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PREPAYMENT WORKING GROUP
MEETING MINUTES

MEETING	**PPMWG_0923**
DATE	**23 September 2026, 14:00**
LOCATION	**On Teams**

Attendee	Representing	Initials	Role
Florentina Monea	REC Code Manager	FM	Chair / Presenter
Helen Fosberry	REC Code Manager	HF	Subject Matter Expert
Andrew Wallace	RECCo	AW	Market Design Lead

1 INTRODUCTIONS

FM opened the meeting, introduced herself, and outlined her role in supporting the Change Proposals discussion.

FM explained the goal of this first session is to work through principles and assumptions to be established to support the working group's review of the two REC Issues

- R0037 – Prepayment Credit Balance Transfer Process
- I0329 – A review of the Misdirected Payments and Debt Assignment Processes

Working Group (WG) members were encouraged to share their views and considerations for future topics of discussion, which would feed into the work plan.

2 DRAFT TERMS OF REFERENCE

AW noted Ofgem's recent publication on Prepayment arrangements and highlighted the importance of maintaining consistent collaboration with the Authority. He suggested that this should be explicitly reflected within the Working Group's Terms of Reference.

WG members agreed to adopt the Terms of Reference, with the caveat of the Authority collaboration to be included.

3 R0037 – PREPAYMENT CREDIT BALANCE TRANSFER PROCESS

FM introduced REC Issue R0037. This Issue was raised by an Energy Supplier in March 2022 which looked to tackle and develop a solution to allow for both the positive credit balance and

the debt on the meter at the point of Switch, where a Smart Prepayment (PPM) Switch occurs from the Losing Supplier to the Gaining Supplier. In 2024, due to the Market-Wide Half Hourly Settlement (MHHS) Code Freeze, Issue R0037 was put on hold. Since the code freeze has been lifted this proposal has come off hold to re-visit the change of scope. The ask of Issue R0037 is to provide stability to Consumers when their prepayment meters, at the point of Switch are not Switched to credit mode and remain in Prepayment mode. The purpose of this was to allow Consumers with the reassurance of their Energy supply staying on without the risk of going into debt as well as provide a layer of protection mainly to vulnerable Consumers on the Priority Service Register (PSR).

FM noted that following conversations with the proposer, the scope of this Issue has been amended to only focus on the transfer of positive credit balance during a PPM Switch.

FM provided edge cases to members where scenarios included Prepayment Switch occurring and the credit balance not transferring over. A WG member agreed it would be sensible to not transfer negative balances over and if a Consumer is reaching the point of Switch, there would be a risk the Consumer would be out of energy supply. The WG member further advised if a Consumer considers using emergency credit at the time and considered Switching then there should be an option to Switch back which should reset the PPM configuration and the Consumer should get a new emergency credit option. FM reassured Issue R0037 focuses on positive credit balance transfer. Another WG member also agreed it must be transfer of positive balance and queried whether a Consumer account could have a debt elsewhere on their account and whether this should be considered. They further added there could be cases where the positive balance is used to offset the debt first prior to the positive balance transfer taking place. They advised a netting equation process would need to take place before going into a Debt Assignment Process (DAP) or into a credit transfer which would need to be considered. FM noted the mentioned scenarios.

FM highlighted how Issue R0037 looks to tackle two parts. Firstly, looking to allow positive credit balance to move to the new Supplier for Consumer protection and to ensure their energy supply has no disruption when a Switch occurred. Particularly for vulnerable Consumers who have their winter payments on PPM meters and secondly the focus of the proposal is the reconciliation of balances between Suppliers. A WG member agreed the topics discussed were good to explore and queried why the process would be unhelpful to operate when the Consumer could be in debt on the meter and why this would be a poor outcome for Consumers. A WG member queried if the main concern was whether the Consumer was approaching friendly credit before the Switch occurs and they are unable to top up due to insufficient time or whether there are any additional concerns around the new Supplier management process.

A WG member added that Consumers would be more inclined to remain with the current Supplier in the event of a Switch to avoid the risk of losing credit or having to replace the credit and remaining in PPM. A WG member suggested the areas to explore would be whether Issue R0037 is looking to build a better refunds process or if it is encouraging people to seek change of supply to get a better deal and minimise the risk in that process for the Consumer. FM advised Issue R0037 is not looking at improving a refunds process, it is focusing on the change of Supplier and ensuring the positive balance remains on the meter and help Consumers remain in the positive balance when they go live with their new Supplier.

A WG member agreed the discussion was helpful and highlighted one of the deterrents for Consumers Switching and getting a better deal would be due to the time it may take for the Consumer to have their credit refunded back to them. This would be a reason why the Consumer feels discouraged to Switch Suppliers. The idea that if Consumers can get more reassurance that their credit would be transferred as part of the Switch and have the continuity of access could be a main driver behind the proposal. Another WG member added that this was the original intention and to get from one Supplier to another without having any gaps where the Consumer is waiting for a refund. It was further added that both credit and debt components need to be looked at simultaneously and advised it would be a useful exercise to look at scenarios where there is credit and small debt on a balance and another scenario where there are credit and debt, and to look at what should be considered and vice versa. Another scenario to consider is if a Supplier was to object when a Consumer is Switching because the scenario is to complex. This scenario should be considered for discussion on whether to make Switch acceptances by Suppliers, mandatory or if it should be an opt-in scenario.

A WG member raised two questions. Firstly, they queried how credit and debt balances should be treated where a Consumer has a credit balance on their meter that is equal to the amount held on their debt register. Specifically, they asked whether the credit balance should be transferred to the gaining Supplier as part of the Switch, or whether the credit should first be used to offset the outstanding debt.

FM advised that this is one of the key areas requiring further discussion and policy consideration. Members noted that a decision will be required on whether credit balances should be transferred at the point of Switch to ensure Consumers have uninterrupted access to funds and can remain on supply, or whether debt recovery should take place before any credit balance is transferred. FM added that particular consideration should be given to the impact on vulnerable Consumers, including those registered on the Priority Services Register (PSR).

Secondly, the WG member asked whether there would be reconciliation of transferred credit balances between Suppliers, with the losing Supplier reimbursing the gaining Supplier for the value of any credit transferred. FM confirmed that such reconciliation would be expected.

A WG member also highlighted the need for further discussion regarding obligations and benefits funded by the losing Supplier prior to the Switch. Members cited the Warm Home Discount as an example of an area where entitlement and funding responsibilities may require clarification. FM and WG members noted this as a point for future consideration.

A WG member advised that, when assessing all scenarios, consideration should be given to what constitutes a positive credit balance, a small debt, and a debt balance. They suggested that the viability of any solution could be more effectively assessed once these categories have been clearly defined. FM agreed that debt-related scenarios would need to be considered as part of progressing the proposal and noted the need to establish appropriate thresholds and categorisation criteria.

A WG member highlighted that scenarios where a balance should not be transferred should also consider Additional Support Credit (ASC). ASC is effectively a loan provided to the Consumer and, unless it is being used to offset an associated debt balance, may require different treatment. This was noted as an important consideration. Another WG member added that the rules of the Debt Assignment Protocol (DAP) would also need to be considered when identifying the composition of any credit balance and determining how it should be treated.

A WG member referenced Ofgem's decision letter on the treatment of Consumer credit balances and suggested reviewing previous proposals and their outcomes to help inform the progression of Issue R0037. Members agreed that lessons learned from previous work could provide valuable insight and noted this as an action for further consideration.

A WG member raised the question of Consumer consent. They noted that, under the current process, Consumers either receive a refund of any outstanding credit balance or the balance is used to offset debt. Looking ahead, they suggested that consideration should be given to whether Consumers should be given a choice between receiving a refund or transferring the credit balance to their new Supplier. They also proposed analysing the number of Consumers who leave credit balances while simultaneously holding debt balances to better understand the prevalence of this scenario and identify any trends. Members agreed to add these points to the list of considerations.

A WG member suggested that FM issue an Information Request (IR) ahead of the next WG meeting to gather stakeholder views and practical examples relating to the scenarios discussed. FM and members agreed with this approach.

The discussion then turned to whether any future solution should be mandatory or operate on an opt-in basis. A WG member asked how each option would work from a Supplier perspective. FM explained that a mandatory solution would require all Suppliers to follow the process, ensuring that all Consumers could access the service regardless of which Supplier they switched to. By contrast, an opt-in model would allow only participating Suppliers to offer the service. The key policy consideration would therefore be whether participation should be mandatory across the market or voluntary.

A WG member commented that, from a Consumer fairness perspective, Suppliers are already subject to obligations under the Debt Assignment Protocol, and any new arrangements would need to be considered alongside existing regulatory requirements. They noted that further internal consideration would be required and suggested that the proposal should also be evaluated from a Treating Customers Fairly (TCF) perspective, with any resulting rules applied consistently across all Suppliers.

A WG member noted that a mandatory solution would depend on Suppliers having accurate knowledge of a Consumer's balance at the point of switching. As balance information is not always available or accurate at that stage, they questioned whether process failures could potentially result in breaches of licence obligations.

Finally, a WG member raised concerns from a gas industry perspective. They noted that, where a switch-related process fails, particularly during winter periods, responsibility often falls to Suppliers. They highlighted examples such as inherited gas cards and faulty gas meters, where Suppliers may have limited options available to resolve issues associated with unregistered gas supply arrangements. Members noted these concerns and agreed that they should be considered as part of the wider solution design.

The following considerations were recorded from the meeting:

- Code Manager to consider credit and debt components collectively and assess scenarios to determine what constitutes a credit balance, a small debt balance, and a debt balance.

- Code Manager to consider whether a gaining Supplier should be able to object at the point of switch and whether participation in any future process should be mandatory or operate on an opt-in/opt-out basis.
- Code Manager to review Ofgem's decision letter on the treatment of Consumer credit balances, alongside relevant previous industry proposals and their outcomes, to help inform the progression of Issue R0037.
- Code Manager to issue an Information Request (IR) seeking examples of relevant scenarios and operational considerations from Suppliers.
- Code Manager to present an updated view of the proposal to the WG once the above considerations have been investigated.
- Defining and categorising positive credit balances, small debt balances, and debt balances, including the application of thresholds.
- Assessing the obligations of the losing Supplier and whether any associated costs or liabilities would be impacted where credit balances are transferred.
- Undertaking trend analysis to understand how many Consumers switch with a credit balance while also holding a debt balance.
- Reviewing the requirements of the Debt Assignment Protocol (DAP) and considering the composition of credit balances, including the treatment of Additional Support Credit (ASC).
- Considering whether Consumers should be given a choice between receiving a refund or transferring an eligible credit balance to their new Supplier.

4 I0329 – A REVIEW OF THE MISDIRECTED PAYMENTS AND DEBT ASSIGNMENT PROCESSES

FM introduced REC Issue I0329.

FM provided an overview of the current process relating to Issue I0329 and opened discussion on Misdirected Payments, seeking views on whether WG members had encountered any issues with the current arrangements.

FM noted that the current Debt Assignment Protocol (DAP) arrangements include a minimum debt threshold of £20 and a maximum threshold of £500. Members were asked whether these thresholds remain appropriate given current market arrangements and the increased frequency of switching activity.

A WG member queried which credit balances would be within scope and what would constitute "true debt" for the purposes of the process. They also questioned whether ASC should be included when calculating debt balances.

Another WG member noted that there is an existing definition of complex debt, and Suppliers may classify certain debt balances under this category. Where debt is considered complex, it would not typically be processed through the standard debt assignment arrangements. They suggested that it may be beneficial to revisit the definition of complex debt and clearly establish what types of debt should be included or excluded.

A WG member highlighted challenges associated with address matching when managing debt balances. They explained that some Consumers with debt balances may also be operating under credit repayment arrangements with their Supplier. However, difficulties can arise where a Consumer seeks to switch to a prepayment Supplier as a means of managing their debt, as there is currently no provision for transferring credit-based debt arrangements to a prepayment Supplier.

A WG member suggested that, given the industry has undertaken reviews of the Erroneous Switch process and other end-to-end processes, consideration should be given to conducting a broader end-to-end review of the prepayment market. They noted that such a review could provide an opportunity to assess downstream impacts across related processes and identify wider industry challenges.

A WG member expressed concern regarding Misdirected Payments associated with Unallocated Transactions and asked whether other Suppliers were experiencing similar issues and whether this topic would fall within the scope of Issue I0329.

In response, FM advised that an Information Request had been issued as part of progression of a different REC Change Proposal regarding the recovery of unallocated funds. FM noted that the findings from the Information Request would be used to inform the ongoing assessment of Issue I0329 and help determine the extent to which Unallocated Transactions should be considered within scope.

The following considerations were recorded from the meeting:

- Code Manager to review the scope of debt within Issue I0329, including what constitutes debt for the purposes of the process and how debt recovery rates should be interpreted and applied.
- Code Manager to consider undertaking a broader end-to-end review of the prepayment market to better understand downstream impacts across related processes and identify wider industry challenges.
- Code Manager to consider issuing an IR to gather stakeholder views, operational experiences, and evidence to support the assessment of Issue I0329.
- Code Manager to present an updated view of the proposal to the WG once the above considerations have been investigated.