



Our Budget 2025-26

Welcome & Housekeeping



Rachael Anderson

Director of Corporate Affairs

During the event, please:

- Keep your camera and microphone off
- Use Microsoft Q&A to ask questions (chat is unavailable) or raise your hand
- Keep questions relevant and avoid mentioning other organisations
- Questions may be visible to others after the event
- This event will be recorded and shared on our YouTube channel and website

Thank you

Your Speakers



Rachael Anderson

Director of Corporate Affairs



Jon Dixon

Director of Development
& Strategy



Elizabeth Lawlor

Chief Operating Officer



Brian O'Shea

Chief Financial
& Commercial Officer

Agenda

01 *Welcome
& Introduction*

02 *Forward Work Plan:
Summary Responses*

03 *Outturn 2024-25*

04 *Budget 2025-26*

05 *Q&A*



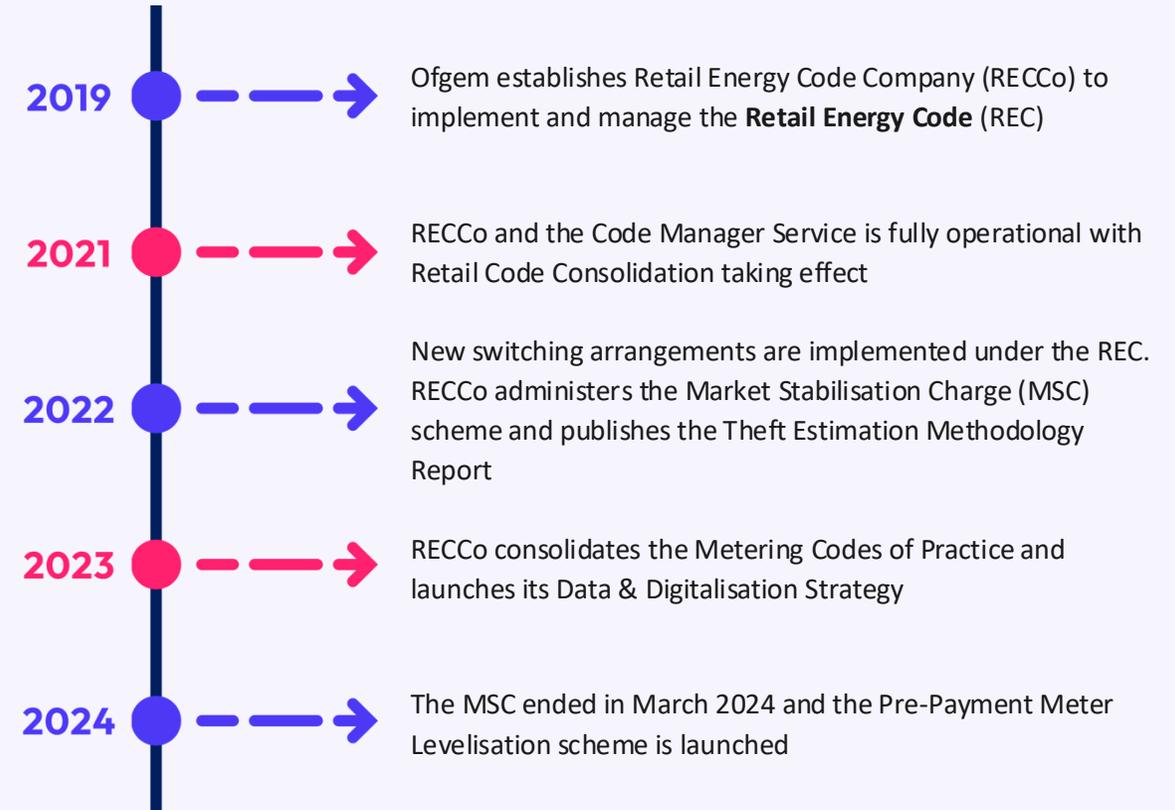
01 Welcome & Introduction

About RECCo

Our mission

- We will **facilitate the efficient and effective running of the retail energy market**, including its systems and processes
- We will do this through **promoting innovation and competition, and delivering positive consumer outcomes**

Delivering for you



How We Deliver for You

➤ **Delivering central services on behalf of industry**

- REC Services
- Code Manager
- Metering Auditor
- Energy Enquiry Services
- Central Switching Service
- Green Deal
- Data Services
- Theft Reduction Services

Focusing on Stakeholders

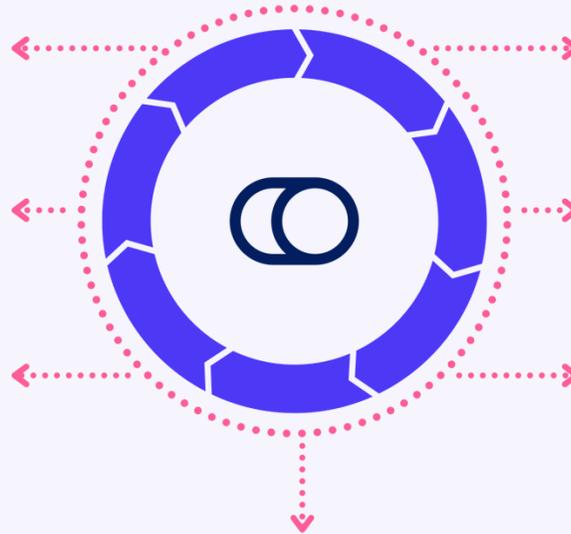
Delivery informed by lessons from past code arrangements

Collaborating

A unified approach to service management

Value Making Decisions

Value-driven changes to improve service and reduce costs



Setting Mission & Strategy

Clearly aligned with REC objectives

Defining Service Scope

Clear understanding of requirements

Managing Contracts

Active oversight on behalf of the industry

Managing Programmes

Centralised visibility across all service providers

REC Parties

Non-Party Service Users



02 Forward Work Plan: Summary Responses

Draft Forward Work Plan 2025-28

Summary of Responses

We received three responses from REC Parties following our 15WD consultation window

Feedback Themes

- Broad support received on RECCo's FWP priorities through engagements with stakeholders
- Alignment of RECCo workstreams with Ofgem and DESNZ priorities
- Further REC Change process improvements
- Increase in headcount justification

RECCo Alignment With Ofgem & DESNZ

1. Ensuring our work is aligned with regulatory frameworks

Stakeholder Feedback

- Potential overlap with / deviation from Ofgem and DESNZ workstreams
 - Energy Theft
 - Third Party Intermediaries (TPI) Code of Practice (CoP)
 - Change of Tenancy (CoT)

Our Response

- Strong alignment of FWP with Ofgem's Strategic Direction Statement (SDS)
- Collaborative working relationships in place with Ofgem and DESNZ
- Strong support for theft proposals consulted upon through business case
- TPI CoP covered in preliminary SDS (R0137/A)
- Recent Ofgem approval of CoT REC Change (R0155)



REC Change Process

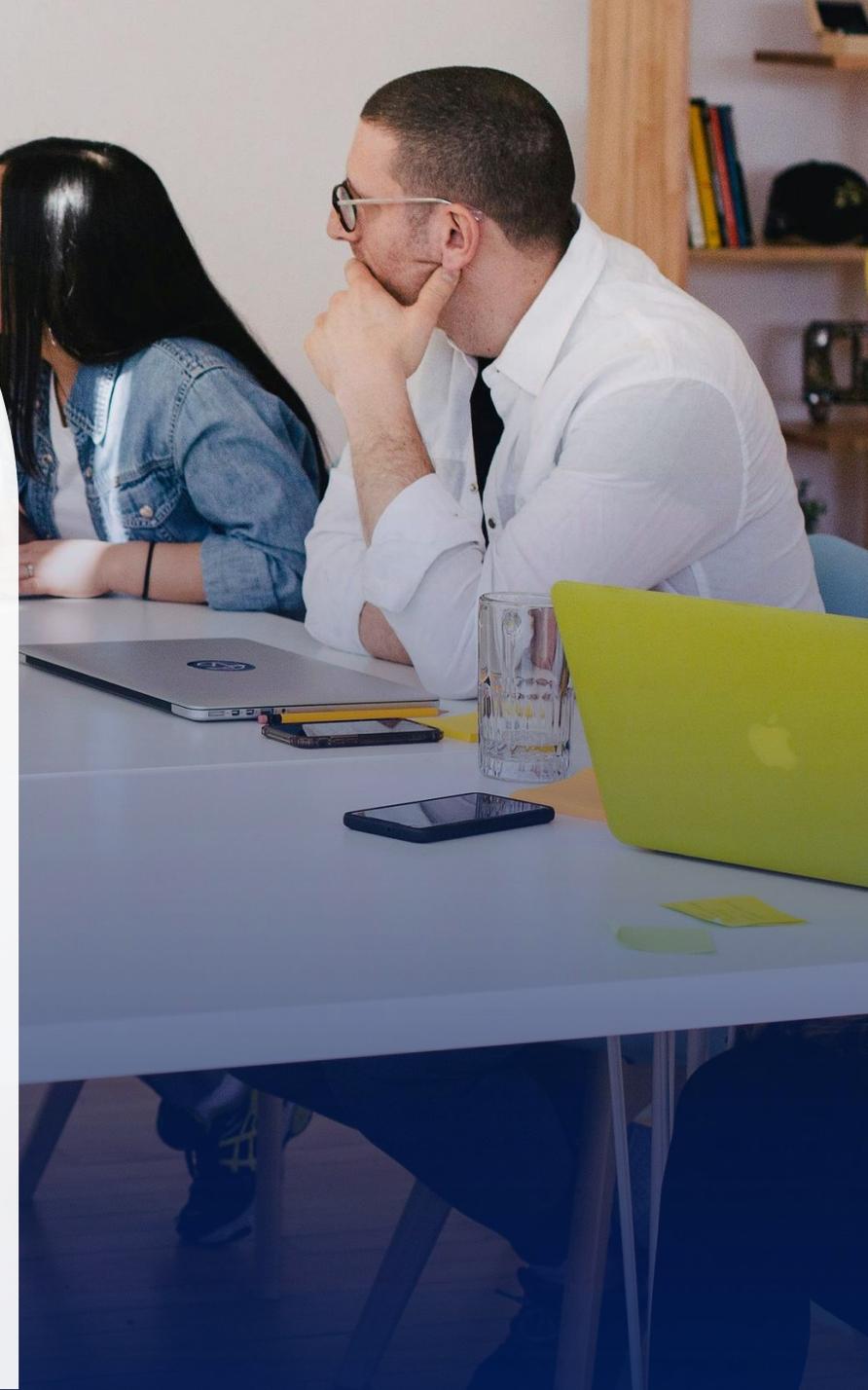
2. Further improvements to the REC Change Process

Stakeholder Feedback

- Ensure CPs are appropriate and proportionate
- Provide clear justification for solutions
- Conduct robust data-driven Impact Assessments and Benefits Analysis
- Improve access and navigability of documentation

Our Response

- Engage to understand key concerns and identify improvements
- QA of all CPs to ensure:
 - Clear and relevant Problem Statement
 - Practical solution
 - Rigorous justification
 - Clear timescales and decision path
- Establish a REC Design Authority



RECCo Headcount Increase

3. Rationale for increases in RECCo headcount

Stakeholder Feedback

- Additional rationale welcomed on proposed headcount
- Reassurance recruitment will not impact Business as Usual REC Processes

Our Response

- 11 of 24 roles are contingent on work programmes materialising
- 4 roles are developmental
- 2 roles are for establishing a Design Authority to improve the Change Process
- Remaining 7 roles to:
 - Meet increased responsibilities as a licensed entity
 - Expand industry knowledge and service management expertise
 - Increase in-house technology, data security, and programme expertise



Consultation Process

- REC Board is required to consult on its proposed Strategy and Forward Work Plan, including indicative costs
- We consulted on our Draft Forward Work Plan in January 2025:
Deadline 5 February 2025
- REC Board carefully considered the feedback ahead of agreeing on our Final Budget for publication
- Final Budget: **Published 19 February 2025**
- REC Parties can appeal the Board's decision to approve the budget to Ofgem:
Deadline 5 March 2025
- Criteria against which an appeal can be raised, as well as the Ofgem assessment criteria, are set out in Section 9 of the REC



Your Questions



- ✓ Please use the Microsoft Teams Q&A function to ask your questions or raise your hand
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03 Outturn 2024-25

Outturn 2024-2025

- Our 2024-25 Budget was c**£53m**, and our expected outturn is **£45m**
- 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
- In January 2025, we returned a further c**£2.5m** by reducing our REC Charges
- We will return the remaining underspend on completion of our statutory audit
- Working with DCC, we agreed to reduce the in-year charge by **£3m**. This will form part of the rebate upon completion of the audit
- The budget commentary explains the drivers for the underspend

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



04 Budget 2025-26

Overview

- We are aware that we are spending industry and consumers' money
- We must evolve to meet future market and user needs in an economical and efficient way that delivers value
- Work commences in 2025-26 to deliver a broad and diverse portfolio
- Following your feedback from last year, we have:
 - Increased transparency
 - Enhanced headcount disclosure
 - Published Business Cases
 - Adjusted Change Investment & Contingency Allowances
- We have also implemented in-year cost reductions
- Our 2025-26 Budget shows a 4.7% increase compared to the previous year
- The budget includes c**£9m** of cost, which is contingent on projects crystallising

Final 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

Agreement of 2023-24 CRS Costs means the industry will get a £2.9m rebate in the coming year

2025-26 Charges

- The 2025-26 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
- Distribution Network Operators (DNO) will continue to be charged a portion of the Electricity Enquiry Service costs
- Proactive credit control to minimise the risk of bad debt

Charges

	2024-25 Charges	2025-26 Charges
Energy Suppliers	£0.83 per RMP / annum	£0.85 per RMP / annum
Energy Suppliers: MHHS Project Charges	£0.06 per RMP / annum	£0.03 per RMP / annum
DNOs with < 750,000 registered Metering Points	£0.02 per RMP / annum	£0.03 per RMP / annum
DNOs with > 750,000 registered Metering Points	£42,000 per DNO / annum	£56,750 per DNO / annum

REC Services

- The budget for REC Services is £32.1m
- Cost of services that we are required to Perform under the REC
- The REC Services enable industry to deliver their operational requirements and discharge their code obligations
- Services to enable:
 - Customer management
 - Consumer Switching
 - Tackling Energy Theft
 - Delivery of REC change and industry assurance
- Active service management and commercial pressure on our service providers, including DCC to deliver value
- We have reduced the overall delivery cost by 6%

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

RECCo Operations

- Shows an increase of **c24.6%** on the previous year's budget
- The budget reflects the required resources to enable RECCo to perform all its functions
- Board costs: independent Board appointed by REC Parties
- Operating Costs: costs necessary to enable RECCo to deliver its corporate, legal, risk management, and stakeholder engagement activities
- Staff costs reflect those roles that are not contingent
- The next slide provides more information on staff and headcount

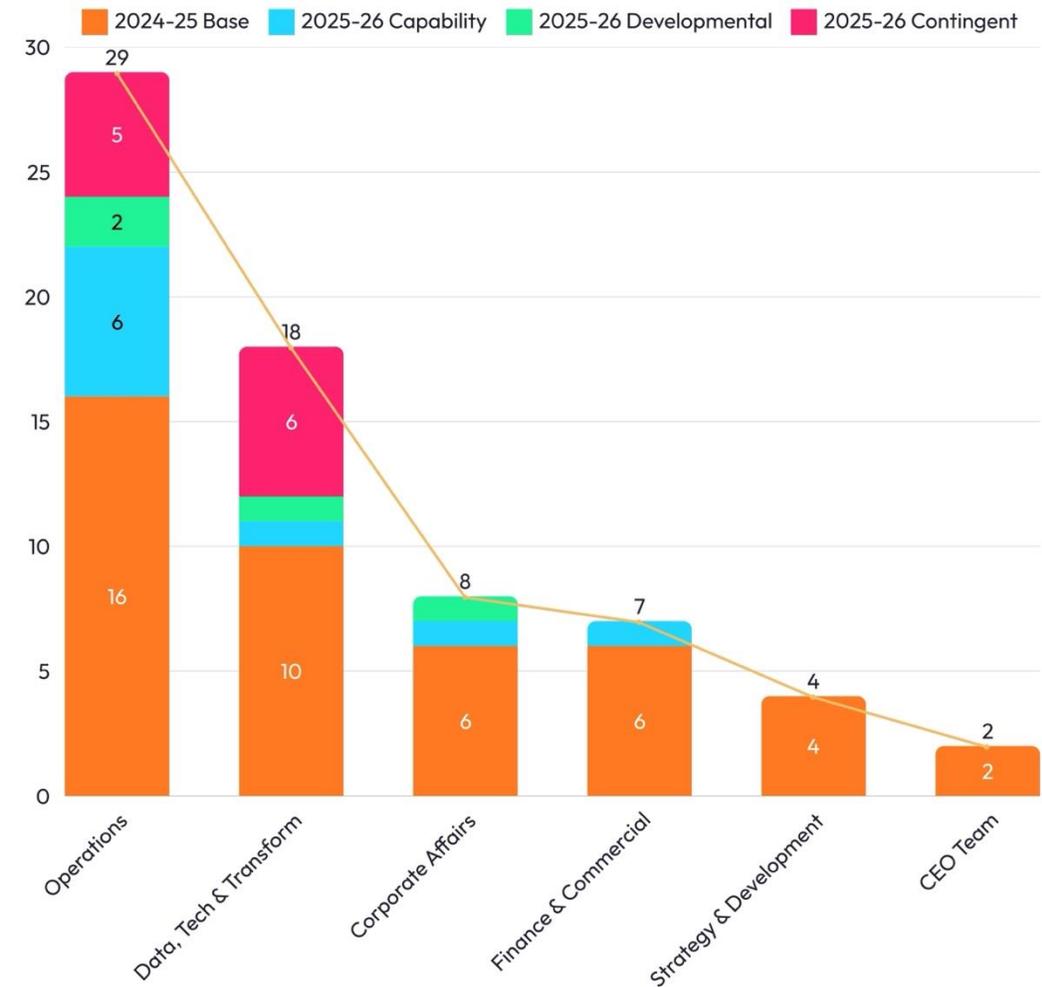
RECCo Operational Costs

	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

Headcount Increase: Objectives & Outcomes

- Enhance resilience and capability to meet future Licence obligations
- Enhance active service management of REC Service Providers to secure greater value for the industry
- Improve the REC process to:
 - Ensure change proposals and interventions are appropriate, proportionate, and impactful
 - Increase effective supplier participation and scrutiny of changes
- Fulfil our work programmes
- Develop talent for the future
- The increase shown includes 11 contingent roles

Headcount



Investment Projects

- Our 2025-26 Project Budget is **£12.1m**
- Our diverse portfolio will ensure the future of REC Services and meet evolving energy industry initiatives
- We must secure the future of the REC services to:
 - Enable the industry to continue to perform its operational requirements
 - Address the natural lifecycle of current contracts
 - Address industry feedback on the digital user experience
- We must meet the needs of an evolving market:
 - MHHS, Consumer Consent, SSES, and Code Reform
- Several Investments are “contingent” for several reasons (see Budget commentary)
- Contingent costs are c**£9m**

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

Change Investment & Contingency

Change Investment

- Revised approach to address industry feedback
- 25%** reduction
- Funds functional changes to REC Services
- Not used to fund project shortfalls, operating costs, or staff costs

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

- Revised approach to address industry feedback
- 37.5%** reduction
- Not sufficient if SDS changes or DESNZ increases SSES scope
- Use of contingency is subject to Board approval

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



05 Q&A

Your Questions



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Thank you for attending!

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