

2026



Retail Energy Code Company

Budget

Investment and resourcing for the Retail Energy Code
— strengthening industry delivery and safeguarding consumers

Welcome and Introduction

Laura Edwards | PR and Events Manager



Welcome and Housekeeping

- Please ensure that cameras and microphones remain switched off during the speaker sessions
- We encourage you to submit questions throughout the event using the Q&A function
- As a polite reminder, please keep all questions relevant to the session and avoid referencing other organisations
- Please note that the meeting is being recorded
- The recording and slides will be made available on our website and communication channels following the session



Agenda

01

Welcome
& Introduction

02

Forward Work Plan:
Summary Responses

03

Budget 2026-27

04

Q&A

Your Speakers



Elizabeth Lawlor

Chief Operating Officer



Jon Dixon

Director of Strategy
& Development



Brian O'Shea

Chief Financial
& Commercial Officer

Recap of Annual Process

Our Budget 2026-27:

- ✓ We consulted on our Draft Forward Work Plan including indicative costs: **15 Jan – 5 Feb 2026**
- ✓ REC Board met **11 Feb**, and carefully considered the feedback before finalising Budget for publication
- ✓ Final Budget: Published **20 Feb 2026**
- ✓ REC Parties can appeal the Board's decision to approve the budget to Ofgem: Deadline **6 Mar 2026**
- ✓ Criteria against which an appeal can be raised, as well as the Ofgem assessment criteria, are set out in Section 9 of the REC
- ✓ Final FWP Published by **end of March 2026**



Industry Engagement

2026/27 - Year of Delivery

- Regulatory
- REC Services
- Systems and Technology

Stakeholder engagement is a key enabler of successful delivery.

We must ensure our decisions and delivery are informed by your views

Our objective is to ensure you remain **aware, informed and engaged.**

Engagement Channels

- Weekly Bulletin / Newsletter / Board Highlights
- REC WIKI / ERIN
- Service Desk & Operational Account Managers
- Industry and Project Working Groups
- User Communities
- Stakeholder Advisory Forum



Forward Work Plan: Summary Responses

Jon Dixon | Director of Strategy
& Development



Summary of responses

Key Themes of Responses

- Broad support for overall direction
- Clearer distinction between mandatory and discretionary activity, including transparency on policy-dependent programmes
- Additional cost growth and headcount transparency, programme rationale, sequencing and key drivers
- Constructive feedback to further strengthen delivery, particularly in relation to performance assurance
- Continued stakeholder engagement highlighted as critical to confidence and effective delivery
- A written response to all responses will be published shortly



Budget 2026 - 27

Brian O'Shea | Chief Financial & Commercial Officer



The Planning Period: Overview

- The retail energy market is changing and RECCo will need change with it.
- Our key role: deliver secure, scalable, adaptable, economic and efficient REC Services.
- In 2026 we will become the REC Code Manager.
- The Ofgem Strategic Direction Statement will set the development pathway for the REC (“the what”)
- “the how” delivered through REC Change Process, Industry engagement and RECCo procurement
- Our operating and delivery model will evolve to deliver the most efficient “how”.
- None of our future activities are discretionary: aligned to SDS policy and timescale.
- Our cost projections show a downward trend.
- We do not hold reserves. We cannot access borrowings. We must include some contingencies. We are fully transparent on our contingencies.

Budget Allocation	2025–26 Budget (£m)	2026–27 Budget (£m)	2027–28 Indicative (£m)	2028–29 Indicative (£m)
REC Services	32.15	38.75	38.93	33.92
RECCo Operations	7.78	10.84	11.38	11.78
Investment Projects	11.38	14.30	10.42	10.19
Change Investment	3.00	3.00	4.00	4.00
Contingency	1.25	1.25	1.25	1.25
Total	55.56	68.14	65.98	61.14

Key Elements for 2026

- We will become the licensed REC Code Manager and the SDS will become effective
- Exceptional Costs : DCC procurement costs (8% of our total budget)
- Elsewhere 2026 will be a mix of:
 - continuation of 2025; and
 - new delivery obligations.
- A continued focus on service delivery
- Evolve to a new revised operating model
- An increase in headcount and people costs
 - insourcing & new activities, economic savings and capability development.
- Investment projects
 - Deliver long-term service viability, improved performance and VFM



DCC Procurement Allowance

- The budget process for costs payable to DCC
- Four Key Contracts Expiring in 2027
- Options available;
 - 1. Full procurement at **c£9m** cost
 - 2. Enhance and extend to 2029 (costs tbc)
- We consider extension will deliver the best outcomes for industry & consumers.
- DCC developing a business case to support this
- We have referred the costs to Ofgem but asked them to pause their consideration.
- Final decision rests with Ofgem
- We will adjust our charges immediately on resolution.

	2026–27 Budget (£m)	2027–28 Indicative (£m)	2028–29 Indicative (£m)
REC Services: Operate	33.05	35.03	33.92
CCS Procurement	5.70	3.90	–
RECCo Operations	10.84	11.39	11.79
Investment Projects	14.30	10.42	10.19
Change Investment	3.00	4.00	4.00
Contingency	1.25	1.25	1.25
Total	68.14	65.99	61.15

2026 Budget: Summary

- Our budget is £68.14m
- Core activity costs in line with what we expected for 2026.
- DCC procurement costs is an exceptional item.
- Uplift on 2025: 50/50 split on core activities and DCC procurement allowance.
- CSS Procurement:
 - Included for full transparency.
 - We must take a prudent position.
 - Back-to-back DCC ex-ante position.
 - Working to deliver best outcome.
- Core Activities:
 - Licenced REC Code Manager;
 - New delivery body obligations; and
 - Natural lifecycle of projects.

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2026: Analysis by Activity

- Provides an understanding of where costs are incurred
- **62%** of RECCo costs relate to delivery, evolution, and change of REC Services for the benefit of industry
- **32%** of costs relate to transformation of existing REC Services or development of new REC Services
- **6%** are costs of operating the company, risk management HR, etc.

Budget Allocation	2026–27 Budget (£m)	Service Delivery, Evolution & Management	Transformation Delivery	Company Costs
REC Services	38.75	33.05	5.70	–
RECCo Operations	–	–	–	–
Board & Staff Costs	9.06	4.81	1.90	2.34
Operation Costs	1.78	–	–	1.78
Projects	14.30	–	14.30	–
Change Investment	3.00	3.00	–	–
Contingency	1.25	1.25	–	–
Total	68.14	42.11	21.90	4.12
Split	100%	62%	32%	6%

REC Services

- Services that enable the operation of the market
- Excluding CSS procurement, costs not materially different to 2025.
- Excluding CSS procurement, costs reduce over the planning period.
- Services aligned to intelligent sourcing and our procurement principles.
- We structure service delivery to ensure best value and efficiency.
- We procure where it is beneficial to do so.
- Benefits of 2026 Investment Projects flow from year 2
- Longer Term Planning assumptions:
 - Introduction of services to support Flexibility Market.
 - Continued investment in Theft & Metering.
 - Pounds for Pylons will evolve into a service.

REC Services	2025–26 Budget (£m)	2026–27 Budget (£m)	2027–28 Indicative (£m)	2028–29 Indicative (£m)
Central Switching: Operate	13.00	12.70	12.60	12.70
Central Switching: Procure	–	5.70	3.90	–
Code Manager Services	11.44	11.27	11.05	11.39
Enquiry Services	5.59	5.69	4.62	2.32
Flexible Market Services	–	–	2.50	2.59
Energy Theft Services	1.25	1.76	1.82	1.89
Data & Digital Services	0.20	0.95	1.25	2.13
Metering Services	0.11	0.04	0.54	0.25
REC Support Costs	0.56	0.66	0.65	0.65
Total	32.15	38.75	38.93	33.92

Investment Projects

- Aligned to the SDS, weighted to 'Act Now' (within 2 years).
- We assess the pace, scope and cost proportionality against the SDS.
- Secure the future of REC Services.
- Deliver market requirements.
- Create an infrastructure to support digital delivery.
- Deliver services to support a future market model.

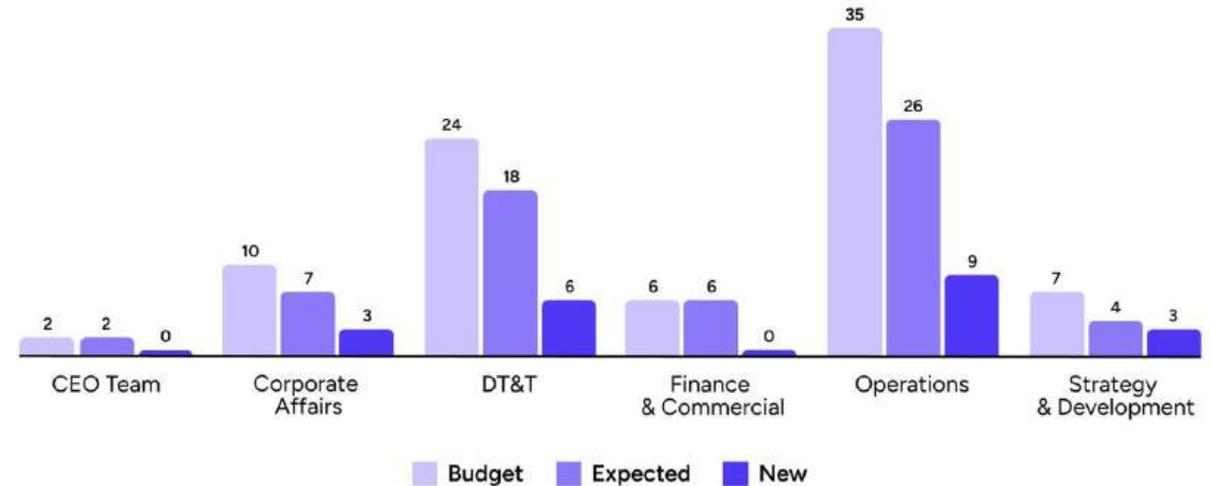
Costs are higher than 2025:

- Costs peaks due to natural project lifecycle.
- Revised procurement approach.
- Revised deployment approach for Performance Assurance capability.
- Timing shift on milestone payment profile for Digital Services.

REC Services	2025–26 Budget (£m)	2026–27 Budget (£m)	2027–28 Indicative (£m)	2028–29 Indicative (£m)
Enquiry Service Evolutions	1.83	5.02	3.16	0.28
Consumer Consent	2.71	4.04	0.54	–
Digital Services	3.22	1.90	–	–
Code Manager Evolution	0.30	1.17	1.16	2.16
MHHS	1.56	1.11	0.31	–
Consumer-Led Flexibility & Market Developments	–	0.55	4.50	7.00
Code Reform	0.20	0.22	–	–
Other Projects	0.20	0.29	0.75	0.75
Closed Projects	1.37	–	–	–
Total	11.38	14.30	10.42	10.19

RECCo Operating Costs

- Resources required so RECCo can perform all its functions
- Increased headcount drivers:
 - Bring services inhouse (Market Design and Performance Assurance)
 - Required to do new things (Consumer Consent and Code Manager Licence)
 - Economic reasons(recruit rather than contract)
 - Developing future talent pool.
- Board:
 - Meets new Code Manager Licence requirements & corporate best practice
 - Increased transparency of Board governance
 - Increased engagement through the SAF and Board-level communications
- Operating Costs:
 - Day-to-day costs to run the company, develop our people and engage with industry



REC Services	2025–26 Budget (£m)	2026–27 Budget (£m)	2027–28 Indicative (£m)	2028–29 Indicative (£m)
Board Costs	0.34	0.32	0.38	0.39
Staff	6.34	8.74	9.16	9.47
Operating Costs	1.10	1.78	1.85	1.91
Total	7.78	10.84	11.38	11.78

Change and Contingency

- We do not carry reserves, or access to borrowing facilities
- We cannot stall REC Change, we must meet industry demand for change and improvement
- We budget on a prudent basis
- We are transparent on what contingency we carry

Change Investment

- Funds functional changes to REC Service
- Maintained at 2025 level
- Increase in later years reflects new services

Contingency

- <2% of total draft Budget value
- Maintained at 2025 level

Change Investment & Contingency Allowance	2025–26 Budget (£m)	2026–27 Budget (£m)	2027–28 Indicative (£m)	2028–29 Indicative (£m)
Change Investment	3.00	3.00	4.00	4.00
Contingency Allowance	1.25	1.25	1.25	1.25

Q&A

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Q&A Instructions

- ✓ Please use the Microsoft Teams **Q&A function** to ask your questions or raise your hand
- ✓ Questions are **not anonymous** – your name will be visible once you click 'post'
- ✓ Keep questions relevant
- ✓ Avoid mentioning other organisations
- ✓ Questions may be **public** after the event
- ✓ This meeting is **recorded** and will be shared on our digital channels



Thank you for joining us!

If you have any questions on the Budget, please contact Brian O'Shea, Chief Financial & Commercial Officer, at brian@retailenergycode.co.uk

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 retailenergycode.co.uk

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