RETAIL ENERGY CODE

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INITIAL ASSESSMENT REPORT



PURPOSE:	This is a written report from the Code Manager setting out their initial assessment of the Change Proposal and planned next steps for progressing the proposal.
NOTES:	The Initial Assessment Report is accompanied by a Change Proposal Plan, which describes the Code Manager's plan for progressing this Change Proposal. The solution will not be finalised until the publication of the Preliminary Change Report.
NEXT STEPS:	The Change Proposal Plan will set out the next steps for progressing this Change Proposal. The Code Manager will either propose additional activities to develop and/or assess the solution, or immediately prepare and publish the Preliminary Change Report.

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01	Initial Assessment Report
02	Preliminary Change Report
03	Final Change Report

INITIAL ASSESSMENT REPORT

R0037 – PREPAYMENT CREDIT BALANCE & DEBT TRANSFER PROCESSES

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DOCUMENT APPROVAL STATUS	APPROVED BY REC CHANGE PANEL
RESPONSIBLE COMMITTEE	REC CHANGE PANEL

CHANGE OVERVIEW

This Change Proposal seeks to develop an agile, efficient, Consumer-centric solution for the transfer of credit or debt balance as part of a smart prepayment Switch, with aligned improvements to non-smart processes.

	High Impact: N/A
	Medium Impact: Suppliers
	Low Impact: N/A

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1 SUMMARY

This Change Proposal has been raised to review the process for domestic debt transfers as part of a prepayment Switch, and to review the mechanisms for the transfer of credit balances as part of a smart prepayment Switch, with the aim of developing a more efficient process.

The Debt Assignment Protocol (DAP) process is regarded within the industry as complex and cumbersome. There is a high dropout rate in the process which could be considered a barrier to prepayment Consumer switching. The intention of the DAP when it was created was to enable switching for indebted prepayment Consumers. Despite automation and streamlining implemented in 2019, DAP does not seem to be resulting in successful Switches to the extent that was expected. This is particularly concerning because of the number of Consumers in a vulnerable situation that are potentially being impacted. The Code Manager is currently carrying out assurance activities to understand performance under the DAP in more detail.

Domestic Consumers with Smart Meters operating in prepayment mode currently have any credit (calculated at the Switch date) refunded to them by the Losing Supplier. A refund can take up to 2 weeks after the final account position is determined - which can be up to 6 weeks after the Switch itself. The Consumer must top up the meter with the Gaining Supplier once the Switch has completed. This can create a short term cashflow issue for Consumers, particularly those in fuel poverty, which Consumers may see as unreasonable. This change seeks to develop a solution that ensures that Consumers maintain access to their money and/or credit as much as possible during a Switch. Under the current economic conditions, with the associated increasing energy prices, this has increased importance.

This change recognises that the DAP process was not designed for, nor has it been reviewed, to specifically consider Smart Meters. In addition, neither the debt nor credit balance transfer process has been reviewed in light of the changes being introduced by the Switching Programme.

Initial assessment of this Change Proposal has identified that prepayment disengagement is a wider issue to which debt and credit balance transfers may be contributing factors. This needs to be understood further to ensure progression of this Change Proposal is appropriately informed.

2 PROBLEM STATEMENT

The process for debt transfer on a Switch for domestic prepayment Consumers is neither fit for purpose nor Consumer-centric. Recent Performance Assurance analysis has shown that only around 15% of DAPs initiated result in a successful Switch after 28 Working Days. The root cause of this needs to be better understood and addressed.

There is currently no mechanism to transfer credit balances when a Switch occurs, and Consumers are having to wait for any credit on their meter to be refunded. This is not occurring until a number of weeks after they have had to top up with their new Supplier, meaning there is a period of time when their money/credit is not available to them.

The debt transfer and credit refund processes have not been reviewed since smart prepayment has become common place. The Switching Programme may result in increased Consumer switching which will in turn increase the occurrence of any existing negative impacts on

Consumers. The processes need to be reviewed, taking the current market conditions into consideration, to ensure prepayment Consumers' interests are reflected in switching arrangements.

3 USER STORIES

REF.	USER STORIES
CONSUMER USER STORIES	
C1	As a prepayment Consumer, I want to be able to switch Supplier easily and efficiently so that I can access the tariff best suited to my needs and preferences, including when I have a debt with a value allowed under the DAP.
C2	As a prepayment Consumer I want any balance on my meter to be transferred as efficiently as possible when I switch Supplier so that I am in control of my energy budget.
C3	As a prepayment Consumer, if I have recently topped up my meter before I switch Supplier, I want to be able to continue to access the credit on my meter, so I don't have to top up again with my new Supplier.
MARKET PARTICIPANT USER STORIES	
M1	As a Gaining Supplier, I want to provide an easy and efficient process for prepayment Consumers to switch to me whether they have debt or credit on their meter to ensure they have a positive switching experience
M2	As an Energy Supplier, I want to be able to facilitate prepayment Consumers to switch Supplier when they have a transferable debt so that they can take advantage of a competitive market
M3	As an Energy Supplier, I want a process to make credit available to a Consumer as quickly as possible during a Switch so that they can use it in their new Supply arrangement without having to make further top up payments
M4	As the REC Code Manager, I want a transfer of debt or credit balance process that is fit for purpose for all prepayment Consumers to ensure fair access to the market
M5	As the REC Code Manager, I want to be able to measure the effectiveness of the debt or credit balance process so that any risks facing Consumers or REC parties can be managed.

4 IMPACTS

REC PARTIES AND SERVICE USERS
Energy Suppliers

REC SERVICE PROVIDERS
Secure Data Exchange Service

CONSUMERS
Electricity Consumers
Gas Consumers
Prepayment Consumers

REC DOCUMENTS / PRODUCTS
Prepayment Arrangements Schedule
SPAA Transition Schedule
MRA Transition Schedule
Data Item Catalogue
Market Message Catalogue • MM40003 (G0806) • MM40004 (G0807) • MM40005 (G0808) • MM40006 (G0309) • MM00248 (D0306) • MM00249 (D0307) • MM00250 (D0308) • MM00251 (D0309) • MM: Switch Request • MM: Switch Request Registration Service Request Status • MM: Registration Validation Notification • MM: Registration Status • MM: Switching Intervention • MM: Invitation to Intervene

RECCO AND REC CODE MANAGER
RECCo
REC Code Manager

Under REC V3.0 the Debt Assignment Protocol will transfer from the MRA and SPAA Transition Schedules to the Resolution of Consumer-Facing Switching and Billing Problems Schedule and this will become the impacted Schedule.

This Change Proposal has been raised without a proposed solution; however it is expected that any solution identified during the solution analysis and development activity will impact the switching process for Smart Meters operating in Prepayment mode and the DAP process.

Depending on the changes made to the DAP process, there may be consequential impacts on the Secure Data Exchange Service.

Initial assessment has recognised that an initial phase of analysis is required to understand the wider context in which these processes fit. Consideration will be given to the Subject Matter Expert (SME) support that may be required during the development phase.

Depending on the solution developed there may be additional impacts to:

- the Central Switching Service
- the CSS Service Provider
- the Interpretations and Definitions Schedule
- the Performance Assurance Reporting Catalogue

4.1 CROSS CODE IMPACTS

This Change Proposal looks at processes that directly link with switching arrangements and Smart Metering functionality. The change also needs to consider how values on a Smart Meter in prepayment mode may interact with new settlement arrangements under Market-wide Half Hourly Settlement. No specific cross code impacts have been identified at this stage.

The Cross Code Steering Group will need to be kept informed of progress of the Change Proposal through analysis and solution development so that cross code impacts can be identified at the earliest opportunity. Cross code collaboration and engagement can then be appropriately managed.

5 CHANGE PATH AND RESPONSIBLE COMMITTEE

CHANGE PATH	AUTHORITY DETERMINED
RESPONSIBLE COMMITTEE	REC CHANGE PANEL

This Change Proposal is likely to impact a number of Category 1 REC Schedules. We propose therefore, that the Responsible Committee for this Change Proposal should be the REC Change Panel (REC CP).

We propose that this change will require Authority determination due to the intended material impact for domestic prepayment Consumers.

6 PRIORITY STATUS AND URGENCY

PRIORITY STATUS	LOW
URGENCY	STANDARD

The Priority Status for this Change Proposal has been assessed as ‘Low’ based on a ‘Significance’ score of 1 and an ‘Urgency’ score of 0. This is broken down as below:

Significance:

- Consumer Impacts – score of 2 to reflect a moderate improvement to the prepayment Consumer switching experience for both Consumers with a credit balance and those

who have debt on their meter. Consumers will be able to better engage in the Energy market to access competitive tariffs and customer service.

- Operational Efficiency – score of 2 to reflect a moderate improvement to the processes operated by Suppliers to transfer credit or debt balances when a prepayment Consumer switches Supplier.

Urgency:

- This Change Proposal has been given an urgency score of 0 to reflect that this change has no urgent requirements or dependencies for the change to be progressed immediately.

PRIORITISATION MATRIX

Significance	Score	Weighting
Legal/Regulatory Compliance	0	30
Strategic Direction	0	20
Cost Benefits / Value	0	10
Consumer Impacts	2	30
Operational Efficiency	2	10

Urgency				
3	N/A	13	23	33
2	02	12	22	32
1	01	11	21	31
0	00	10	20	N/A
				Significance

Weighted Significance Score	1
Urgency	0
Overall Priority Score	**10**
Effort	2 - High

Priority Score	Priority Status
23 - 33	Critical
13 - 22	High
11 - 21	Medium
00 - 10	Low

PRIORITY STATUS
Low

7 SUMMARY OF CHANGE PROPOSAL PLAN

We have assessed the priority status of this proposal as Low, and therefore consider there is no immediate urgency to progress this Change Proposal to solution development while the industry focuses on CSS go-live and the current volume of higher priority change in the work plan.

Before this Change Proposal can be planned in detail, we believe that there is a need to carry out initial analysis to ensure the understanding of the wider context in which this Change Proposal sits. This would cover switching in the prepayment market, Smart Metering progress in relation to prepayment, the potential impacts of Central Switching Service go-live, the priorities and requirements of domestic prepayment Consumers and the priority of this area in the industry. This analysis would include better understanding of volumes and the monetary values associated with refunds during smart prepayment Switches. Further to this we believe that it is appropriate to allow the DAP assurance activity to be completed by the Code Manager.

We propose that the initial analysis is undertaken by the Code Manager with support from industry and Consumer subject matter experts (SMEs). An approach for development of an agile, efficient, Consumer-centric solution for smart with aligned improvements to the non-smart processes can then follow.

	FROM	TO
INITIAL ANALYSIS PERIOD	01/05/2022	30/06/2022
PRESENT UPDATED CHANGE PROPOSAL PLAN TO CHANGE PANEL	19/07/2022	19/07/2022

8 GLOSSARY

TERM	DEFINITION
Central Switching Service (CSS)	means the Systems and processes that are to be developed by (or the development of which will be procured by) the CSS Provider pursuant to the Transition Schedule in order to deliver the services which will become the Address Management Service and the Registration Service.
CSS Provider	means the DCC when performing functions under or in relation to this Code (but always excluding its functions under the Smart Energy Code and its roles as CSS Systems Integrator, SI Provider and Switching Operator), including in respect of the Central Switching Service and including in effecting the design, build and testing of any System that will allow it to perform functions under this Code after the CSS Go-Live Date. This role is the CSS Procurer and Manager function as described in the E2E Data Migration Plan, E2E Integration Plan, E2E Post Implementation Plan, E2E Testing Plan, E2E Transition Plan: Implementation Approach and E2E Transition Plan: In-Flight Switches Approach.
Debt Assignment Protocol (DAP)	means the Debt Assignment Protocol described in the SPAA Transition Schedule and the MRA Transition Schedule.
Gaining Supplier	means, in relation to a proposed Switch (or Switch), the Energy Supplier which is proposing to become the Registered Supplier at a Registered Meter Point (RMP) as a result of that proposed Switch (or which has become the Registered Supplier as a result of that Switch).
Losing Supplier	means, in relation to a proposed Switch (or Switch), the Energy Supplier which will cease to be the Registered Supplier at an RMP as a result of that proposed Switch (or which has ceased to be the Registered Supplier as a result of that Switch).
Performance Assurance	means the activities undertaken by the Code Manager and the REC PAB in accordance with the Performance Assurance Schedule.
Retail Energy Code (REC)	means this Code, including its Schedules and the Technical Specification, maintained pursuant to the electricity supply licences granted under the Electricity Act 1989 and the gas supply licences granted under the Gas Act

	1986, as such code is modified from time to time in accordance with its provisions
Secure Data Exchange Service (SDES)	means the service described in the SDES Service Definition.
Smart Meter	means a meter which conforms (or is intended to conform) with the SMETS.
Subject Matter Expert(s) (SME(s))	means the individual(s) or organisation(s) contracted by RECCo and selected by the Code Manager for the purposes of analysing Change Proposals.
Switch	means a change to the Registered Supplier for an RMP.
Switching Programme	means the programme established by the Authority to implement new switching arrangements in retail energy markets.
Vulnerable	means a Domestic Consumer who, due to their Personal Characteristics or Circumstance, or otherwise being in a vulnerable situation, may require Priority Services or additional support. In which context, Personal Characteristics or Circumstance include: (a) the Domestic Consumer being of Pensionable Age; or, (b) the Domestic Consumer being chronically sick, or having an impairment, disability, long term medical condition (including a visual, auditory, literacy or mobility impairment), or severe financial insecurity (such that they are unable to safeguard their personal welfare of the personal welfare of other members of the household). “vulnerable consumer”, “vulnerability”, “vulnerable situation” and other cognate expressions shall be construed accordingly.