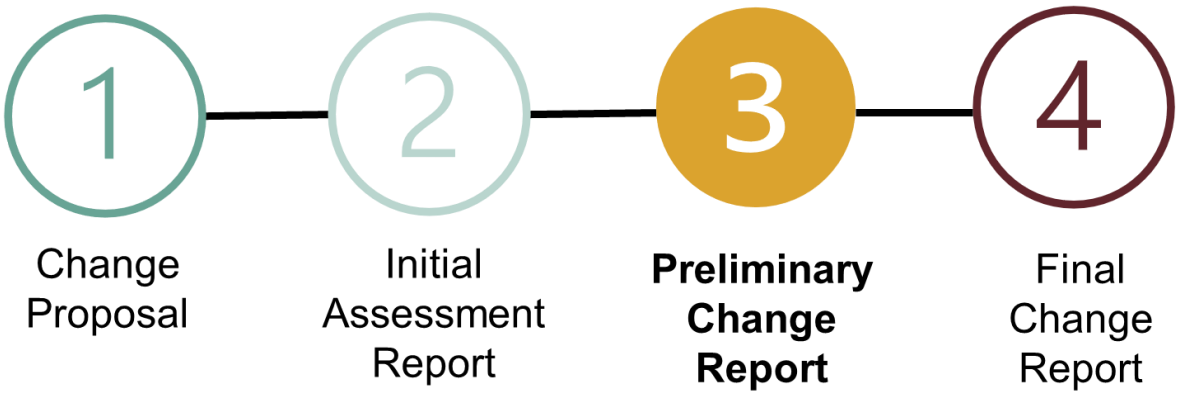
RETAIL ENERGY CODE

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Information is for public, unrestricted dissemination and publication.

PRELIMINARY CHANGE REPORT



PURPOSE:	The Preliminary Change Report is drafted by the Code Manager when a Change Proposal has a fully formed solution that has been sufficiently assessed to allow a decision to be made on whether this should be approved for implementation. The report includes a summary of the Change Proposal, details of the proposed solution and the Code Manager's view on the case for change and recommendation.
NOTES:	The report sets out the minded-to position, prior to formal consultation, and may be changed when publishing the Final Change Report.
NEXT STEPS:	The Preliminary Change Report will be issued for consultation. Following this, the Code Manager will produce a Final Change Report and the Responsible Committee will make a decision on whether to approve the Change Proposal.

PRELIMINARY CHANGE REPORT

R0023 – PREPAYMENT UNALLOCATABLE TRANSACTIONS

DOCUMENT VERSION	3.0
DATE ISSUED	08/04/2022
DOCUMENT APPROVAL STATUS	APPROVED BY RESPONSIBLE COMMITTEE

RESPONSIBLE COMMITTEE	CHANGE PANEL

LEAD ANALYST	Jonathan Holland	EMAIL
TECHNICAL LEAD	Rosalind Timperley	EMAIL

CHANGE OVERVIEW

Additional validation steps are to be added to the defined process documented in Schedule 11 – Prepayment Arrangements for the Reconciliation of gas Unallocatable Transactions.

When carrying out Unallocatable Prepayment Allocation Runs, Energy Suppliers that have exited the market will be removed from the calculations. This will ensure accuracy of the final payment amounts to the remaining active Energy Suppliers.

CODE MANAGER'S RECOMMENDATION

The Code Manager recommends Change Proposal R0023 is **APPROVED** for implementation on 30 June 2022.

	High Impact: N/A
	Medium Impact: N/A
	Low Impact: The Code Manager.

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BACKGROUND

1 SUMMARY

Consumers that have prepayment meters pay for their energy in advance by buying credit from their Energy Supplier and 'topping up' their meter with that credit. A network of service providers provides a national payment infrastructure that allows consumers to top up their meter in local shops and stores. The payment is then sent to the contracted Prepayment Meter Infrastructure Provider (PPMIP) that supports the Energy Supplier's Prepayment Meters, who then allocates the payment to the relevant Energy Supplier.

Where the PPMIP is unable to identify the correct Energy Supplier to allocate the transaction to, this becomes an Unallocatable Transaction. Energy Suppliers are required to identify Unallocatable Transactions belonging to them and rectify the issue preventing them from being allocated.

Each July, the REC Code Manager, the Central Data Service Provider (CDSP) and the PPMIP reconcile any outstanding Unallocatable Transactions that have been made before the Backstop Date (currently any transaction older than 3 years up to 1 July of each year), in accordance with the Prepayment Arrangements Schedule. These payments are then allocated to Energy Suppliers.

To receive prepayments, an Energy Supplier must have a valid contract with the PPMIP. If the contract is no longer valid or the supplier is no longer an active Energy Supplier, they should be excluded from the allocation of any Unallocatable Transactions.

When an Energy Supplier exits the market, it needs to be removed from any process steps that are completed in calculating the value of Unallocatable Transactions, thereby ensuring that the correct payment values due are based on actual market share at the time the request is made.

The process set out in Paragraph 10.8 of the Prepayment Arrangements Schedule does not consider any adjustments needed to the calculation where the PPMIP does not hold a contract with the Energy Supplier, or the Energy Supplier has exited the market. This could result in the PPMIP processing multiple payments to Energy Suppliers, to redistribute funds related to parties who no longer hold a Licence or a valid contract with the PPMIP to the active suppliers. This is inefficient and burdens the suppliers with additional costs for the PPMIP carrying out the additional payments.

2 PROBLEM STATEMENT

The process for the allocation and payment of Unallocatable Transactions, set out in the Prepayment Arrangements Schedule, does not currently consider Energy Suppliers that have exited the market or that do not have a valid contract with the PPMIP. This **could** result in the PPMIP processing multiple payments to Energy Suppliers, to redistribute funds related to parties who no longer hold a Licence or a valid contract with the PPMIP to the active suppliers**.** This is inefficient and burdens the suppliers with additional costs for the PPMIP carrying out the additional payments.

3 USER STORIES

REF.	USER STORIES
CONSUMER USER STORIES	
C1	N/A
MARKET PARTICIPANT USER STORIES	
M1	As a PPMIP, I want to receive accurate data to allow me to complete the Unallocatable Prepayment Allocation Run in a timely manner.
M2	As an Energy Supplier, I want the calculation of Unallocatable Transactions to be carried out accurately and efficiently so that I receive payments allocated to my organisation.

PROPOSAL

4 SUMMARY OF ANALYSIS UNDERTAKEN

Discussions have been held with the Gas PPMIP and analysis was undertaken to understand the current ‘as is’ process for the calculation and payment of Unallocatable Prepayment Transactions, as set out in the Prepayment Arrangements Schedule. This activity confirmed that the files sent from the PPMIP only contain Energy Suppliers who are contracted with the PPMIP at that point. After validation, this report is then shared with the CDSP via the Code Manager, to append the market share percentages. Following the return of the file from the CDSP, the Code Manger validates the data received and calculates the amounts to be paid to each Energy Supplier. The Code Manager then informs the PPMIP of the payment amount to be paid to each Energy Supplier.

The analysis confirmed there is no impact to the PPMIP or the Domestic Energy Supplier and that no changes are needed to the process steps documented under Paragraph 10.8 of the Prepayment Arrangements Schedule.

Following a review of the Prepayment Unallocatable Transaction process, and discussions held with the Gas and Electricity PPMIPs, where an Energy Supplier has gone through the Supplier of Last Resort (SoLR) process the PPMIPs are not able to make payments of any funds to these suppliers calculated as part of the Prepayment Unallocatable Payment process. Therefore, where funds which would otherwise be due to an Energy Supplier that is not trading

as of the date the market share is calculated, and no longer holds an Energy Supply Licence, those funds shall be distributed amongst the remaining Energy Suppliers based on the market shares calculated.

Paragraph 10.5 of Schedule 11 – Prepayment Arrangements already states:

> *For electricity, the Code Manager shall calculate the market share based on a daily electricity RMP count from all GSP Groups by Meter Type (to be provided by the EES Provider), and aggregate these to form a single value for market share for each Electricity Supplier.* ***Unallocatable Values are due only to Electricity Suppliers that are still trading as of the date the market share is calculated****. The Code Manager shall provide separate market share figures for each prepayment technology (e.g. token and key meters).*

5 KEY RISKS, ASSUMPTIONS, ISSUES AND DEPENDENCIES

5.1 RISKS AND ISSUES

No risks or issues have been identified that would affect the progression of the Change Proposal.

5.2 ASSUMPTIONS AND DEPENDENCIES

No assumptions or dependencies have been identified that would affect the progression of the Change Proposal.

6 PROPOSED SOLUTION

This Change Proposal is recommending alignment of the process for Gas and Electricity. It proposes, as part of the activity set out in Paragraph 10.8.3 for Gas of Schedule 11 – Prepayment Arrangements, the Code Manager removes any Energy Suppliers that are not trading, and who no longer hold an Energy Supply Licence, from the initial PPMIP file, so that those funds shall be distributed amongst the remaining Energy Suppliers based on the market share calculated.

To support this activity the below changes are to be made to Schedule 11 – Prepayment Arrangements under Paragraph 10 - Reconciliation of Unallocatable Transactions:

10.4 For gas, the CDSP shall calculate the market share in accordance with a methodology agreed between RECCo and the CDSP. Unallocatable Values ~~are due only to Gas Suppliers who have contracted with the PPMIP during the period prior to the relevant Backstop Date and~~ shall be apportioned to Gas Suppliers based on their market share during the ~~relevant~~ period from the previous Backstop Date until immediately before the most recent Backstop Date. Former Gas Suppliers who no longer hold a Gas Supply Licence at the date on which the market share is calculated, and Gas Suppliers who did not have a contract with the PPMIP (for the PPMIP's services) for some or all of the relevant period, shall be excluded from the calculation (such that the funds which would otherwise have been paid to them are distributed amongst the other Gas Suppliers).

10.5 For electricity, the Code Manager shall calculate the market share based on a daily electricity RMP count from all GSP Groups by Meter Type (to be provided by the EES Provider), and aggregate these to form a single value for market share for each Electricity Supplier during the period from the previous Backstop Date until immediately before the most recent Backstop Date. Former Electricity Suppliers who no longer hold an Electricity Supply Licence at the date on which the market share is calculated, and Electricity Suppliers who did not have a contract with the PPMIP (for the PPMIP's services) for some or all of the relevant period, shall be excluded from the calculation (such that the funds which would otherwise have been paid to them are distributed amongst the other Electricity Suppliers).~~Unallocatable Values are due only to Electricity Suppliers that are still trading as of the date the market share is calculated.~~ The Code Manager shall provide separate market share figures for each prepayment technology (e.g. token and key meters).

A legal review of the proposed legal text has been completed; this did not result in any changes to the proposed drafting.

7 DRAFT LEGAL TEXT

The legal text changes to deliver the proposed solution to R0023 can be found here.

8 PROPOSED IMPLEMENTATION DATE AND APPROACH

PROPOSED IMPLEMENTATION DATE	30 June 2022

PROPOSED IMPLEMENTATION APPROACH	BIG BANG

The Reconciliation of Unallocatable Transactions process is due to start in July 2022, therefore it is proposed that this Change Proposal is implemented on 30 June 2022, ahead of the process starting.

9 CHANGE PATH

CHANGE PATH	SELF-GOVERNANCE

10 RESPONSIBLE COMMITTEE

RESPONSIBLE COMMITTEE	CHANGE PANEL

11 BUSINESS CASE ASSESSMENT

The intention of this Change Proposal is to set out clear guidance on what happens when Energy Suppliers have exited the market at the time the market share is calculated for the Unallocatable Transactions Reconciliation activity.

Making this proposed change to remove an Energy Supplier that is no longer trading as at the date the market share is calculated and who no longer holds an Energy Supply Licence will ensure the PPMIP can successfully process all payments instructed to them by the Code Manager, without delay. It also removes the need for any recalculations and redistribution of funds when payments cannot be made.

Analysis of this Change Proposal has not identified any material costs or impacts to the PPMIP, CDSP or the Code Manager.

12 CASE FOR CHANGE

The Code Manager considers that there is a case for change to implement this Change Proposal, on the basis that:

- The proposed solution is fully formed and appropriately resolves the problem statement.
- A positive business case can be made, as set out in section 11 of this report.
- No legal risk or challenge has been identified.
- Alignment of the process for both Gas and Electricity.
- Failure to implement the proposed changes will result in recalculations by the Code Manager and then the redistribution of funds when payments cannot be made. It will also result in unnecessary delays to the process and the payments being made to Suppliers.

13 CODE MANAGER'S RECOMMENDATION

Based on the evidence in sections 11 and 12 of this report, the Code Manager considers a positive business case can be made for implementing this solution and recommends that the Metering Expert Panel:

- **APPROVE** the proposed change solution;
- **APPROVE** the proposed implementation approach; and
- **APPROVE** the proposed implementation date of 30 June 2022

14 CONSULTATION PLAN AND NEXT STEPS

The consultation on this Preliminary Change Report for R0023 will be published on the REC Portal on **25 April 2022**. Consultation closes on **17 May 2022.**

Following consultation, the Code Manager will produce an updated version of this Preliminary Change Report (referred to as the Final Change Report). This will include the outcome of the

consultation, setting out a summary of the consultation submissions and the Code Manager's response.

The Final Change Report will be issued to the Change Panel to make its determination.

15 APPENDIX

CHANGE PROPOSAL	Link
LEGAL DRAFTING	Link to EMAR