RETAIL ENERGY CODE

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

INITIAL ASSESSMENT REPORT

R0057 – CLARIFICATION OF SUPPLIER OF LAST RESORT OBLIGATIONS UNDER THE REC

DOCUMENT VERSION	V1.0
DATE ISSUED	07/10/2022
DOCUMENT APPROVAL STATUS	APPROVED

RESPONSIBLE COMMITTEE	CHANGE PANEL	CHANGE PATH	SELF GOVERNANCE
PRIORITY STATUS	MEDIUM	URGENCY	STANDARD

DEADLINE FOR ALTERNATIVE CHANGE PROPOSALS	27/01/2023

LEAD CHANGE ANALYST



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CHANGE OVERVIEW

Within Schedule 19 – Market Exit and Supplier of Last Resort there is currently no consideration of circumstances where the Replacement Supplier is unable to fulfil its REC obligations in respect of Consumers transferred to them, due to them having little or no control over the processes of the failed supplier or it's administrator.

This change seeks to define when the Replacement Supplier is responsible for obligations relating to the Consumers gained through a Supplier of Last Resort (SoLR) Process.

	High Impact: N/A
	Medium Impact: Energy Suppliers
	Low Impact: Metering Equipment Managers, Data Collectors, REC Performance Assurance Board

1 BACKGROUND

When a Replacement Supplier is appointed during the SoLR Process, it is usually the case that the systems and processes of the failed Energy Supplier will be operated by an administrator. The administrator, whose primary focus is the wrap up of operations and closure of failed Energy Supplier, is not always able to help resolve queries from the Replacement Supplier.

Section 5.1 (b) of Schedule 19 – Market Exit and Supplier of Last Resort, currently states that the Replacement Supplier is responsible for all obligations assigned to the Registered Supplier or its Supplier Agents as set out within the Code, from the date and time set out in the Last Resort Supply Direction.

This does not consider any limitations the Replacement Supplier may have in meeting any REC obligations, for processes such as in flight Erroneous Switches, Disputed Switch Meter Readings, or Performance Assurance reporting. In the period prior to Consumer accounts being migrated from the failed Energy Suppliers' systems to those of the Replacement Supplier, the limitations experienced by the Replacement Supplier can be significant. The Replacement Supplier will often not have contracts in place with the Supplier Agents appointed by the failed supplier, causing further disruption to these processes.

This issue was raised during the development of legal text in the Switching Programme; however, it was decided that changes to the obligations unrelated to switching were out of scope, and to be raised later as part a REC Change Proposal. During this time two possible solutions were considered:

- Changes to Schedule 19 – Market Exit and Supplier of Last Resort to change the wording to introduce the principle of "best endeavours" to the obligations for Replacement Suppliers.
- Changes to the REC Performance Assurance Board (PAB) Terms of Reference or Schedule 6 – Performance Assurance to allow it to consider the context of a SoLR, as mitigation where a Replacement Supplier might be failing an obligation.

2 PROBLEM STATEMENT

Currently, Replacement Suppliers are responsible for all obligations of the failed supplier from the date and time set out in the Last Resort Supply Direction, this includes a period of time prior to Consumer accounts transferring to the Replacement Supplier's systems, limiting their ability to fulfil these obligations.

This means that a Replacement Supplier may experience issues with the Performance Assurance obligations for which they are responsible, but do not have direct control over.

Any breaches of obligations by a Replacement Supplier need to be considered fairly and any limitations the Replacement Supplier may face are taken into consideration.

3 USER STORIES

REF.	USER STORIES
CONSUMER USER STORIES	
C1	As a Consumer when my Energy Supplier goes out of business and I am transferred to a Replacement Supplier, I want my supply transfer to be handled quickly and have confidence that my new Supplier has all the necessary data to set up my account and bill me correctly from the transfer date, and if the Replacement Supplier fails to provide the expected level of service they will be appropriately held accountable.
MARKET PARTICIPANT USER STORIES	
M1	As a Replacement Supplier, I want the limitations affecting my ability to meet my REC obligations to be understood by the REC Code Manager and the Performance Assurance Board, so that any breaches of obligations are considered fairly and any limitations are taken into consideration.
M2	As the Code Manager I want to apply appropriate and proportionate Performance Assurance Techniques, taking in to account the ability of a Replacement Supplier to meet their obligations under the REC.

4 IMPACTS

CONSUMERS
All Consumers

REC PARTIES AND SERVICE USERS
Energy Suppliers

REC DOCUMENTS / PRODUCTS
Schedule 19 – Market Exit and Supplier of Last Resort
Schedule 6 – Performance Assurance
Performance Assurance Board Terms of Reference
Performance Assurance Report Catalogue

RECCO / REC CODE MANAGER
REC Performance Assurance Board (RECPAB)
Code Manager – Performance Assurance

Schedule 19 – Market Exit and Supplier of Last Resort: The intention will be to ensure that the Replacement Supplier is still the responsible Party for all obligations, however the limitation of their position is acknowledged.

Schedule 6 - Performance Assurance/ Performance Assurance Board Terms of Reference: These documents may be amended to allow for consideration during the Performance Assurance of a Replacement Supplier.

Energy Suppliers: This change will impact suppliers who are appointed as a Replacement Supplier acknowledging their ability to comply with their obligations under the REC.

The potential impacts to REC products, Market Participants and Consumers will be validated through the solution development activity and the identification of the Code Manager's preferred solution.

5 CHANGE PATH AND RESPONSIBLE COMMITTEE

CHANGE PATH	SELF GOVERNANCE	RESPONSIBLE COMMITTEE	CHANGE PANEL

This Change Proposal does not meet the criteria for Authority Determination and will therefore be progressed under Self Governance.

The REC documents that have been identified as impacted during the Code Manager's Initial Assessment are under the governance of Change Panel, the REC Board, and the Performance Assurance Board. Due to this, the responsible committee for this Change Proposal will be the Change Panel.

6 PRIORITY STATUS AND URGENCY

RETAIL ENERGY CODE PRIORITISATION MATRIX

Significance	Score	Weighting
Legal/Regulatory Compliance	2	30
Strategic Direction	0	20
Cost Benefits / Value	0	10
Consumer Impacts	0	30
Operational Efficiency	1	10
Weighted Significance Score		0.7

Weighted Significance Score	1
Urgency	1
Overall Priority Score	11
Effort	1 - Moderate

Urgency

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

Significance

Priority Score	Priority Status
23 - 33	Critical
13 or 22	High
11-12 20-21	Medium
00 - 10	Low

PRIORITY STATUS	URGENT/ STANDARD
MEDIUM	STANDARD

This change is considered 'Medium' priority based on a significance score of one and an urgency score of one.

Legal/Regulatory Compliance – This change seeks to clarify the REC obligations placed on Replacement Suppliers, as well as recognise any limitations in fulfilling these obligations within REC Performance Assurance.

Operational Efficiency – This change will ensure that the Code Manager and the RECPAB will be able to consider the circumstances around Replacement Supplier non-compliance, before proceding with any Performance Assurance Techniques. This may reduce challenge from Replacement Suppliers, and also reduce the potential for appeals being raised following any RECPAB decision.

Urgency – An urgency score of one, this does not have any dependant dates and does not need to be progressed immediately. However, due to the current volatility of the energy market and the risk this causes for Energy Suppliers we believe it is appropriate to progress this Change Proposal now.

7 SUMMARY OF CHANGE PROPOSAL PLAN

This Change Proposal has no fully formed solution, as such, the Code Manager will undertake a period of solution development, followed by a REC Party Impact Assessment to assess the preferred solution.

Once this activity is completed, the Code Manager will issue the Preliminary Change Report, which will set out the solution, the implementation date and method. This report will be consulted on ahead of the Final Change Report being published for decision by the responsible Committee.

	FROM	TO
SOLUTION ANALYSIS AND DEVELOPMENT	24/10/2022	21/11/2022
PARTY IMPACT ASSESSMENT	25/11/2022	16/12/2022
PRELIMINARY CHANGE REPORT ISSUED	27/01/2023	27/01/2023
RESPONSIBLE COMMITTEE REVIEW	07/02/2023	07/02/2023
CONSULTATION	10/02/2023	03/03/2023
FINAL CHANGE REPORT ISSUED	24/03/2023	24/03/2023
RESPONSIBLE COMMITTEE DECISION	04/04/2023	04/04/2023
APPEAL WINDOW CLOSURE	18/04/2023	18/04/2023

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8 GLOSSARY

TERM	DEFINITION
Disputed Switch Meter Reading	means that the Switch Meter Reading is disputed by the Consumer, Losing Supplier or Gaining Supplier.
Erroneous Switches	means where a Consumer has been switched to an Energy Supplier which does not have an Energy Contract in place, as further described in the Resolution of Consumer-Facing Switching and Billing Problems Schedule.
Last Resort Supply Direction	has the meaning given in the Energy Supply Licence.
Performance Assurance Report Catalogue (PARC)	The REC Performance Assurance Report Catalogue (PARC) details a range of data items and reports collected by the Code Manage from REC Parties and other industry participants to support Performance Assurance activities across the REC, as approved by the PAB.
PAB Terms of Reference	means the terms of reference for the REC PAB from time to time
Performance Assurance Technique (PAT)	means any provision or process that may be employed by the REC PAB and/or the Code Manager in order to mitigate Retail Risks in accordance with the Performance Assurance Schedule.
REC Board	means the board of directors for RECCo.
REC Performance Assurance Board	means the performance assurance board for this Code, as from time to time established
REC Performance Assurance Board (REC PAB)	means the performance assurance board for this Code, as from time to time established under Clause 15 of the main body of this Code (which is a Sub-Committee).
Replacement Supplier	means a Supplier appointed by means of a Last Resort Supply Direction.
Supplier Agents	means a Data Aggregator, a Data Collector or a Meter Equipment Manager.
Supplier of Last Resort Process (SoLR Process)	means the process of appointing a Replacement Supplier, as defined in the Energy Supply Licence.
Switching Programme	means the programme established by the Authority to implement new switching arrangements in retail energy markets.