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Guidance on REC Requirements for Annulments and Objections

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Performance Assurance Risk Monitoring

- REC Schedule 23 lists requirements for Suppliers in relation to the Annulments and Objections processes.
- The Code Manager monitors the rate of use of Annulments and Objections as a part of the Performance Assurance risk monitoring and reporting to the Performance Assurance Board (PAB).
- Earlier in the year, the Code Manager noted an increase in the volume of Objections despite the volume of switching remaining low. We also noted some Parties had high use of Annulments while they were not using Objections at all.
- The Code Manager has also received allegations where some Parties may not be meeting their REC obligations for these processes.
- To understand the cause for the spike, and to ensure Objections and Annulments were being in line with the Code, the Code Manager issued Request for Clarification (RFC) PATs.
- This made it clear that Parties did not consistently understand which process to use when. To help Parties understand the Code we are providing guidance to clarify when to appropriately use Objections and Annulments within the Code and have also raised a Code change to make the Code much clearer .
- This has really validated our RFC approach – where we are open to understanding the underlying cause, and do not assume the issue is caused by the Party.
- We would like to test this guidance with RIG before circulating it to all Parties.

REC requirements for Annulments

When is it appropriate to use Annulments?

REC Schedule 23, 10.1: 'A Losing Supplier must only submit an Annulment Request in respect of a Registration where the Losing Supplier is permitted to do so in accordance with its Energy Supply Licence.'

Standard Licence Conditions for Electricity and Gas Suppliers, **Condition 14.2(d)** & **14.4 (c)** allows the use of Annulments where: 'the Customer informs the licensee that they have not entered into a Contract with the proposed new Electricity/Gas Supplier and asks the licensee to prevent the Proposed Supplier Transfer from taking place.'

In summary: Annulments can **only** be used when a customer tells their existing supplier that they have not signed a new contract with a different supplier.

REC requirements for Annulments

Evidence retention requirements:

REC Schedule 23, 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.

Standard Licence Conditions for Electricity and Gas Suppliers, **Condition 14.10** requires: 'If sub-paragraph 14.2(d) or 14.4(c) applies and the licensee has agreed to prevent a Proposed Supplier Transfer at the Domestic Customer's or Non Domestic Customer's request, the licensee must keep evidence of that request and of the reasons for it for at least 12 months after the request is made.'

Please note that the Code Manager may request this evidence to validate the appropriateness of the Annulment.

REC requirements for Objections: Domestic Customers

When is it appropriate to use Objections?

REC Schedule 23, 6.1: 'A Losing Supplier may only raise an Objection where it is permitted to do so in accordance with its Energy Supply Licence.'

Standard Licence Conditions for Electricity and Gas Suppliers, **Condition 14.4 (a)** allows the use of Objections where for a Domestic Customers: 'subject to paragraphs 14.5 and 14.7, if at the time the request is made Outstanding Charges are due to the licensee from that Domestic Customer'

In summary: Objections can only be used when: the Losing Supplier has a contract with a customer, the terms of which allows them to object; or the customer has outstanding charges that do not relate to a dispute or a failure of Losing Supplier to take appropriate action and cannot be transferred to the Gaining Supplier under the Debt Assignment Protocol.

REC requirements for Objections: Non-Domestic Customers

When is it appropriate to use Objections?

REC Schedule 23, 6.1: 'A Losing Supplier may only raise an Objection where it is permitted to do so in accordance with its Energy Supply Licence.'

Standard Licence Conditions for Electricity and Gas Suppliers, **Condition 14.2(a)** allows the use of Objections where for a Non-Domestic Customer: 'the licensee's Contract with that customer for the supply of Electricity/Gas to the premises includes a term which allows the licensee to prevent the Proposed Supplier Transfer; and may be relied upon in the circumstances arising at that time'

Standard Licence Conditions for Electricity Suppliers, **Condition 14.2A** allows the use of objections for a Non-Domestic Customer: 'if at the time the request is made Non-Domestic Outstanding Charges in respect of Green Deal Charges are due to the licensee'. This is subject to **Condition 14.2B(b):** 'if the licensee knows ... the relevant Non-Domestic Outstanding Charges are made up in their entirety of a Disputed Amount and/or a Supplier Error Amount...'

In summary: Objections can only be used when: the Losing Supplier has a contract with a customer, the terms of which allows them to object; or if non-domestic customers have outstanding charges in respect of Green Deal Charges, unless the Charges are entirely due to a disputed amount/ Supplier error.

REC requirements for Objections

Evidence retention requirements:

REC Schedule 23, 6.3: 'Where a Losing Supplier raises an Objection to a Pending Registration which has been identified by the Gaining Supplier as relating to a Change of Occupier, the Losing Supplier shall keep (for at least 1 year) a record of the evidence relied upon by the Losing Supplier to justify that it has raised the Objection in accordance with its Energy Supply Licence.'

Please note that the Code Manager may request this evidence to validate the appropriateness of the Objection.