Alternate change to the REC change I0287

Change title - Amendments to Annulment Definition in Schedule 23

WHAT IS THE ISSUE YOU ARE SEEKING TO SOLVE?

Inconsistent interpretations of the Annulment definition in Schedule 23 are leading to disputes between suppliers. We are, therefore, seeking to further clarify the use of annulments to ensure that the customer is placed firmly at the heart of this process. With the appropriate protections in place, we believe this approach will deliver a positive outcome for customers, regardless of which supplier they choose to engage with.

We propose that the Annulment definition explicitly outlines:

- When and how annulments should be used.
- That annulments are appropriate to deliver a positive customer experience to action a customer request without the customer having to contact both the gaining and losing supplier when a switch is in progress.
- That the annulments process should be permitted in circumstances where:

  Domestic customer only:

  - a customer has informed their existing supplier that they have not intentionally entered a contract with another supplier (i.e. preventing erroneous switches under SLC 14); and
  - a customer changes their mind and wishes the losing supplier to inform the gaining supplier on their behalf that they wish to remain with their existing supplier (i.e. supporting the rights of the customer under SLC 14A);

  Non-Domestic customer only:

  - a customer has informed their existing supplier that they have not intentionally entered a contract with another supplier (i.e. preventing erroneous switches under SLC 14)

That in each case, the annulment request would be actioned prior to the switch request status changing to Secured Active and the supplier must obtain the customer's explicit consent to terminate the switch.

In our view this clarification is essential to ensure industry continues to have an efficient annulment process that delivers customer requests quickly and accurately and to offer the best customer experience during the switching journey.

WHAT IMPACT IS THIS HAVING?

Inconsistent interpretations of the Annulment definition in Schedule 23 are leading to disputes between suppliers. Resolving such disputes takes up valuable time for stakeholders, including suppliers, RECCo and Ofgem.

In addition, for some cases, depending on the interpretation of the process by the supplier, we understand customers are being asked to take more than one action to stop a switch proceeding by having to contact the gaining supplier, even after they have told the losing supplier they wish to stop the switch, rather than the losing supplier using the annulment process to inform the gaining supplier of the customer's request on their behalf.

With the introduction of faster switching, there is less time for customers to undertake this additional action, and in addition, the ability for the customer to get through to the gaining supplier will likely be influenced by the performance of the gaining supplier's enquiry service. This impacts the customer switching experience.

Impact on the gaining and the losing supplier –

The SLCs allows a domestic customer to change their mind during the 14-day cooling off period without paying an exit fee and may return to their previous or a new supplier at any point during that period. If the losing supplier submits a new switch request instead of using the annulments process, this can increase operational costs for both the gaining and losing suppliers once the switch status changes to SecuredActive.

These additional costs may include:

- The customer being switched to another supplier for just a one or two day period.
- Both Suppliers processing opening and closing meter reads, billing and resolving any read disputes.
- Risk of Prepayment customers going off supply.

WHAT DO YOU CONSIDER TO BE AN EFFECTIVE SOLUTION?

An effective solution would be to update the Annulment definition implemented in 2024. This change should further emphasize the consumer focus within the switching journey and ensure consumers have the right to have switches stopped without having to contact both the gaining and losing supplier - supporting delivery of a positive customer experience in the faster switching world.

This should include:

- Clear criteria for when annulments are appropriate. Specifically:

Domestic customer only:

- Where a customer has informed their existing supplier that they have not intentionally entered a contract with another supplier (i.e. preventing erroneous switches under the obligations set out in Standard Licence Conditions 14.2(d),14.4(c) and 14.10); and
- When a customer changes their mind and wishes the losing supplier to inform the gaining supplier on their behalf that they wish to remain with their existing supplier (under the requirements set out in Standard Licence Conditions 14A.1 (b))

Non-Domestic customer only:

- Where a customer has informed their existing supplier that they have not intentionally entered a contract with another supplier (i.e. preventing erroneous switches under the obligations set out in Standard Licence Conditions 14.2(d),14.4(c) and 14.10)

In addition, that in each case the annulment request is made prior to the switch request status changing to Secured Active.

- The relevant protections for consumers: i.e. that the losing supplier must have obtained consent from the customer to terminate the switch, document the reason for the customer consenting to the annulment and retain the evidence for at least one year.
- Explicit guidance on how the losing supplier provides evidence that the process is being used appropriately and only for appropriate reasons with customer consent.

- Consistent terminology and process expectations to avoid misinterpretation by suppliers and market participants leading to disputes.

We propose following changes to the legal text:

Schedule	**Current Text**	**Proposed Text**
Schedule 1 (Interpretations and Definitions)	Annulled - means that a Registration has been annulled by the Losing Supplier pursuant to an Annulment Request where the Losing Supplier has received an instruction from the Consumer to terminate the progress of a Registration. "Annulment" and similar expressions shall be interpreted accordingly.	Annulled - means that a Registration has been annulled by the Losing Supplier pursuant to an Annulment Request where the Losing Supplier has received an instruction from the Consumer**, in accordance with section 10.1,** to terminate the progress of a Registration. "Annulment" and similar expressions shall be interpreted accordingly.
Schedule 1 (Interpretations and Definitions)	Annulment Request - means the Registration Service Request from the Losing Supplier to terminate the progress of a Registration in accordance with Paragraph 10 of the Registration Services Schedule.	[No change]
Schedule 23 (Registration Services)	10.1 A Losing Supplier must only submit an Annulment Request in respect of a Registration where the Losing Supplier has received an instruction from the	10.1 A Losing Supplier must only submit an Annulment Request in respect of a Registration where the Losing Supplier has received an instruction from the Consumer to

	Consumer to terminate the progress of a Registration. The Losing Supplier may only submit an Annulment Request prior to the Registration being Secured Active.	terminate the progress of a Registration **for the following reasons:** **Domestic customer only**: **(i) the Consumer has not entered into a contract with the Gaining Supplier and asks the Losing Supplier to prevent the Proposed Supplier Transfer from taking place; or** **(ii) the Consumer does not wish the Supplier Transfer to take place and requests that the Losing Supplier informs the Gaining Supplier on their behalf.** **Non-Domestic Customer only:** **the Consumer has not entered into a contract with the Gaining Supplier and asks the Losing Supplier to prevent the Proposed Supplier Transfer from taking place.** The Losing Supplier may only submit an Annulment Request prior to the Registration being Secured Active.
Schedule 23 (Registration Services)	10.2. A Losing Supplier which submits an Annulment Request must retain (for at least 1 year) evidence of the reason for the Annulment Request. This evidence should demonstrate the Consumer's clear instruction to the Losing Supplier to terminate the progress of the Registration.	10.2. A Losing Supplier which submits an Annulment Request must retain (for at least 1 year) evidence of the reason for the Annulment Request. This evidence should demonstrate the Consumer's clear instruction to the Losing Supplier to terminate the progress of the Registration. **That instruction may be received and obtained solely by the Losing Supplier.**

IS THERE ANY BACKGROUND INFORMATION OR CONTEXT TO THE ISSUE THAT WOULD BE USEFUL?

The annulment process was introduced as part of the faster switching programme to support the customer in taking action to prevent a switch concluding where they contact the losing supplier. However, the Annulment definition put in place at the time was ambiguous, referring to Standard Licence Conditions that in fact contained no references to the Annulment process. In November 2024, Change Proposal R0119 – Annulment Definition – was introduced to provide further guidance within REC Schedule 23, clarifying that the annulment process may be used in circumstances where the customer requests that a switch is cancelled and gives consent for the losing supplier to take action to prevent the switch progressing. By amending the wording of the Annulment definition in the REC schedule, and putting in place appropriate protections, this change considerably improved the customer experience of this otherwise neglected aspect of the faster switching journey.

The REC Schedule 1 Interpretations and Definitions document was also updated with the following definition of Annulled:

Annulled - means that a Registration has been annulled by the Losing Supplier pursuant to an Annulment Request where the Losing Supplier has received an instruction from the Consumer to terminate the progress of a Registration. "Annulment" and similar expressions shall be interpreted accordingly.

The intent of the R0119 change was to clarify the use of the annulment process for parties. However, we consider that there is value in further refining the guidance to more clearly align with the Supply Licence Conditions that govern the switching process and ensure the objective of delivering a positive customer experience at every stage of the switching journey is delivered. This change aims to clarify that whenever a customer wishes to stop a switch from taking place, then the customer can do so by instructing either the gaining or losing supplier for the following reasons:

Domestic Customer only:

- Where the customer has not entered into a contract with the gaining supplier (preventing erroneous transfers under SLC 14); and
- Where the customer has changed their mind and wishes their switch to the gaining supplier to be terminated (under SLC 14A).

Non-Domestic customer only:

Where the customer has not entered into a contract with the gaining supplier (preventing erroneous transfers under SLC 14)

This will ensure that a good customer experience is delivered by providing clarity regarding the customer not needing to take two actions (contacting both the gaining and losing supplier) to ensure their wishes are actioned in certain cases as has been the case in the past.

ADDITIONAL INFORMATION

This change refers to the Ofgem SLC 14 Customer blocking and 14A Customer transfer process and it covers the following scenarios:

Ofgem SLC 14 Customer blocking:

Where the customer has not entered into a contract with the gaining supplier (preventing erroneous transfers under SLC 14); and

Ofgem SLC 14A Customer transfer:

Where the customer has changed their mind and wishes their switch to the gaining supplier to be terminated (under SLC 14A).

DOES THIS ISSUE RELATE TO AN EXISTING ISSUE RAISED OR AN EXISTING CHANGE PROPOSAL? IF SO, PLEASE PROVIDE DETAILS OF THE ISSUE OR CHANGE PROPOSAL.

Yes, this is linked to R0119 – Annulment Definition

DO YOU BELIEVE THIS ISSUE PROPOSAL MEETS THE CRITERIA FOR 'URGENCY' AND SHOULD BE PROGRESSED UNDER AN URGENT TIMETABLE?

IF SO, PLEASE PROVIDE JUSTIFICATION?

Yes, we believe this issue should be progressed under an urgent timetable to ensure that all industry parties maintain consistent approach for the use of the Annulment process, comply with their Supplier Licence Conditions (SLC) SLC14 customer blocking and SLC 14A customer transfer process requirements and ensure that the customer journey and experience is not impacted.

ARE THERE ANY REQUIRED TIMESCALES FOR THE IMPLEMENTATION OF THIS ISSUE?

ASAP - once this change goes through a full consultation process, it should be implemented in the next available change release or a standalone change release.