

- a) was not consulted upon as part of the draft Budget or in accordance with Clause 9.5, or the REC Board failed to have reasonable regard to any consultation responses submitted;
- b) is not a legitimate item of expenditure for the REC Board;
- c) is a manifestly inappropriate provision for the activity in question, and there are insufficient safeguards in place to ensure the actual costs incurred will be efficient; or
- d) will, or is likely to, prejudice unfairly the interests of one or more Parties, or cause them to be in breach of this Code, the Energy Licences, and/or the Law.

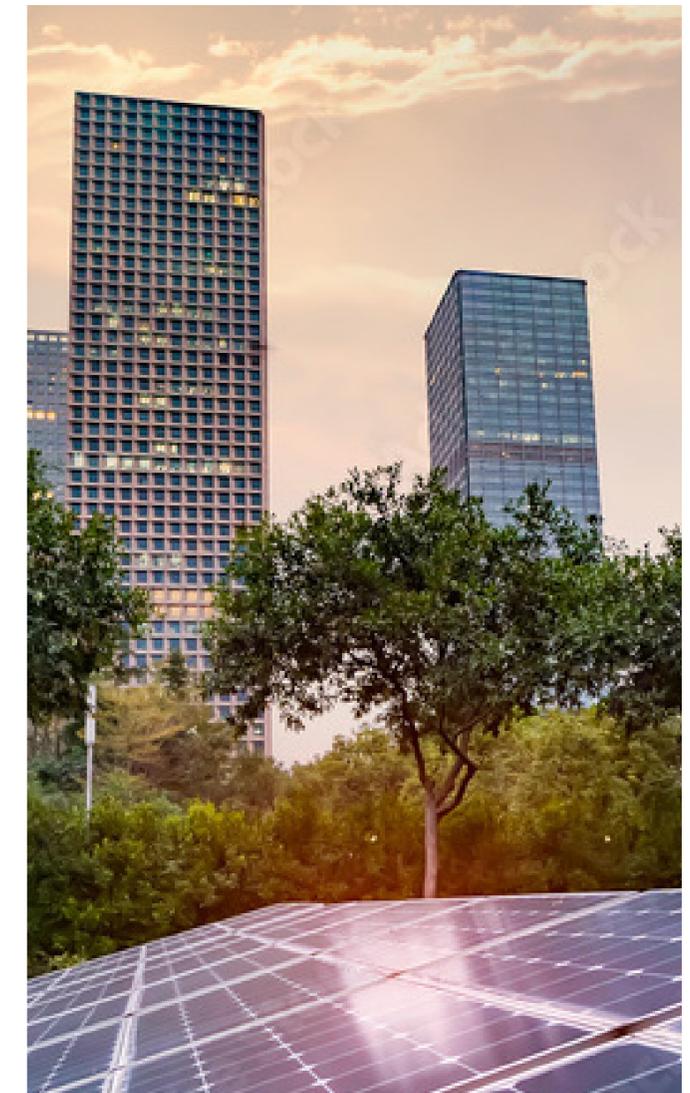
Where the Authority allows an appeal of the budget, the Authority may:

- a) refer the cost item back to the REC Board for further consideration and, if appropriate, pursue a revision to the prevailing budget;

- b) revise the provision for that budget item to a figure that it reasonably considers to be a better forecast of the cost likely to be incurred, whether that is higher or lower than the REC Board budgeted figure; or
- c) direct the REC Board to remove that cost item entirely and make a suitable revision to its annual budget and strategy.

Pending resolution of any appeal, RECCo shall not incur costs in respect of the cost item, subject to appeal, except as necessary to comply with legally binding obligations it has previously incurred in accordance with this Code.

Should a REC Party wish to appeal one or more budget items, they must submit their appeal to Ofgem (industrycodes@ofgem.gov.uk) no later than 5 March 2025, setting out the rationale for such appeal with reference to the criteria set out in REC Section 9.



2025-26 Budget: Financial Overview

We recognise the ongoing challenges facing REC funding parties and look to minimise their financial impact to the extent that doing so would not compromise our ability to deliver the REC Objectives or meet our financial liabilities and contractual obligations. We utilise a bottom-up budget approach and have published the Business Cases for all new material investment projects to provide transparency.

Our 2025-26 Budget is £55.6m. This is the total cost to deliver the REC, the REC Services, investment projects, and a fit-for-purpose organisation. This is a 4.7% increase to the 2024-25 Budget. **Table 1** provides a breakdown of the budget.

The budget increase is primarily driven by new potentially mandated projects (e.g. Consumer Consent and SSES: Tariff Interoperability), and projects required to address end-of-life contracts (e.g. Digital Services).

There is also an increase associated with augmenting the capacity and capability of the RECCo team (see RECCo Operations section on page 10 for more details).

To offset the impact of these new programmes, we have reduced both our Change Investment and Contingency allowances. As part of the 2024 Ofgem assessment of the feasibility of transferring

CRS responsibility to RECCo, we provided Ofgem with an estimation of the delivery cost of that service, which was estimated to be c£12m. We are pleased that DCC has replicated this within their future service projections. This has led to a c£3m annual reduction in future CRS delivery costs.

The project costs of c£12m include costs for Consumer Consent (£2.54m) and SSES: Tariff Interoperability (£0.55m), contingent on RECCo being selected as the delivery body by Ofgem and DESNZ, respectively. Should RECCo not be selected, and the costs not be incurred, we will adjust our costs in-year. Similarly, our Digital Services project costs (£3.3m) are contingent on the success of our procurement programme.

Suppliers will fund c£53.1m of the Total Budget Costs, albeit the 2023-24 CRS rebate of c£2.9m will reduce the value charged to Suppliers in the year to £50.2m. Consequently, the Registered Measurement Point (RMP) per annum charge for 2025-26 will be £0.852.

Like prior years, the remaining c£2.5m will be recovered through MHHS and electricity Distribution Network Operator charges (detailed in our Charging Statement due for publication in March 2025).

The 2025-26 Budget as set out in **Table 2** (see page 6) shows the Service delivery, evolution, and management; transformation delivery; and company costs. Our company costs include board costs, operating costs, and people costs for Corporate Services, Finance and Commercial, and Strategy and Development.

Table 1: 2025-26 Budget and Longer-Term Projections

	2024-25 Budget £'000	2025-26 Budget £'000	2026-27 Indicative £'000	2027-28 Indicative £'000
REC Services	34,185	32,148	37,229	41,038
RECCo Operations	6,102	7,110	7,986	9,022
Projects	6,760	12,053	9,690	3,681
Change Investment	4,000	3,000	3,000	3,000
Contingency	2,000	1,250	1,250	1,250
Total Budget Costs	53,047	55,561	59,155	57,991
2023-24 CRS Rebate	-	(2,985)	-	-
Recoverable Costs	53,047	52,576	59,155	57,991

2025-26 Budget: Financial Overview

REC Services

The budget for REC Services is £32.1m and covers services that the REC requires RECCo to **Perform**. These services include the CRS, gas and electricity Enquiry Services (GES and EES) for registration data, services supporting the industry in tackling energy theft, metering assurance, and the Code Manager service. To deliver value to the industry, we have reduced the overall delivery cost by 6%. The main driver for this is the significant reduction in the delivery cost for the CRS following our scrutiny in 2024.

Neither RECCo nor its service providers are immune to the current cost-of-living crisis and the impact of high inflation levels. Historically, RECCo has been partly shielded from this due to fixed-price contracts, which are not subject to indexation for their initial terms. As we move beyond these fixed-price periods, costs are now increasing in most core services, offset by a reset in the value of the CRS provided by DCC.

RECCo Operations

The budget for RECCo Operations is c£7.1m, an increase of 24.6% on the prior year. This budget reflects the cost of the independent RECCo Board, RECCo employees, and our company operating costs. Our Board and operating costs remain comparable with 2024-25. Our people costs

have increased compared to prior years, driven by our requirement to strengthen each function as determined by the Board. This is required to introduce resilience and contingency into teams across the business and enhance risk management, programme management, and commercial capability so we can fulfil our impending requirement as REC Licensee and provide Ofgem with a Certificate of Adequacy.

An element of headcount is contingent (n=11) on certain projects coming to fruition. These include RECCo being selected as the delivery body for Consumer Consent and SSES: Tariff Interoperability, and the associated headcount will only be recruited if Ofgem or DESNZ selects us as the delivery body – as well as other projects progressing as planned. For example, Digital Services, TPICoP, and the Energy Theft Enforcement Service. To ensure full transparency, we have shown these 11 contingent roles within the headcount, but the associated staffing costs are included in the project cost to provide a true value for each project.

Investment Projects

We have set aside c£12.1m for investment projects, which comprise existing and potentially new managed industry programmes and projects. In each case, we have included the estimated implementation costs and the pure programme management cost in the investment allowance.

Change Investment

Our Change Investment Budget for 2025-26 is £3m, a 25% reduction on the 2024 Budget. Change Investment includes funding to develop and deliver functional changes to the REC Services. It is not used to fund investment projects or RECCo operational or headcount requirements. This Investment allowance is comparable to the expected spending for 2024-25.

Contingency Allowance

This is £1.25m, representing a c37% reduction on the 2024-25 Budget. This reduction reflects the recognition of future regulatory initiatives such as Consumer Consent and SSES: Tariff Interoperability, and a stabilising market.

Table 2: 2025-26 Budget Analysis

	2025-26 Budget £'000	Service, Delivery, Evolution & Management	Transformation Delivery	Company Costs
REC Services	32,148	32,148	-	-
RECCo Operations				
Board & Staff Costs	6,009	2,100	1,059	2,850
Operating Costs	1,101	-	-	1,101
Projects	12,053	-	12,053	-
Change Investment	3,000	3,000	-	-
Contingency	1,250	1,250	-	-
Total	55,561	38,498	13,112	3,951

2024-25 Forecast Outturn

Our 2024-25 Budget was c£53m, and our expected outturn is £45m. In 2024, we committed to reducing charges in-year where the expected outturn showed a material variance to the Budget. In October 2024, we reduced our MHHS-specific charges, returning c£1.8m to the industry, and in January 2025, we returned a further c£2.5m through a reduction in our REC Charges. We will return the remaining underspend on completion of our statutory audit.

Working with DCC, we have identified that the full-year expected outturn for CRS for this current year is likely to be c£3m less than originally budgeted. We have agreed on an amendment to the REC to allow the budget to be re-baselined downwards to allow the return of that money in-year to RECCo over the period January to March 2025 rather than through a rebate to charges in FY 2026-27. This

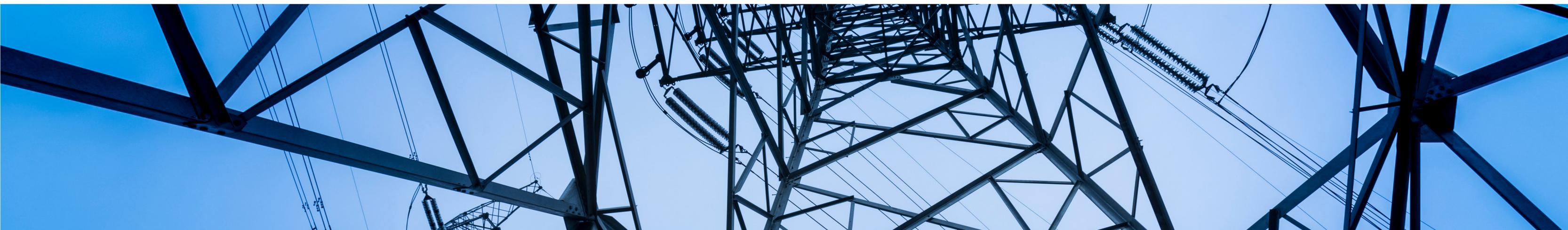
mechanism was agreed after we issued our January 2025 invoices. Therefore, we will return this money on completion of our 2025 statutory audit.

Table 3 shows the variances between budget and forecast outturn in each area. Other than the re-baseline of CRS, the other drivers for these include deferred costs due to the re-plan of the MHHS project, a reduced spend on Change Investment reflecting RECCo's prioritisation of change due to procurement programmes, and efficiency initiatives implemented by RECCo.

For example, rephasing of recruitment, prioritisation of project resources, reduced reliance on SME and contractor costs, and delivery of a credit control regime that minimised bad debt. These, in turn, meant that we did not need to utilise the full contingency.

Table 3: 2024-25 Budget .v. Forecast Outturn

	2024-25 Budget £'000	2024-25 Forecast Outturn £'000
REC Services	34,185	30,705
RECCo Operations	6,102	5,689
Projects	6,760	4,898
Change Investment	4,000	3,460
Contingency	2,000	632
Total	53,047	45,384



REC Services

REC Services

We provide a suite of central market services defined in the REC. We ensure consistent standards across the retail energy industry by establishing, reviewing, and updating common protocols, data formats, and procedures. We make it easier for REC stakeholders to interact more efficiently and reduce costs by reducing the need for multiple marketplace systems and interfaces. We enable access to up-to-date information to a broad range of stakeholders. The REC Services enables better decision-making, fosters competition, protects consumers' interests and data within the REC, and supports innovation.

We will partner with service providers to ensure that RECCo can keep up with the pace of innovation, technology development, and associated investment in certain specialist areas.

These costs reflect the committed costs at the start of the Budget. The cost of any functional changes will be funded from the Change Investment allowance. None of these allowances include contingency. Indexation is reflected in the Code Manager, Enquiry Services, and Energy Theft Tip-Off Service allowances (see **Table 4**).

Central Switching Service

Working in partnership with the DCC, we have established in-year financial performance review processes and a transparent approach to budget setting. Since going live in July 2022 and through our due diligence of costs as part of the 2024 Ofgem review of delivery options for the CRS, we have developed a greater understanding of the resources required to deliver the CRS. This has enabled us to reduce the service's annual operating costs by c£3m.

Code Manager

The costs for 2025-26 have increased by 5% in comparison to the prior year, reflecting the enduring impact of functional changes and annual indexation. Over the projected period, we expect to restructure our Code Manager service by implementing a Digital Services enabler platform and restructuring the non-digital service components.

Table 4: REC Services

	2024-25 Budget £'000	2025-26 Budget £'000	2026-27 Indicative £'000	2027-28 Indicative £'000
Central Switching Services	16,500	13,000	14,050	13,850
Code Manager	10,663	11,438	12,922	14,101
Enquiry Services	4,772	5,591	6,298	6,512
Theft Services	1,469	1,250	3,196	3,324
Consumer Consent	-	-	-	2,000
SSES: Tariff Interoperability	-	-	-	500
REC Support Costs	505	563	498	500
Other Services	276	306	265	251
Total	34,185	32,148	37,229	41,038

REC Services

Enquiry Services

This Budget covers the Electricity Enquiry Service (EES), the Gas Enquiry Service (GES), the Green Deal Central Charging (GDCC) database, and the Secure Data Exchange Service (SDES). The projections in this Budget assume an extension based on current contract rates.

Any assumed investment in modernising the services is within the Enquiry Services Evolution project budget. This is to maintain competitive tension. The budget increase compared to 2024-25 reflects the enduring cost of significantly increased API usage on the EES. Currently, API enquiries are c180% of the expected volumes included within the base service price. We are in discussions with the service provider to improve these costs.

Theft Services

These services support the industry in discharging its obligations to tackle energy theft and **Protect** consumers from injury and economic harm. The uplift in costs in 2026-27 reflects the full-year operational cost of the Energy Theft Enforcement Service. The 2025-26 part-year cost of this service is shown in Projects.

REC Support Costs

This includes allowances for the legal review of REC Change Proposals, the cost of funding independent members of both the Change Panel and the Performance Assurance Board, and an allowance for SME resources to support REC Changes. The REC requires us to fund these costs.

Other Services

This reflects the cost of several sundry data reporting services required to support the Performance Assurance Framework, as well as an allowance to fund the centralised administration costs of the metering code of practice auditor.



RECCo Operations

RECCo Operations

This section of the Budget outlines the necessary capacity, capability, and operating costs needed for the effective and efficient management of REC services and governance.

Our goals include protecting the industry, stakeholders, and consumers by managing and mitigating the risks associated with our outsourced business model.

Additionally, we aim to implement successful changes that will support the operation of a retail energy market, ultimately benefiting both the industry and consumers. The Budget also ensures that we can perform all our legal, Companies Act, REC, and Code Manager Licence compliance duties in the future.

Organisational Design

RECCo will remain a predominantly “procure and manage” organisation. The company is led by an Independent Non-Executive Board, supported by a CEO and Executive team with a recognisable organisational delivery structure, as shown in **Figure 1**.

Contractors and Subject Matter Experts are contracted on an ad-hoc basis to support specific

projects. This hybrid approach ensures that the baseload **Perform** obligation can be achieved with specialist skills and knowledge deployed to meet demand.

The Forward Work Plan provides a description of the activities each of the functions listed in Figure 1 deliver. The headcount values quoted in Figure 1 are provided in **Table 5** – recruitment in part is dependent on certain projects crystallising in the coming year.

RECCo Board

In line with good corporate governance and one of the key principles of the forthcoming Code Manager Licence, RECCo has a fully independent and remunerated Non-Executive Board, including an Independent Chair.

The Board possess the skills and experience, including consumer interest experience, to support the organisation’s stewardship. Non-Executive Director recruitment is carried out through market recruitment and overseen by the Nominations Committee.

Directors are re-appointed through the REC Party voting arrangements set out in the REC. Board costs are not materially different to the prior year.

Figure 1: 2025-26 RECCo Organisation Structure & Headcount



Table 5: RECCo Operational Costs

	2024-25 Budget £'000	2025-26 Budget £'000	2026-27 Indicative £'000	2027-28 Indicative £'000
Board Costs	336	342	353	365
Staff Costs	4,647	5,667	6,493	7,478
Operating Costs	1,119	1,101	1,140	1,179
Total	6,102	7,110	7,986	9,022

RECCo Operations

RECCo People

Our Forward Work Plan outlines our strategic priorities and objectives for the coming three years. RECCo must be the right-sized organisation with the skills and capability to ensure we deliver and continually enhance value for REC stakeholders and consumers. The cost increase in this area will enable the RECCo Board, as the REC Licensee, to provide Ofgem with a Certificate of Adequacy that it is able to fulfil its obligations.

Following a review of our existing operations and projects, people investment is required to improve resilience, capacity, and capability. Examples of where we are bolstering teams include: the operations team with individuals who have deep industry knowledge and service management experience, increasing our in-house technology and programme teams, recruiting commercial expertise, and strengthening our corporate affairs team.

Staff costs in **Table 6** for each year exclude staff costs for the contingent projects identified later. When the resulting service goes live, the staff costs are shown in Staff Costs, and this applies to years 2 and 3. **The total increase in people costs, other than the contingent roles, is 22% compared to the 2024-25 Budget.**

Table 7 and **Figure 2** provide an analysis of staff headcount increases by function split for the contingent, developmental, and capacity and capability roles. As shown, of the 24 roles allowed for, 45% are contingent (n=11), 13% are entry-level developmental roles (n=3), and the balance of 41% is an increase in capacity and

capability (n=9). The latter is needed to ensure we can deliver the requirements under Code Reform, enhance the Management of REC Services to secure further value and, specifically through the creation of a Design Authority (DA), address the delivery of REC framework matters such as ensuring change proposals are appropriate and proportionate. These will be a requirement of becoming the REC Licensee.

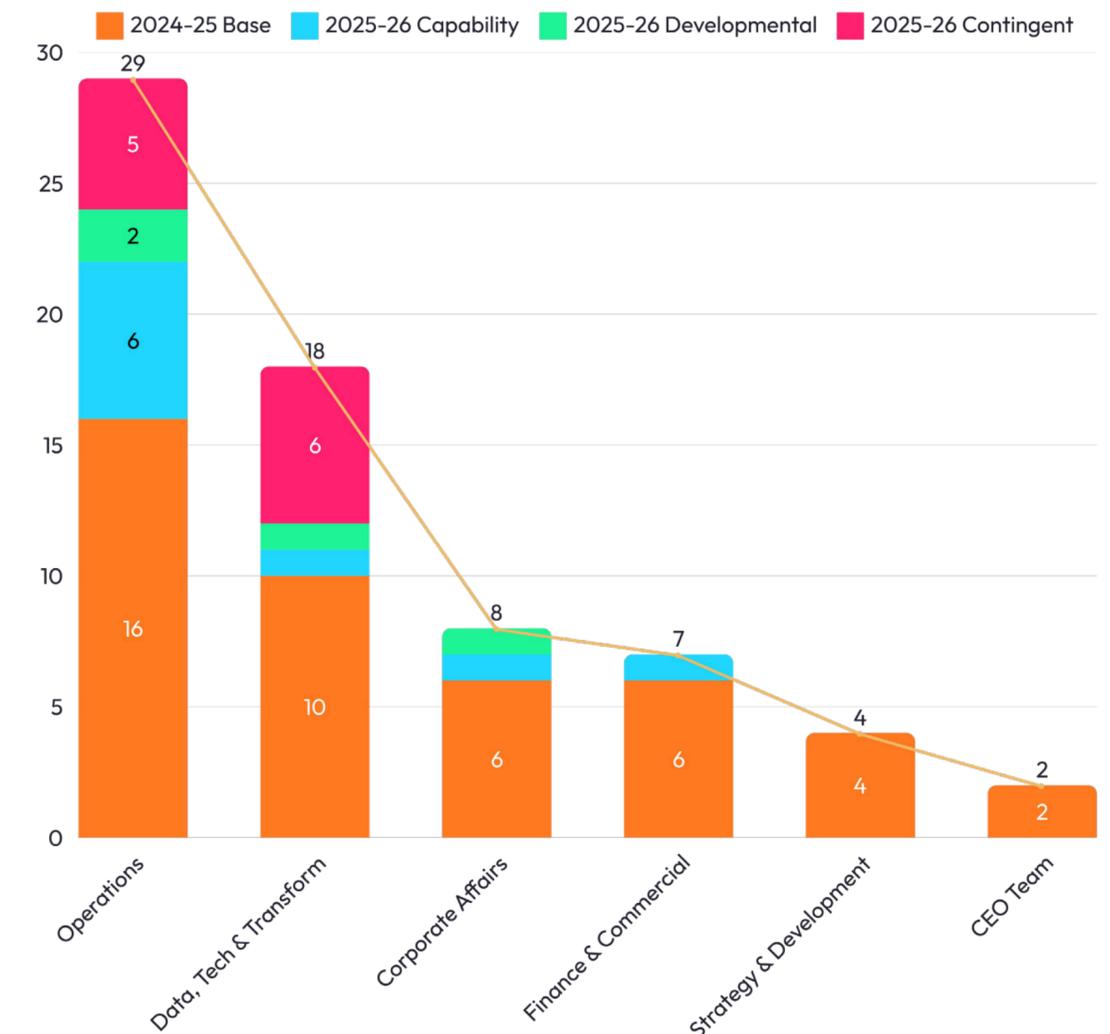
Table 6: Staff Costs

	2024-25 Budget £'000	2025-26 Budget £'000	2026-27 Indicative £'000	2027-28 Indicative £'000
Staff Costs	4,647	5,667	6,493	7,478

Table 7: Headcount

	2024-25 Budget Headcount	2025-26 Budget Headcount	Note
Operations	16	29	1
Data, Technology, & Transformation	10	18	2
Corporate Affairs	6	8	3
Finance & Commercial	6	7	4
Development & Strategy	4	4	-
CEO and support	2	2	-
Total	44	68	5

Figure 2: Headcount



RECCo Operations

Note 1

The Operations headcount will increase by 13, including 5 roles contingent on the Energy Theft Enforcement Service and the TPICoP projects. Both are contingent on industry support and the service subsequently going live in 2025-26. If either project does not progress, the roles will not be recruited. The cost of these roles is shown within the relevant project costs to provide transparency.

Of the other 8 new roles, 2 reflect the creation of a DA with authority over the REC processes and RECCo systems. The introduction of a Code Manager Licence will bring clearer accountability for RECCo to own the decisions made by the Code Manager, with industry providing input via a Stakeholder Advisor Forum (SAF). This clearer accountability places an increased need on RECCo not only to prioritise and make effective decisions but also to make those decisions efficiently and transparently. The existing REC governance framework will not provide RECCo with the level of oversight required to discharge its future licence obligations, particularly in relation to the design decisions relating to the REC and the provision of REC services.

The creation of a DA will bring together responsibility under a single entity to ensure a holistic approach and ensure RECCo has end-to-end oversight of all industry changes and performance assurance. A key deliverable of the DA will be to ensure that change proposals are appropriate and proportionate.

Two roles will be developmental roles, and the remaining 4 are required to ensure we have the resources available for RECCo to adequately manage its remit. The prime focus of the Operations team is to secure value for industry from the REC Services.

Note 2

The Data, Technology, and Transformation headcount will increase by 8, including 6 roles contingent on the Consumer Consent and Digital Services projects. If RECCo is not mandated to deliver Consumer Consent or we do not progress to contract for Digital Services, these roles will not be recruited. RECCo considered the option of securing these roles through Contractor or Service Provider resources, but this was discounted for two reasons: first, it would not be economical to do so, and second, the roles are enduring technical and delivery roles, which would be required post-go-live.

One of the 2 remaining headcount increases is to introduce resilience and contingency into the programme management capability, and the other additional role is a development-level role within the security and Data team.

Note 3

The Corporate Affairs budget includes an increase of 2 additional roles in the Corporate Affairs team. The first is an HR Co-ordinator, and the second is a Junior Designer to support our stakeholder engagement activities. The first role will align our level of HR support to the recommended industry standard for headcount-to-HR-team ratio. The second role is to bring a greater degree of design and communications work in-house, thereby reducing the financial impact of outsourcing to design agencies.

Note 4

The additional role in the Financial and Commercial team reflects the need to strengthen the team partway through the year. To a degree, it is contingent on the crystallisation of several projects and the associated increase in purchase ledger management, sales ledger management, and payroll management. If these projects do not crystallise, then that role will not be recruited.

Note 5

The notes above highlight several entry-level developmental roles. In our 2024-25 Budget and three-year plan, we included a budget allowance as part of staff costs to enable the recruitment of entry-level staff and develop that talent over several years. That allowance is now being translated into headcount numbers. We will recruit four new entry-level roles in 2025-26 (these are included in Notes 2 and 4 above).

RECCo Operations

RECCo Operating Costs

Our projected operating costs in **Table 8** are not materially different to the prior year and reflect the costs to operate the company on a day-to-day basis. None of the individual costs are material in the context of the Budget.

They include costs which Protect REC stakeholders (e.g. Insurance and Information Security and Management), costs incurred to ensure that we Perform our stakeholder engagement activities, and costs to ensure that we comply with all our REC and wider legal obligations (e.g. statutory audit, taxation, and other compliance).

RECCo is a remote working organisation by design with a small office in London. In 2025-26, several projects (Digital Services and Enquiry Services) will move into the implementation phase, and consequently, more regular physical meetings will be required. This is the primary driver for the increase in accommodation and travel costs.

Table 8: Operating Costs

	2024-25 Budget £'000	2025-26 Budget £'000	2026-27 Indicative £'000	2027-28 Indicative £'000
Audit, Compliance & Risk Management	210	180	186	192
Technology	290	305	316	327
Engagement, Training, People & Culture	310	264	273	282
Accommodation & Travel	235	325	337	349
Other	74	27	28	29
Total	1,119	1,101	1,140	1,179



Projects

Investment Projects

Our draft Forward Work Plan set out the details of our key programmes for 2025-26. For the coming year, our projects encompass protecting industry and, ultimately, consumers by addressing expiring contracts which deliver central market services, progressing initiatives to deliver new and emerging Ofgem or DESNZ-mandated requirements, and protecting industry and consumers through the creation of a new service to address energy theft (see **Table 9**).

We have published **Business Cases** for the following projects:

- [Digital Services](#)
- [Consumer Consent](#)
- [Enquiry Service Evolution](#)
- [Energy Theft Enforcement Service](#)
- [SSES: Tariff Interoperability Service](#)

Our 2025-26 Project Budget is £12.1m. This is a 75% increase compared to 2024-25. A component of this increase is due to the deferral of certain costs from the prior year to this coming year (e.g. MHHS delivery timescale recalibration and the inclusion of projects that are contingent).

The table **key** identifies those projects and their respective contingent nature. These projects account for c80% of the total investment project budget. For all the contingent projects, if the projects do not go ahead then the cost will not be fully incurred. We will adjust our charges intra-year accordingly.

Table 9: Projects

	2024-25 Budget £'000	2025-26 Budget £'000	2026-27 Indicative £'000	2027-28 Indicative £'000
Digital Services	500	3,312 [^]	1,434	-
Consumer Consent	-	2,524 [*]	4,497	-
Enquiry Services Evolution	300	1,830 [^]	750	-
Market-wide Half Hourly Settlement	3,745	1,559	744	99
Energy Theft Enforcement Service	500	1,246 ^{**}	-	-
SSES: Tariff Interoperability	-	548 [*]	548	-
TPI Accreditation Scheme	100	334 ^{**}	150	150
Code Manager Service Evolution	380	300	1,117	3,032
Code Reform (Code Manager Licence)	100	200	50	-
Sundry Minor Projects	200	200	400	400
2024: Closed Projects	935	-	-	-
Total	6,760	12,053	9,690	3,681

Key

^{*}Projects dependent on a mandate being provided by Ofgem or DESNZ

^{**}Projects dependent on a REC change being successfully progressed

[^]Projects dependent on the successful conclusion of a procurement programme

Projects

Digital Services

The Digital Services project is critical to RECCo’s evolution of the Code Manager service. This project is set to deliver a step change in how digital infrastructure supports the delivery and management of the Retail Energy Code (REC) and the wider retail energy market.

Consumer Consent

This is an Ofgem-driven initiative and their consultation in Summer 2024 identified RECCo as the preferred delivery body for the system. The REC has been selected as the governance body, requiring some REC changes.

Enquiry Services Evolution

The Gas and Electricity Enquiry Services and the Green Deal Central Charging service are essential in delivering industry engagements with customers through call centres and supporting the change of supply process.

The current contracts reach a natural end in July 2027, and RECCo therefore needs to plan to continue and modernise those services beyond that date.

Market-wide Half Hourly Settlement²

The project delivery time was re-calibrated in 2024. This means the end date has now been restated to 2027-28.

The goal of MHHS is to utilise the opportunity presented by smart meters to make the settlement process timelier and more accurate, thus acting as an enabler for smarter, more flexible products and services.

Energy Theft Enforcement Service

This is a new initiative to support the industry in enforcing identified cases of energy theft, primarily focused on its orchestration through organised crime or preying on vulnerable consumers. It aims to reduce both injury and economic harm.

SSES: Tariff Interoperability³

This is a DESNZ initiative which will create technical frameworks to unlock flexibility for domestic and small non-domestic energy consumers, improve the electricity system’s security, and give consumers the confidence to engage with a smart energy system.

2025-28 Forward Work Plan

Greater detail on each of the projects can be found in the [2025-28 Forward Work Plan](#).



¹ <https://www.ofgem.gov.uk/consultation/consumer-consent-solution-consultation>

² <https://www.ofgem.gov.uk/energy-policy-and-regulation/policy-and-regulatory-programmes/electricity-settlement-reform>

³ <https://www.gov.uk/government/consultations/delivering-a-smart-and-secure-electricity-system-the-interoperability-and-cyber-security-of-energy-smart-appliances-and-remote-load-control>

Change Investment

Table 10 sets out the Change Investment needed to fund functional changes to REC Services. In prior years, RECCo adopted a prudent approach to budgeting for Change Investment to ensure funding was available to support any developments. The Change Investment is not used to fund Investment Projects or RECCo operational or headcount requirements.

In 2024-25, we are expected to incur c£2.9m of change against a budget of £4m. We have proposed a Change Investment Budget of £3m for the coming year. We expect changes in the Enquiry Services and the Code Manager services to reduce compared to the current year due to the procurement and investment programmes. However, we expect the level of change for CRS to increase to enable us to extract the full value of that service.

To maintain competitive tension, we have not disclosed the analysis of the Change Investment make-up in the Budget, but it can be made available directly on a confidential basis to any REC Funding Parties.

Table 10: Change Investment

	2024-25 Budget £'000	2025-26 Budget £'000	2026-27 Indicative £'000	2027-28 Indicative £'000
Change Investment	4,000	3,000	3,000	3,000

Contingency Allowance

RECCo is required to develop its budget on a bottom-up basis. We have not included project or service-specific risk premiums in the appropriate budget lines. A key principle of the future Code Manager Licence is to allow contingency (see **Table 11**) to ensure that budgets are stable and to cover unexpected costs, thereby mitigating the need for any in-year budget adjustments.

The retail energy market continues stabilising, and we have recognised major Ofgem initiatives such as Consumer Consent and part of SSES: Tariff Interoperability as Projects. Consequently, we have reduced our Contingency Allowance to £1.25m, 2.2% of the total Budget. This level of contingency would not be sufficient if Ofgem or DESNZ were to appoint RECCo to undertake a significant project not currently in the Strategic Direction Statement or not currently “minded to” by DESNZ.

Table 11: Contingency Allowance

	2024-25 Budget £'000	2025-26 Budget £'000	2026-27 Indicative £'000	2027-28 Indicative £'000
Contingency	2,000	1,250	1,250	1,250

Comments

We invite all comments from any interested parties via email by 5pm on 5 March 2025 to:

brian@retailenergycode.co.uk

Webinar

We would be happy to answer any questions you may have at our webinar on Wednesday 26 February at 11am.

[Register here](#)



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