RETAIL ENERGY CODE

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

CHANGE REPORT

R0147 – PREPAYMENT LEVELISATION

CHANGE REPORT	FINAL
DOCUMENT VERSION	2.0
ISSUED DATE	16/01/2024
DOCUMENT APPROVAL STATUS	POST-VOTE

RESPONSIBLE COMMITTEE	CHANGE PANEL	CHANGE PATH	AUTHORITY DETERMINED
PRIORITY STATUS	CRITICAL	URGENCY	URGENT

DEADLINE FOR ALTERNATIVE CHANGE PROPOSALS	17/11/2023

LEAD CHANGE ANALYST



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CHANGE OVERVIEW

This Change Proposal seeks to introduce the necessary governance and charging arrangements into the Retail Energy Code, to reconcile the impact on Domestic Energy Suppliers of levelling the cost of standing charges to Domestic Consumers paying by means of a Prepayment Meter (PPM) with those paying by Direct Debit (DD).

This proposal is being raised on a contingent basis pending the decision of the Authority on whether to modify the standard conditions of the Gas and Electricity Supply Licences to levelise standing charges. That decision is expected in February 2024. This Change Proposal is being progressed in anticipation of the reconciliation of levelisation costs being administered by the Retail Energy Code Company (RECCo).

TECHNICAL LEAD

Ryan Dale

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ASSURANCE LEAD

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

RESPONSIBLE COMMITTEE DECISION

On 16 January 2024, the Change Panel voted to recommend that the Authority **APPROVE** R0147 for implementation on 28 March 2024.

RETAIL ENERGY CODE

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RETAIL ENERGY CODE

BACKGROUND

1 SUMMARY

Energy Suppliers must charge their customers, who are on Standard Variable Tariffs, at or below a level determined by Ofgem in accordance with its Default Tariff Cap methodology. This is a legislative requirement, set out in the Domestic Gas and Electricity (Tariff Cap) Act 2018.

The Default Tariff Cap methodology is cost-reflective and, therefore, allows for a number of variables to an Energy Supplier's cost to serve, including regional variations, tariff type and payment method. This currently means that Consumers on PPM and standard credit (SC) payment methods, who are typically amongst those with the lowest incomes, are usually paying more than equivalent Consumers paying by (DD).

In the March 2023 budget, the Chancellor announced that the government would align the tariffs of PPM and DD Consumers, by making an additional allowance within the Energy Price Guarantee (EPG), effectively providing an additional subsidy to Energy Suppliers so that the costs of providing Prepayment Meters and associated services are not passed through to those Consumers. The EPG is currently scheduled to remain in place until the end of March 2024. The government has tasked Ofgem with developing an enduring approach to removing this 'PPM premium'.

1.1 OFGEM ACTIVITY

In April 2023, Ofgem issued a 'Call for Evidence' on the 'Levelisation of payment method cost differentials'. Ofgem were looking for views on the process of the adjustment of charges between Consumers using different payment methods, which is referred to as 'levelisation'. This was followed up on 25 August 2023 with an Ofgem policy consultation on 'Levelling the cost of standing charges on prepayment meters'.

The policy consultation set out options for adjusting standing charges for Consumers on PPM so that they are level with those applicable to other payment methods. The consultation also set out a number of options for delivering the scheme which will reconcile the costs of the levelisation policy between Domestic Suppliers, mitigating any adverse impacts upon competition between them. One of the options set out in the consultation is for delivery of the scheme by RECCo.

The options for the design of the levelisation scheme were set out in a Statutory Consultation on modifications to the Gas and Electricity Supply licence in November 2023. Subject to the outcome of that Statutory Consultation, the licence modifications are expected to come into effect 01 April 2024 to coincide with the end of the Energy Price Guarantee.

From that date, Energy Suppliers will be prohibited from applying a higher standing charge to PPM Consumers than DD Consumers. In the absence of a scheme, such as the one that will be delivered by this Change Proposal, Energy Suppliers will be unable to recover the full extent of their costs in relation to PPM Consumers. As each Energy Supplier has a different ratio of PPM and DD Consumers within their portfolio, it could have an adverse effect on competition in the extreme, meaning that Energy Suppliers with a high proportion of PPM Consumers may be unable to fully recover their operating costs. Having the prepayment levelisation scheme in place together with the new licence conditions will ensure that there is a mechanism for the

timely and accurate reconciliation of the cost of the levelisation policy. This will support maintaining cash flows and ensure that no Energy Supplier is placed at a competitive disadvantage.

1.2 CHANGE PROPOSAL SUMMARY

This change has been raised following confirmation on 19 September 2023, that RECCo will be the delivery partner for the levelisation scheme. The work will be carried out on a contingent basis in facilitation of the 01 April 2024 delivery date and is without prejudice to any decision that the Authority may make following consideration of responses to both the consultation in August 2023 and the Statutory Consultation. This will introduce the requirements of the levelisation scheme into the Gas and Electricity Supply Licences.

A final decision on whether to direct the implementation of the licence modifications is expected to be taken by the Authority in February 2024.

A change is required to the REC in order to set out:

a) the requirements of RECCo in relation to the development and administration of the levelisation scheme;

b) the payment mechanism and terms, charging arrangements and invoicing schedule within the REC;

c) the application of remedies in the event of late payment;

d) the process for Energy Suppliers to follow in the event they wish to query or dispute a calculation made by RECCo;

e) the role of the Code Manager and or the Performance Assurance Board; and

f) the approach to auditing the calculations, payments and amounts payable applicable through the scheme.

2 PROBLEM STATEMENT

Ofgem are working towards and consulting on, the design and implementation of a levelisation scheme to align the standing charges of Domestic Consumers who pay through a PPM with those who pay via DD. RECCo will be the delivery partner for this scheme, however, the requirements and arrangements for the scheme need to be established in the REC.

3 USER STORIES

REF.	USER STORIES
CONSUMER USER STORIES	
C1	As a Domestic Consumer, I want to be charged the same standing charges regardless of whether I pay by DD or have a PPM.

MARKET PARTICIPANT USER STORIES	
M1	As an Energy Supplier, I want my obligations regarding data provision to be clear so that I can provide accurate data.
M2	As an Energy Supplier, I want there to be a fair reconciliation mechanism which calculates, reports, invoices and credits my organisation with the outcome of applying the Payment Method Levelisation.
M3	As an Energy Supplier, I want the arrangements for the payment mechanism and terms, charging arrangements and invoicing to be clearly set out in the REC, so I can meet my obligations and have confidence in how the scheme operates.
M4	As RECCo, I want my responsibilities in relation to the development and administration of the levelisation scheme to be clearly set out in the REC so that I can successfully deliver the scheme for the industry.
M5	As the REC Code Manager, I want the levelisation scheme arrangements to be clearly set out in the REC, so that I can fulfil my role in administering and assuring the scheme.

PROPOSAL

4 PROPOSED SOLUTION

4.1 PROPOSED SOLUTION FOR CONSULTATION

This Change Proposal seeks to give effect to the levelisation scheme, to be introduced via licence condition modifications, that will allow for the redistribution of funds across the Domestic retail market.

The solution is based on requirements developed in agreement between RECCo and Ofgem following Ofgem's policy consultation with industry. It has been developed based on a set of principles, which align as far as practicable with those previously developed and currently in use for the Market Stabilisation Charge (MSC).

The proposed solution is to introduce a new Payment Method Levelisation Charges Schedule, placing obligations on Domestic Suppliers and on RECCo to govern and administer the reconciliation mechanism. Consequently, new definitions will need to be added to Schedule 1 - Interpretations and Definitions .

After the draft solution was shared with REC Parties for impact assessment a number of additions and clarifications were included for publication in the Preliminary Change Report. The additions are as follows:

- A REC obligation on Domestic Suppliers to provide the payment method data has been included

- Where data has not been submitted, the latest available data will be used for the purposes of that month's reconciliation
- Performance Assurance approach to non-submission of data, including:
    - notifications of non-compliance
    - a new submission report to be added to the Performance Assurance Reporting Catalogue (PARC); and,
    - a new draft Retail Risk – 'Non-submission of Payment Portfolio Data impacts accuracy of redistribution of costs across the retail market'

For the Approved version of the Preliminary Change Report, the following was added to the solution, and associated legal text changes were included:

> Provision for determination of bad debt where payment is not received, and cannot expect to be received, and the subsequent recalculation for the reconciliation period in which the debt arose.

Details of the proposed solution and requirements that were published for consultation can be found in the attached – these are not the final versions now being taken forward for decision:

- Payment Method Levelisation - High level Solution Overview v4.0 For Consultation 22.11.2023
- Payment Method Levelisation Solution Requirements_13112023

4.2 FURTHER SOLUTION DEVELOPMENT TO SUPPORT STATUTORY CONSULTATION

When the Statutory Consultation on Changes to prepayment meter standing charges and other debt costs was published by Ofgem on 23 November it included, following Energy Supplier feedback, the intention to exclude fixed-term contracts that are agreed prior to the Authority direction on the licence modifications. This approach requires Energy Suppliers to exclude relevant meter points from the data they submit monthly to RECCo, and quarterly to Ofgem. The solution, in particular the data reporting requirements, has been updated to support this change. Further information on this addition to the overall levelisation scheme can be found in paragraph 6.2, within the details on the reconciliation mechanism (Chapter 6) of the Statutory Consultation.

This requirement has been included in Schedule XX Appendix - Supplier Data Reporting Specification v1.0, which was published on the Change Proposal page on the REC Portal on 20 December 2023. When published for consultation the solution and legal text referred to the reporting specification as a separate document that would be published by RECCo. The approach has been updated and the specification will now be included as an appendix within the new schedule.

4.3 PROPOSED SOLUTION FOR DECISION

The term that will be used in the final proposed solution, and legal text, for reconciliation is Payment Method Levelisation (PML) Reconciliation, which will be a new defined term.

Details of the proposed solution and requirements for decision can be found in the attached:

- Payment Method Levelisation - High level Solution Overview v5.0 11.01.2024
- Payment Method Levelisation Solution Requirements_11.01.2024

5 DRAFT LEGAL TEXT

During the consultation period for R0147 and the Statutory Consultation on the licence modifications, the legal text has been through a full legal review by REC and Ofgem legal advisors, including a King's Counsel review, to ensure robust alignment between the licence and REC legal texts. A number of revisions were proposed as a result of this review. The Ofgem letter detailing the amendments can be found here.

In addition, a number of additional adjustments have also been included to strengthen the REC legal text.

The legal text changes to the REC are:

- The new Schedule XX – Payment Method Levelisation Reconciliation, including an appendix detailing the data reporting requirements for Domestic Suppliers
- Update to the PARC
- New definitions in Schedule 1 – Interpretations and Definitions

The legal text changes to deliver the proposed solution to R0147 can be found here.

The Code Manager has also provided a comparison document to provide guidance on the changes made since the legal text was published for consultation.

6 SUMMARY OF IMPACT ASSESSMENT ACTIVITY

6.1 SERVICE PROVIDER IMPACT ASSESSMENTS

A 15 Working Day (WD) Service Provider impact assessment was requested from the Code Managers on 13 October 2023.

REC Code Manager	• Overview of impacts
	  ○ activities to support implementation will be provided as part of standard change and release processes
	  ○ changes to the Performance Assurance Framework should be delivered under R0147 to support any new assurance and non-compliance provisions
	• No costs have been identified by the Code Manager
	• No specific concerns were raised in relation to the urgent timetable for implementation in time for the solution to be effective from 01 April 2024

6.2 REC PARTY IMPACT ASSESSMENTS

A Party Impact Assessment Request was published by the Code Manager on 13 October 2023, inviting Energy Suppliers to provide their responses by 03 November 2023. There were two responses received from Suppliers, one of which was confidential. The non-confidential response document has been published here.

A summary of the responses are provided in the table below:

ENERGY SUPPLIERS	• Suppliers supported the intent of the solution. • Clarifications were requested on data requirements, customer communications, the dispute process, invoicing and backing data. • Impacts from R0147 were identified for reporting and operational resource and processes. • No system change impacts identified. • Cost impacts low; £9k for a single Supplier for implementation and £2k per annum ongoing operational costs. • Confirmed they could meet the implementation approach and timeline, including the ability to submit data for testing purposes. • Supported the intent of the solution and agreed that Prepayment Consumers would benefit from the levelisation scheme. • Some feedback received on the overall levelisation policy which is out of scope of R0147 but has been acknowledged and shared with Ofgem.

7 DELIVERY AGAINST CHANGE PROPOSAL PLAN

To date all activity has been completed within the planned timescales. The Change Proposal Plan can be found here.

8 KEY RISKS, ASSUMPTIONS, ISSUES AND DEPENDENCIES

8.1 RISKS AND ISSUES

No.	RISK	NOTES	MITIGATION
R0147.CR.R001	Final licence modification drafting may impact R0147 solution requirements	Drafting will not be available until after the Preliminary Change Report has been published. Low risk due to ongoing engagement between RECCo, Ofgem and Code Manager stakeholders	Continued engagement between RECCo, Code Manager and Ofgem. A full review has been completed post publication of the proposed licence modification drafting to capture amendments before the Final Change Report is published.
R0147.CR.R002	Proposed changes to levelisation requirements resulting from the Statutory Consultation will not be included in the Final Change Report (FCR)	The FCR is due to be published on 12 January 2024, presented to Change Panel on 16 January 2024, and submitted to the Authority on 17 January 2024.	Continued engagement with Ofgem stakeholders throughout and post consultations to understand potential impacts.
R0147.CR.R003	The inclusion of the requirement for mutualisation will not be confirmed in the technical solution delivery until it has been formally impact assessed		Closed – mutualisation was included in the requirements, Req 27, agreed between RECCo and Ofgem and no further impact assessment is required.

No issues have been identified.

8.2 ASSUMPTIONS AND DEPENDENCIES

No.	ASSUMPTION	NOTES	HOW/WHEN TO VALIDATE
R0147.CPP.A001	The proposed solution for this Change Proposal is	RECCo is engaging with the Code Manager and industry as part of the	Closed – engagement started prior to the Change Proposal being raised, an industry

	being led and developed by RECCo	development of the proposed solution	workshop was held on 10 October 2023
R0147.CPP.A002	The procurement and development of the IT solution will be managed by RECCo independently of this plan		Closed – confirmed by RECCo during initial assessment
R0147.CPP.A003	Accurate portfolio information will be available from Suppliers		Closed – No concerns raised during impact assessment
R0147.IA.A004	The detailed requirements specification will be baselined by RECCo on 16 October 2023	Minimal, if any changes are expected to the draft version	Closed – The draft requirements shared for impact assessment were approved by RECCo on 16 October 2023. Following further refinement with Ofgem an updated RECCo approved version will be published with the PCR
R0147.CR.A005	Authority determination will not be received before Energy Suppliers will be asked to participate in testing	Testing is not expected to be required before the Final Change Report has been considered by the Change Panel on 16 January 2024	Open – The Authority determination is expected on 23 February 2024
R0147.CR.A006	There is no dependency on R0147 from Ofgem to be able to set the Default Tariff Cap values for the start of the levelisation scheme on 01 April 2024		Closed
R0147.CR.A007	Where 'the 1st of the month' is used this means the 1st calendar day of the month	This approach also applies to 'the 15th of the month'	Closed
R0147.CR.A008	Obligations that specify a particular day of the month must still be met	Suppliers should note that the first data extraction date, 01 April	Closed

	regardless of whether that day falls on a weekend or bank holiday	2024, is a Bank Holiday (Easter Monday)	
R0147.CR.A009	Testing of the IT solution will be completed and solution accepted by RECCo prior to the start of Payment Method Levelisation on 01 April 2024.	Testing planned to complete on 15 March 2024	Closed
R0147.CR.A010	No implementation impact is expected on Energy Suppliers from the addition of the redistribution of bad debt and the associated recalculations required	The mechanism for the redistribution of bad debt and recalculation sits within the RECCo operation, and therefore no further Party impact assessment is required	Closed

No.	DEPENDENCY	NOTES	STATUS
R0147.CPP.D001	The proposed solution will need to be provided to the Code Manager by 12 October 2023 in order to meet timetable set out in this plan	If the proposed solution is not available the impact assessments cannot be triggered, which will have a direct impact on the remainder of the plan.	Closed
R0147.CPP.D002	RECCO and the Code Manager will need to prioritise resource against this plan in order to meet the required decision and implementation date.	If the Change Proposal does not follow the required timetable, alignment with the Statutory Consultation on the licence condition modifications and decision dates will be put at risk.	Open
R0147.CPP.D003	RECCo to procure and provide the IT solution ahead of the start of the new scheme on 01 April 2024.		Open – on track as per the RECCo project plan

R0147.IA.D004	The implementation of R0147 will only be required if the Authority decision is to go ahead with the payment levelisation policy and Licence Condition modifications		Open
R0147.IA.D005	The approval of the detailed requirements specification by RECCo on 16 October is dependent on Ofgem providing the final requirements to RECCo on 13 October 2023		Closed – requirements provided as planned
R0147.CR.D006	Testing of the process is dependent on Energy Suppliers being able to provide test data submissions		Open – Suppliers have volunteered for testing
R0147.CR.D007	The Authority will make the case for the Payment Method Levelisation being required to achieve the adjustment of Prepayment standing charges to levelise them with those of DD Consumers		Open
R0147.CR.D010	REC solution and legal drafting is dependent on licence condition drafting	Alignment has been facilitated throughout development via ongoing engagement with Ofgem.	Open - A full legal review has been completed following the publication of the proposed licence and REC legal text. Amendments have been made and provided with this Final Change Report

9 PROPOSED IMPLEMENTATION DATE AND APPROACH

PROPOSED IMPLEMENTATION DATE	28 March 2024	PROPOSED IMPLEMENTATION APPROACH	BIG BANG

The Authority determination on R0147 is expected to be published on the same day as the Authority's direction on the licence modification changes, which is planned for 23 February 2024.

The Code Manager, following consideration with RECCo and Ofgem stakeholders, therefore proposes the implementation date should be aligned as far as possible to the proposed effective from date of PML Reconciliation on 01 April 2024. This date falls on a bank holiday, Easter Monday. The proposed implementation date is therefore 28 March 2024, which is the last Working Day before the effective from date.

There are no dependencies from either the Ofgem or RECCo levelisation projects on R0147 implementation prior to this date. All technical and operational testing is planned to be completed prior to implementation.

10 SUMMARY OF CONSULTATION RESPONSES

A consultation was circulated on 22 November 2023 to obtain views on the Preliminary Change Report. In total five responses were received from Energy Suppliers and a Distribution Network Operator (DNO). One of the responses was confidential, it has been reviewed and considered by the Code Manager but is not reflected in the published consolidated response document. The non-confidential response document, which includes Code Manager comments, can be found here.

The key themes from the responses have been summarised and set out below.

10.1 SUMMARY OF RESPONSES

10.1.1 COMMENTS ON THE SOLUTION AND LEGAL TEXT

Four of the responses agreed that the proposed solution addresses the problem statement. One Supplier, although did not directly disagree with the R0147 proposed solution and legal text has reservations on the overall viability of the levelisation proposal.

All the responses agreed with the legal text for the proposed solution.

10.1.2 IMPLEMENTATION APPROACH AND DATE

Four of the responses agreed with the proposed implementation date and techniques.

One Supplier agreed with the implementation techniques at a high level but raised concerns in a number of areas. These are addressed in the Code Manager comments within the consolidated document. They did not support the timelines for implementation as they do not consider them to allow for the appropriate development of the best solution.

10.1.3 BUSINESS CASE, CASE FOR CHANGE AND CODE MANAGER'S RECOMMENDATION

Four of the responses agreed with the Code Manager's recommendation based on the Business Case Assessment and the Case for Change presented in the change report.

One Supplier did not agree, referring to the concerns raised in previous questions relating to some details of the levelisation solution.

10.1.4 OTHER COMMENTS

One Energy Supplier disagrees with the overall levelisation policy and reconciliation approach. They provided a proposal on an approach and model that would focus more specifically on traditional prepayment meter costs.

There is a clear overlap in the consultation material and responses between R0147 and Statutory Consultation. As a general approach the Code Manager has pointed to the Statutory Consultation where responses are focussed on the overall design of levelisation and reconciliation, as these fall under the remit of the policy development by Ofgem.

11 SUMMARY OF AMENDMENTS MADE FOLLOWING CONSULTATION

DOCUMENT	SECTION	AMENDMENT	REASON
Change Report	4 – Proposed Solution	Inclusion of updates to the proposed solution since consultation	To capture additional reporting requirement to exclude fixed-term contracts agreed before the licence modification direction date To capture inclusion of the supplier data reporting requirements within Schedule XX
High Level Solution Overview	5.1.1 Energy Suppliers' Portfolio Data	Added requirement to exclude fixed-term contracts agreed before the licence modification direction date. Added reference to new data reporting appendix.	To capture additional reporting requirement to exclude fixed-term contracts agreed before the licence modification direction date To capture inclusion of the supplier data reporting requirements within Schedule XX
Payment Method Levelisation Solution Requirements	Detailed requirements	Added requirement for each of gas (8.6.1) and electricity (8.14.1) to exclude fixed-term contracts agreed before the licence modification direction date	To capture additional reporting requirement to exclude fixed-term contracts agreed before the licence modification direction date

Change Report	5 – Draft Legal Text	Inclusion of updates to the legal text since consultation	To capture amendments: • to align licence and REC legal text • to align terminology • to add data reporting requirement appendix • to strengthen the REC legal text
Legal text – Schedule XX	All	Inclusion of updates to the legal text since consultation	
Legal text – Schedule 1	All		
Change Report	8 - RAID	Status updates	To capture developments since the Preliminary Change Report

12 BUSINESS CASE ASSESSMENT

12.1 COSTS

	DESIGN/ DEVELOPMENT COSTS	IMPLEMENTATION COSTS	ONGOING OPERATIONAL COSTS
SUPPLIERS	£4000	£5000	£2000 PER ANNUM

Costs were provided by only one Supplier, who identified reporting and resource impacts only with relatively low costs. Another Supplier also confirmed that no system impacts are expected.

No implementation costs have been identified by the Code Manager as any implementation activities will be part of standard change and release operations.

RECCo has confirmed that the cost of procuring the IT solution will be drawn from its contingency budget for 2023/24 as agreed with the RECCo Board. The administrative cost of the scheme will be included in the RECCo operational budget for 2024/25, and for each successive year that the scheme is in effect. As such, and to avoid double counting, there are no REC Code Manager costs directly attributable to R0147 alone.

12.2 BENEFITS

The Code Manager anticipates there will be quantifiable benefits. A draft impact assessment was provided in the Ofgem policy consultation on 'Levelling the cost of standing charges on prepayment meters', published on 25 August 2023. The Updated Impact Assessment can be found in Appendix 3 of the Ofgem Statutory Consultation - Changes to prepayment meter standing charges and other debt costs. In this, Ofgem state:

"3A.5 Our recommendation is to support levelisation with a reconciliation mechanism based on our assessment of supplier revenues without a reconciliation mechanism. Whilst some suppliers would benefit without a reconciliation mechanism, particularly those with a large proportion of DD consumers, other suppliers, particularly those with a large proportion of PPM consumers, would lose. In the case of specialist PPM suppliers, levelisation without a reconciliation mechanism, would affect their business case and could damage competition so, to

mitigate substantial harm to supplier financial resilience and the knock-on effects that would have on the market as a whole, we are recommending levelisation with a reconciliation mechanism."

The following intangible benefits have also been identified:

INTANGIBLE BENEFITS	BENEFITS DESCRIPTION
LEVELISATION	R0147 supports and facilitates the success of the levelisation scheme, which has been developed to meet government commitments to deliver positive outcomes for Prepayment Consumers in relation to standing charges.
SUPPLIERS	R0147 will introduce the necessary governance and charging arrangements into the REC, to reconcile the impact on Domestic Energy Suppliers of levelling the cost of standing charges to Domestic Consumers paying by means of a PPM with those paying by direct debit.

12.3 COST BENEFIT ANALYIS SUMMARY

The Authority will make the benefits case for the payment levelisation scheme being required to achieve the adjustment of Prepayment standing charges to levelise them with those of DD Consumers. This was presented in the Statutory Consultation published on 23 November 2023.

Limited cost information was provided during the development of this Change Proposal, however from the information provided, the Code Manager believes that costs to Suppliers for the implementation and operation of reconciliation will be low.

The costs for delivery of the reconciliation mechanism are being met within the existing RECCo contingency budget. There are therefore no direct costs for R0147.

The approval and implementation of this change will ensure the obligations on Domestic Suppliers, and on RECCo to implement, govern and administer the reconciliation mechanism that support payment levelisation, are reflected within the REC.

13 CASE FOR CHANGE

13.1 AUTHORITY DETERMINATION

The Code Manager considers that R0147 has the following impacts against the REC Objectives:

OBJECTIVE	IMPACT TYPE	DESCRIPTION AND JUSTIFICATION
To ensure the REC operates and evolves in a manner that facilitates the achievement of its mission statement[1]	Positive	Ensures the REC can operate a reconciliation mechanism for the timely and accurate invoicing of, or payment to, Energy Suppliers. This will support the REC Mission statement to deliver positive Consumer outcomes, and will fulfil the requirements of Ofgem's levelisation policy, details of which will be set out in the Statutory Consultation on 23 November 2023
To ensure Customers interests and data is protected in the operation of the REC	Positive	The solution requires the minimum of information to be provided by Suppliers to calculate the invoices or credits due to them. The proposed solution also motivates parties to provide their data in a timely manner, to ensure the accuracy of the reconciliation activity
To drive continuous improvements and efficiencies in the operation of the REC and the central systems and communication infrastructures it governs	Positive	The solution development and IT procurement approach have enabled efficiencies in the operation for the new governance and charging arrangements by: • developing the solution based on a set of principles which align with those previously developed and still in use for the Market Stabilisation Charge; and • optimising the existing technical and performance assurance service arrangements provided by the Code Manager. R0147 will realise these efficiencies

14 CODE MANAGER'S RECOMMENDATION

Based on the assessment in section 12 and 13 of this report, the Code Manager considers a positive business case can be made for implementing this solution.

The Code Manager recommends that the REC Change Panel recommends that the Authority:

- **APPROVE** the proposed change solution;
- **APPROVE** the proposed implementation approach; and

[1] REC Mission Statement

- **APPROVE** the proposed implementation date of 28 March 2024.

15 RESPONSIBLE COMMITTEE DECISION

This report was discussed at the REC Change Panel meeting on 16 January 2024.

The REC Change Panel voted to recommend that the Authority to:

- **APPROVE** the proposed change solution;
- **APPROVE** the proposed implementation approach; and
- **APPROVE** the proposed implementation date of 28 March 2024.

16 APPENDIX

CHANGE PROPOSAL	Link
LEGAL DRAFTING	Link Schedule XX Appendix - Supplier Data Reporting Specification v1.0
SOLUTION FOR DECISION	High Level Solution Overview v5.0 PML Reconciliation Solution Requirements 11.01.2024
SOLUTION FOR CONSULTATION	High Level Solution Overview v4.0 Payment Method Levelisation Solution Requirements 13112023
CONSOLIDATED IMPACT ASSESSMENT RESPONSES	Link
CONSOLIDATED CONSULTATION RESPONSES AND CODE MANAGER'S COMMENTS	Link
ANY OTHER DOCUMENTS / LINKS	Ofgem 'Call for Evidence' on the 'Levelisation of payment method cost differentials' Ofgem policy consultation on 'Levelling the cost of standing charges on prepayment meters', 25 August 2023. Statutory Consultation on Changes to prepayment meter standing charges and other debt costs | Ofgem, 23 November 2023

17 GLOSSARY

TERM	DEFINITION
Call for Evidence	A call for evidence is an information-gathering exercise that seeks expertise from stakeholders with knowledge of a particular issue.
Cost to Serve	The full cost of meeting a customer's needs.
Default Tariff Cap	Further information can be found in Ofgem's Decision – Default tariff cap – Overview document.
Distribution Network Operator (DNO)	means a person holding an Electricity Distribution Licence.
Domestic Consumer	means a Consumer at Domestic Premises.
Energy Supplier	means a person which is either or both an Electricity Supplier and/or a Gas Supplier.
Market Stabilisation Charge	means, in respect of a Domestic Consumer who has Switched, the amount (in £, if any) payable by the Gaining Supplier in accordance with Condition 24A of the Gas Supply Licence or Condition 24A of the Electricity Supply Licence (or, if such an amount is payable under both the Gas Supply Licence and the Electricity Supply Licence, the aggregate of such amounts). In the case of gas and/or electricity (as applicable) such amount is calculated as the product of: the Gas Market Stabilisation Charge Value and the Domestic Consumer's Annual Quantity; or the Electricity Market Stabilisation Charge Value and the Domestic Consumer's Estimated Annual Consumption.
Performance Assurance Reporting Catalogue (PARC)	The REC Performance Assurance Report Catalogue (PARC) details a range of data and reports collected by the Code Manager from REC Parties and other industry participants to support Performance Assurance activities across the Retail Energy Code (REC), as approved by the Performance Assurance Board (PAB).
Prepayment Meter	has the meaning given in the Energy Supply Licences.