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NON-CONFIDENTIAL CONSOLIDATED CONSULTATION RESPONSES

R0037 – PREPAYMENT CREDIT BALANCE AND DEBT TRANSFER PROCESS

On 02 May 2024 the Code Manager issued a Request for Information to industry to seek feedback for R0037 Prepayment Credit Balance and Debt Transfer Process.

The purpose of this document is to consolidate the responses and for the Code Manager to answer any questions raised within those responses.

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RESPONSIBLE COMMITTEE	Change Panel
LEAD ANALYST	Caroline Freimuller

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RESPONSE DEADLINE	31/05/2024

Question 1:	It has been raised that taking on a large number of Customers with debt at/around the DAP threshold (currently £500) using this process could cause a Supplier financial difficulty. Is this something you are concerned about?	
RESPONDENT DETAILS	**RESPONSE**	**CODE MANAGER COMMENTS**
E.ON Next (Energy Supplier)	The debt would be repaid by the customer at the agreed weekly amount, we have processes in place to support our customers if they show signs of vulnerability or are struggling to keep the meter topped up. The volume of customers who successfully complete the DAP debt process is low across the industry therefore it would not be a concern at the current DAP completion rate. There could be an impact on our overall debt position should the volumes increase. If volumes increase significantly then we would review it at this time. We do recognise that for smaller Suppliers an increase could impact their financial position within the market.	Thank you for your comments, noted.
SSE Energy Supply Ltd (Energy Supplier)	N/A	N/A
Anonymous (Energy Supplier)	The financial impact of this proposal on suppliers should be assessed in a detailed and formal way, with the outcome decision being based on data, rather than general opinions and anecdotal evidence. Current engagement rates in the process are low, however this could increase if market conditions change, resulting in serious unintended financial	Thank you for your comments, noted. This solution is the best solution the Code Manager and Proposer have come up with to

	consequences to suppliers. We agree the current process is not fit for purpose for customers with a Smart meter and should be reviewed in a holistic way to ensure it drives the desired outcomes.	resolve the problem statement and fix the Consumer detriment. There is no way for the REC to do this data analysis as it would involve requesting confidential commercial data from Suppliers. The Code Manager can and has made suggestions for Suppliers to feedback on, and if there is any data Suppliers would be happy to share the Code Manager can review that.
Scottish Power Energy Retail Ltd (Energy Supplier)	We do have some concerns regarding the financial impact on suppliers of this change proposal relating to debt, most notably the challenges in establishing accurate estimates of credit and debt balances for customers at the date of change of supply. In the current environment, suppliers are particularly challenged by growing bad debt levels, and if this solution were to create potential for increasing bad debt risk, which appears to have been a risk raised to REC within this process, we agree that it could create potential to cause suppliers financial uncertainty.	Thank you for your comments, noted. The expectation is that the Losing Supplier reads the actual credit and debt balance as close to the Switch as possible, so this should not be estimated other than by exception. The Code Manager understand that Suppliers have growing debt positions, however this solution does not increase the amount of debt within the industry but changes with which Supplier it is sat. This change is aiming to reduce significant Consumer detriment in the Smart Prepayment space.

Question 2:	To lower the financial risk to Suppliers, it is possible for a lower debt threshold to be used (£150 has been suggested) which could be upped after the process has been live and tested. However, this would involve a new Change Proposal being raised. Do you see benefit in this option?	
RESPONDENT DETAILS	**RESPONSE**	**CODE MANAGER COMMENTS**
E.ON Next (Energy Supplier)	Treating customers fairly is important and we should do everything to enable customers to switch suppliers as easily as possible. We recognise that lowering the debt transfer amount to £150 would benefit some suppliers and customers. The amount of £500 seems a fair threshold amount. This is a complex and expensive process for Suppliers lowering the thresholds could potentially add additional costs to suppliers. The Debt and credit transfer amount should be the same (£500) and not differ as this adds complexity to the processes. In some instances vulnerable customers could receive credit grants from charities and Energy companies that pay amounts directly onto the customers energy bill. This amount can vary but reducing the credit amount to £150 would cause some vulnerable customers to have more than £150 on the account. This would delay the customer receiving the money and cause them to have to top up their account with the new supplier when they have not got the funds to do so.	Thank you for your comments, noted.
SSE Energy Supply Limited (Energy Supplier)	N/A	N/A
Anonymous (Energy Supplier)	As stated above, the debt threshold should be determined based on data to ensure the process is fit for purpose and drives sustainable outcomes for customers and suppliers.	Thank you for your comments, noted. Please see comments in response to question 1.

Scottish Power Energy Retail Ltd (Energy Supplier)	No. While we understand the reasoning for a lower threshold with respect to debt transfer through this process, we continue to be concerned that this change proposal will introduce unnecessary complexity to processes with little consumer benefit and indeed potential unintended consequences. In our response to the IA in March this year, we raised concerns regarding the potential for complexities from having multiple processes in place for prepayment change of supply. The proposal to implement different debt thresholds for this process to those for DAP would further add to those complexities and, we think, create potential risk for consumers choosing to switch through this process. As noted in our previous response, we do not think it is appropriate to progress any change to the prepayment Change of Supplier (CoS) process at this stage in the evolution of smart prepayment roll out; there are still too many uncertainties over how the proposed solution would work in practice and in a manner that does not present risk both to consumers and suppliers. Instead, the proposed solution should be revisited once MHHS is properly embedded and the smart prepayment roll out fully established, as that will allow a more robust assessment of the most appropriate route to support and protect smart prepayment customers during CoS.	Thank you for your comments, noted. The Code Manager particularly notes the preference to leave the threshold at £500 to avoid Consumer confusion. While this change isn't directly linked to MHHS, because it makes amendments to CSS Market Messages it may not be implemented until after MHHS Qualification is completed. This will be validated with the MHHS program.

Question 3:	If a debt threshold lower than DAP was used, would you agree that debt higher than this process but within the DAP threshold should follow the DAP process?	
RESPONDENT DETAILS	**RESPONSE**	**CODE MANAGER COMMENTS**
E.ON Next (Energy Supplier)	All processes and thresholds should be the same amount £500 is a reasonable maximum credit or debit amount. Having different amounts for each process could confuse customers and make it more difficult for suppliers to manage.	Thank you for your comments, noted.
SSE Energy Supply Limited (Energy Supplier)	N/A	N/A
Anonymous (Energy Supplier)	Please reclarify this question – we are not clear.	The Code manager has emailed the respondent.
Scottish Power Energy Retail Ltd (Energy Supplier)	As we note in our response to Question 2, we consider this change would introduce significant additional complexity into the CoS process, both for consumers and suppliers, and creates a significant risk of consumer detriment through having multiple processes.	Thank you for your comments, noted.

Question 4:	If it is required that Suppliers submit evidence they can send/receive the amended CSS Market Messages, DTN Market Messages and have updated their operational processes, what lead time would you require?	
RESPONDENT DETAILS	**RESPONSE**	**CODE MANAGER COMMENTS**
E.ON Next (Energy Supplier)	We have two systems that will need to be updated to enable us to implement this change. ESG uSmart platform will need XSD changes to the files to specify the payment mode so uSmart can identify the new payment mode. Depending on the complexity of the change required for this potentially we will require a 6 month lead time to implement. Our billing platform would require a lead time of 2 to 3 months to implement the suggested changes to the process. Once the system changes have been implemented we would expect it to be around 1 month for testing and implementation. The total lead time we would need to successfully implement this would be 7 - 8 months.	Thank you for your comments, noted.
SSE Energy Supply Limited (Energy Supplier)	We do not agree with this approach, we have never been asked to provide evidence to prove that we are able to send and receive such messages and we will not be doing so. The vires of the Performance Assurance is to ensure we are following our obligated processes, this does not extend to proving that we can do so prior to the obligation coming into force.	Thank you for your comments, noted. The Change Team has reached out to Performance Assurance and the Code Manager has confirmed it will not be a requirement for all Suppliers to submit this evidence.

	Should PA wish to explore this approach, changes would be required to Schedule 6, which we believe would require Authority approval.	
Anonymous (Energy Supplier)	The proposed solution seeks to introduce changes to several of our business processes and system design. We made an assumption on the level of detail required to be provided, that it will require an example of functionality from the key systems to demonstrate that we are able to send and issue the data flows and updated CSS messages. Based on this assumption, we recommend that a 60-calendar day lead time is given before implementing the solution so that Suppliers can meet this requirement. This based on working closely with our Service providers such as Flui, AWS and Kraken to co-ordinate and mobilise the test evidence and our internal Development teams. We would welcome clarification in terms of the evidence required to demonstrate compliance with this change.	Thank you for your comments, noted. The Change Team has reached out to Performance Assurance and the Code Manager has confirmed it will not be a requirement for all Suppliers to submit this evidence.
Scottish Power Energy Retail Ltd (Energy Supplier)	Although we note REC Schedule 9 (11.5) states that "*...the Code Manager shall provide advice and guidance regarding compliance with this Code to REC Service Users intending to make significant changes to their Systems and processes",* energy suppliers do not seem compelled to seek such advice or guidance. We would be pleased, therefore, if you could identify the legal vires of the REC that could *'require'* such submission. In any case, the impact of the changes set out in this proposal would not be categorised as *'significant'* in respect of core system processing; the real complexity is in embedding the proposed solution in the already complex orchestration of the CoS process. Given the pre-existing change diet, which includes Market-wide Half Hourly Settlement, we estimate implementation would require a minimum of twelve to eighteen months before we could demonstrate that we could send/receive the amended CSS and DTN Market Messages and have updated our operational processes.	Thank you for your comments, noted. The Change Team has reached out to Performance Assurance and the Code Manager has confirmed it will not be a requirement for all Suppliers to submit this evidence.

Question 5:	If it is required that Suppliers submit evidence they can send/receive the amended CSS market messages, DTN market messages and have updated their operational processes, what costs would be incurred to your business (financial, recourse etc)?	
RESPONDENT DETAILS	**RESPONSE**	**CODE MANAGER COMMENTS**
E.ON Next (Energy Supplier)	Depending on the level of detail you are requiring suppliers to submit and what level of documentation you would require would depend on the cost we would be charged by ESG and our billing platform. We are not able to provide this information at this stage. There would be a need to set up a project to manage the change. This change is likely to need additional operational FTE to manually work these which would need to be incorporated into our annual budget. Estimated costs to implement and maintain this process change are below FTE increase £125,000 - £140,000 Project costs would be between £200k-£250k based on 8 month lead time to deliver.	Thank you for your comments, noted.
SSE Energy Supply Limited (Energy Supplier)	As we have answered to Q4, this goes above and beyond the vires of PA. There are no set procedures within the Qualification and Maintenance schedule which enables PA to request such information unless this is at the point of Entry Assessment or Annual Maintenance, both of which industry changes are not covered within these. Again, should PA wish to explore this approach, changes would be required to this schedule.	Thank you for your comments, noted. The Change Team has reached out to Performance Assurance and the Code Manager has confirmed it will not be a requirement for all Suppliers to submit this evidence.
Anonymous (Energy Supplier)	We interpret Question 5 above as only calling out the effort for submitting evidence we can receive and send amended CSS market messages. EDF is currently in the analysis phase of the proposed	Thank you for your comments, noted.

	solution and therefore cannot provide accurate costs associated with the proposal or the evidence collecting. As mentioned in Question 4, we made an assumption regarding the level of information required to provide evidence, namely screenshots from our test/production environments for the CSS messages and the new data flows. If our assumption is correct, then we would expect the effort to be Medium as it would require coordination and resource to capture the information from the core systems, as well as evidence of our business process readiness. There may be some small financial costs for our service partners to provide evidence, depending on the specifics/granularity required. There will also be effort from our core IT team to manage and coordinate the required evidence.	
Scottish Power Energy Retail Ltd (Energy Supplier)	See our comments in response to Q4, re provision of evidence. We would not be able to provide any information on costs at this time, but the lead time indicated above should offer some indication as to their likely extent.	Thank you for your comments, noted.

Question 6:	To avoid issues with credit running out over the Switch and before the Gaining Supplier has connected to the meter, should the Losing Supplier be mandated to update the meter to not disconnect when the credit runs out?	
RESPONDENT DETAILS	**RESPONSE**	**CODE MANAGER COMMENTS**
E.ON Next (Energy Supplier)	Yes we agree this would be the right action to take to protect the customer	Thank you for your comments, noted.
SSE Energy Supply Limited (Energy Supplier)	N/A	N/A
Anonymous (Energy Supplier)	Customer experience should be the priority when designing how this process should work for customers with Smart meters. Firstly, it's crucial that the process (by design) does not put a customer at risk of disconnection, which could have serious consequences to the safety and experience of customers going through the switching process. This could also result in prepayment customers deciding not to switch suppliers at all. Secondly, the process for invoicing and recovering any debit balance incurred as a result of the switching process must be simple and transparent to both customers and suppliers and should be clearly communicated to customers entering into the process so there are no surprises or unexpected costs.	Thank you for your comments, noted. The Code Manager is of the opinion that the introduction of this would minimise the risk of Consumers disconnecting over or shortly after the Switch due to running out of credit.
Scottish Power Energy Retail Ltd (Energy Supplier)	We agree that there are risks within the proposed process that could lead to customers self-disconnecting. However, we believe the concerns relate to wider issues than simply the existing credit on the meter running out, for example, issues relating to communication with the meter, and the mandating of friendly non-disconnect would not resolve those issues as the gaining supplier may be unable to communicate with the meter to ensure the non-disconnect function was triggered.	Thank you for your comments, noted. The Code Manager is of the opinion that the introduction of this would minimise the risk of Consumers disconnecting over or shortly after the Switch due to running out of credit.

	Our view remains that this proposal should not be progressed until the smart prepayment roll out is further embedded, and MHHS has been fully implemented. At that stage, we consider it would be necessary to reconsider the most appropriate option to support smart prepayment customers switching supplier with credit and debit, rather than automatically progressing with this option without further assessment.	It is clear in the legal text for this change that if there are known communication with the meter, then this process should not be used. The Code Manager welcomes any alternative suggestions or solutions that any Supplier would deem more appropriate that what is being proposed under R0037.

Question 7:	Do you have any other comments relating to this Change Proposal?	
RESPONDENT DETAILS	**RESPONSE**	**CODE MANAGER COMMENTS**
E.ON Next (Energy Supplier)	We acknowledge that you have recognised that should this change be approved then it would be implemented after the Market Wide Half hourly programme has been completed. There will be an 18 month migration period and with any large programme of work there is a further 6 to 8 month hypercare period following the migration completion. We would not be able to guarantee that our partners could resource this project until after the hypercare period has ended. It would be the same developers that are currently working in MHHS that would be required to implement this change.	Thank you for your comments, noted.
SSE Energy Supply Limited (Energy Supplier)	N/A	N/A
Anonymous (Energy Supplier)	As stated above, we feel the process should be reviewed holistically to ensure it is fit for purpose for the future (Smart) as opposed to trying to adapt a legacy process that simply does not work in a Smart meter industry. Customer experience should be carefully considered at every step of the process and learnings should be taken from the legacy process to ensure the industry does not continue to fall foul to the historical issues and problems resulting from this process. Decisions on financial thresholds should be based on actual data to ensure and decisions do not unduly put suppliers into financial difficulty.	Thank you for your comments, noted.

Scottish Power Energy Retail Ltd (Energy Supplier)	Nothing further at this point that is not covered in other responses.	N/A