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INFORMATION REQUEST RESPONSES

I0223 – RECONCILLIATION OF UNALLOCATED TRANSACTIONS REVIEW

On 20 December, the Code Manager issued an Information Request to the industry to seek information to develop a clear problem statement for I0223.

The purpose of this document is to consolidate the responses and for the Code Manager to understand issues as a solution is developed.

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RESPONSE TYPE	**NON-CONFIDENTIAL**
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RESPONSIBLE COMMITTEE	Change Panel
LEAD ANALYST	Luke Coyle

DATE ISSUED	20/12/2024
RESPONSE DEADLINE	17/01/2025

Question 1:	How effective do you feel that the current Reconciliation of Unallocatable Transactions processes set out in REC Schedule 11 Section 10 are?	
RESPONDENT DETAILS	**RESPONSE**	**CODE MANAGER COMMENTS**
British Gas (Energy Supplier)	Electric PPMIPS have varied interpretations of backstop dates, leading to the release of payments from different time periods and causing confusion. Additionally, it seems there are no industry controls to ensure payments are removed from the Unallocatable Transactions report	Thank you for your comments, the following key points have been noted: - Confusion around backstop dates for PPMIPs - No industry controls to ensure payments removed from report
E.ON Next (Energy supplier)	Section 10 is set out clearly with the transactions that will happen within the reconciliation process, however there are other elements that could be added to enable this process to become more efficient and cater for other scenarios that happen across the industry as we have detailed below. <u>Time period for backstop</u> The highest success of reconciling payments happens within the first 12 months, within our portfolio we see very little success with transactions with dates older than 12 months. We do recognize that this process is set up to address that but there is an opportunity to reconsider the 3-year backstop timescale. Evidence shows that it is the recent transactions within 12 months that are easily reconciled across the industry. Reducing the backstop period to 12 months would significantly	Thank you for your comments, the following key points have been noted: - Reducing the backstop period to 12 months would improve outcomes. - Market share based on 3-year-old data is likely inaccurate – market share at transaction rather than live MPIDs would be fairer. - A process for SOLR would be useful

	reduce the time and effort spent by Suppliers trying to reconcile transactions that they will never be able to. Market Share The market share based on 3 years ago is very different to what the market share would be within a 12-month period. It is not comparable with the actual market at the time of the transactions. It is based on the live MPIDS at the time. Any portfolio reconciliation or migration activities that Suppliers complete and subsequently retire the old MPIDS that no longer have live customers on are excluded from the market share. This penalises the supplier from receiving the correct market share of unallocated payments. Using the market share at the time the transactions were made rather than live MPIDS would enable the reconciliation process to be fairer across this industry. SOLR When a SOLR happens, it is incredibly complicated for parties to reconcile unallocated transactions where a supplier is no longer active within the market. This causes additional complexity across the market as to who is able to complete the reconciliation activities. We do appreciate that the SOLR process is incredibly complex in itself. Including the reconciliation process where a SOLR has happened within this schedule or schedule 11 would be really helpful and make it clearer across the industry what process suppliers should follow would help the industry. Reducing the backstop from 3 years to 12 months would also complement this process, as the time period is shorter there is more likely to be success in the reallocation of transactions within 12 months of a Supplier failing.	

Itron Metering Solutions UK (PPMIP)	The timeline for the PPMIP element is challenging and could be improved.	Thank you for your comments. Issues around the timeline for PPMIPs has been noted.
ScottishPower Energy Retail Limited (Energy Supplier)	The current timelines for the reconciliation period could be improved. A more structured and efficient approach could be considered to optimise the process and address potential issues with the process.	Thank you for your comments. Issues around the timeline has been noted.

Question 2:	When working the current Reconciliation of Unallocatable Transactions processes set out in REC Schedule 11 Section 10, what problems or challenges do you encounter?	
RESPONDENT DETAILS	**RESPONSE**	**CODE MANAGER COMMENTS**
British Gas (Energy Supplier)	Please see above.	Thank you, your comments have noted.
E.ON Next (Energy supplier)	The reporting that is available for suppliers is very complicated and is not easy to work with to get efficient and effective outcomes. This is more prevalent within the electricity reporting, there is an opportunity to review the complexity of the electricity reporting to make it easier for suppliers to work through. The gas reporting is much easier to use, and we do see more success in reconciliation with additional support from Siemens. The older the data is on the reports the harder it is for suppliers to reconcile. We have seen that in the main the success of allocating transactions happens within the first 12 months. Anything older than that becomes static and very complex and time consuming to complete the reconciliation process.	Thank you for your comments, the following key points have been noted: - Reporting is a major issue – more so with electricity than gas. - Data older than 12-months is less usable

	There is an opportunity to review the reporting and processes that suppliers are expected to complete. Improving the quality and reducing the complexity of the reports would help suppliers with the unallocated process.	
Itron Metering Solutions UK (PPMIP)	1. Suppliers who are no longer operating should be removed from the reconciliation. It is very difficult to effect payment to companies that no longer trade. 2. Suppliers with very low volumes end up with payments of a few £ and it's really not worth it. 3. Timeline is too compressed at the end of the year. The back-stop date is 30th June, but the reconciliation takes until October to begin. 4. The gap between the backstop and start of the reconciliation allows transactions to be taken (allocated) from the unallocated 'pot' after the 'pot' size has been calculated. The 'pot' should be captured from the UTR on (or close to) the back-stop date and then frozen until it is shared out later in the year.	Thank you for your comments, the following key points have been noted: - Defunct Suppliers should be removed from this process - Suppliers with low volumes should also be removed - The backstop is June and reconciliation is October – the timeline does not work - The pot should be frozen at the backstop to make calculation simpler
ScottishPower Energy Retail Limited (Energy Supplier)	• Removal of non-operating Suppliers: suppliers that are no longer in operation should be excluded from the reconciliation process. Continuing to include such entities creates unnecessary complications as it is difficult to effect payments to companies that are no longer in business. • Suppliers with exceptionally low transaction volumes often results in payments of minimal amounts such as a few pounds. Processing such payments is neither efficient nor costeffective and should be reconsidered. • Challenges with compressed year end timelines: the current timelines for reconciliation particularly at the end of year is	Thank you for your comments, the following key points have been noted: - Defunct Suppliers should be removed from this process - Suppliers with low volumes should also be removed - The backstop is June and reconciliation is October – the timeline does not work

	overly compressed. While the back-stop date is for June 30th, reconciliation efforts do not commence until October. This delay creates inefficiencies and prolongs the overall proves unnecessarily. • Addressing discrepancies in transaction allocations: the time gap between the backstop date and the start of the reconciliation allows transactions to be taken from the unallocated pot after its size has already been calculated. To ensure accuracy and fairness in calculations the pot should be captured from the UTR as part of the back stop date or as close to it as possible and then frozen until the reconciliation process is finalised later in the year	- The pot should be frozen at the backstop to make calculation simpler

Question 3:	Does your organisation monitor your Unallocated Transactions on a regular basis and if so how and at what frequency?	
RESPONDENT DETAILS	**RESPONSE**	**CODE MANAGER COMMENTS**
British Gas (Energy Supplier)	Yes, we do monitor this monthly.	Thank you, your comments have noted.
E.ON Next (Energy supplier)	Yes, unallocated transactions are worked daily to see if we can find a match against industry data and then we complete a monthly reconciliation activity each month to ensure any transactions are allocated to the correct account	Thank you, your comments have noted.
Itron Metering Solutions UK (PPMIP)	As a PPMIP we monitor constantly.	Thank you, your comments have noted.

ScottishPower Energy Retail Limited (Energy Supplier)	We consistently monitor the process.	Thank you, your comments have noted.

Question 4:	Do you see value in the Code Manager monitoring more frequently Unallocated Reports and or discussing on a regular basis such as through the monthly REC Issues Group (RIG)?	
RESPONDENT DETAILS	**RESPONSE**	**CODE MANAGER COMMENTS**
British Gas (Energy Supplier)	We believe this would not be valuable, as this is now a legacy payment method and the portfolios for conventional prepayment meters are decreasing across suppliers. This issue does not affect Smart Prepayment Customers	Thank you, your comments have noted.
E.ON Next (Energy supplier)	The reconciliation process is so complex across many industry parties. It is recommended that the process and reporting is reviewed, and improvements are made before any code manager monitoring happens. Bringing the topic to the RIG would be a good opportunity to get further views from a wide variety of suppliers to help the code manager understand the challenges suppliers face with this process. If there are a number of suppliers who support a review of this process then setting up a working group to look at the challenges suppliers face may be beneficial.	Thank you, your comments have noted.
Itron Metering Solutions UK (PPMIP)	Yes.	Thank you, your comments have noted.
ScottishPower Energy Retail Limited (Energy Supplier)	Yes, we agree with this, and it may provide opportunity for parties to feedback on whatever issues they have with the process.	Thank you, your comments have noted.

Question 5:	What level of engagement do you want with a review of the Reconciliation of Unallocatable Transactions?	
RESPONDENT DETAILS	**RESPONSE**	**CODE MANAGER COMMENTS**
British Gas (Energy Supplier)	We believe engagement will remain minimal unless significant changes to the process necessitate increased involvement	Thank you, your comments have noted.
E.ON Next (Energy supplier)	We would welcome a full review of the processes and reporting to improve the overall reconciliation process. We recognise that this process is very lengthy and complex, there is an opportunity for this to be brought to the RIG and to gather other suppliers' views on improvements that could be made to this process. We would be happy to support REC in improving this process and if a working group were established, we would be open to attending.	Thank you, your comments have noted.
Itron Metering Solutions UK (PPMIP)	High.	Thank you, your comments have noted.
ScottishPower Energy Retail Limited (Energy Supplier)	A good level of engagement to ensure a better optimisation of the process.	Thank you, your comments have noted.

Question 6:	What would you like to see result from this work?	
RESPONDENT DETAILS	**RESPONSE**	**CODE MANAGER COMMENTS**
British Gas (Energy Supplier)	We would like to establish and implement a uniform industry control for all PPMIPS, with no deviations between large and small PPMIPS.	Thank you, your comments have noted.
E.ON Next (Energy supplier)	We would like to see a change in the process that accommodates the complex movement within the supplier market. The current way to reallocate the unallocated transactions using market share at the 3-year back stop period does not accommodate processes such as SOLR, market exit activities and the natural movement within the energy market. This is an opportunity to complete a full review of a process that has not been reviewed since REC was introduced.	Thank you for your comments, the following key points have been noted: - The desired outcome is a complete review of the process
Itron Metering Solutions UK (PPMIP)	A change to the timeline to move the distribution element earlier in the year. A re-linking to the back-stop date. Suppliers who are no longer trading do not get included. Suppliers with a small customer footprint at the time of the calculation are not included i.e. a minimum customer volume.	Thank you for your comments, the following key points have been noted: - A re-linking to the back-stop date. - Suppliers who are no longer trading do not get included. - Suppliers with a small customer footprint at the time of the calculation are not included i.e. a minimum customer volume
ScottishPower Energy Retail Limited (Energy Supplier)	• Adjustment of the timeline for earlier distribution: The timeline for the reconciliation process should be reviewed to move the distribution phase earlier in the year.	Thank you for your comments, the following key points have been noted: - A re-linking to the back-stop date.

	• Re-linking the process to the backstop date to maintain consistency and accuracy the reconciliation process. • Exclusion of non-operating suppliers: suppliers who are no longer trading or in operation as of the reconciliation period should be excluded from the process. • Inclusion of a minimum customer volume criteria: suppliers with a small customer footprint at the time of calculation should be excluded from the reconciliation.	- Suppliers who are no longer trading do not get included. - Suppliers with a small customer footprint at the time of the calculation are not included i.e. a minimum customer volume

Question 7:	Do you have any other comments you would like to add?	
RESPONDENT DETAILS	**RESPONSE**	**CODE MANAGER COMMENTS**
British Gas (Energy Supplier)	**An understanding of the rationale as to why this activity is being looked into now and what value REC believe this will have when portfolios are steadily reducing across industry.** We believe that clarification is needed on the rationale for examining this activity at this time and the value REC believes it will provide, given that portfolios are steadily decreasing across the industry	Thank you, your comments have noted.
E.ON Next (Energy supplier)	Potentially there is an opportunity to completely review how the unallocated process works and for any funds to be used to support a wide range of potentially vulnerable customers. Rather than unallocated transactions being returned to suppliers by market share and for excess funds to support customers wider across the industry we would welcome the code manager exploring with other industry parties if the funds could be allocated to either to the Ofgem	Thank you, your comments have noted.

	redress fund or another fund energy industry fund that is designed to support all customers and not just those who pay via prepayment	
Itron Metering Solutions UK (PPMIP)	N/a	Thank you, your comments have noted.
ScottishPower Energy Retail Limited (Energy Supplier)	We have no additional comments at this time	Thank you, your comments have noted.