RETAIL ENERGY CODE

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01	Proposal Plan
02	Impact Assessment
03	Consultation
04	**Final Recommendation**

CHANGE REPORT

R0223 RECONCILIATION OF UNALLOCATABLE TRANSACTIONS REVIEW

DOCUMENT VERSION	V1.0
PROPOSED IMPLEMENTATION DATE	22/09/2025
IMPLEMENTATION APPROACH	BIG BANG

RESPONSIBLE COMMITTEE	CHANGE PANEL	**CHANGE PATH**	SELF-GOVERNANCE
PRIORITY STATUS	MEDIUM	**URGENCY**	STANDARD
IMPACTED STAKEHOLDERS	CODE MANAGER, ENERGY SUPPLIERS, PRE-PAYMENT METER INFRASTRUCTURE PROVIDERS		

LEAD ANALYST (SOLUTION LEAD)	TECHNICAL LEAD	ASSURANCE LEAD	SUBJECT MATTER EXPERT
JAMES HARDY	MOLLY FRASER	ANDREW WAGHORN	GLENN SHEERN
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OVERVIEW

Following the last Reconciliation of Unallocatable Transactions for Gas, the Code Manager has identified opportunities to improve the current process, provide further clarity for Parties and align the process for both gas and electricity.

CODE MANAGER'S RECOMMENDATION

The Code Manager's recommendation is that the REC Change Panel

- **APPROVE** the proposed change solution;
- **APPROVE** the proposed implementation approach; and
- **APPROVE** the proposed implementation date of 22 September 2025.

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BACKGROUND

1 SUMMARY

Where the Pre-Payment Meter Infrastructure Provider (PPMIP) is unable to identify the relevant Energy Supplier to allocate a prepayment transaction, it becomes an Unallocated Transaction. Energy Suppliers are required to identify Unallocated Transactions belonging to them and rectify the issue preventing it from being allocated. The Code Manager is required to carry out a review of Unallocated Transactions up to the Backstop Date and to distribute the value associated with them according to the market share of the relevant meter type to Energy Suppliers as defined in the Code; this is referred to as an Unallocatable Prepayment Allocation Run.

2 PROBLEM STATEMENT

Following the last Reconciliation of Unallocatable Transactions for Gas, the Code Manager has identified opportunities to improve the current process, provide further clarity for Parties and align the process for both fuels.

3 IMPACTS

CONSUMERS
Pre-Payment Meter Customers

RECCO / REC CODE MANAGER
Code Manager

REC DOCUMENTS AND PRODUCTS
REC Schedule 11 – Prepayment Arrangements

REC PARTIES AND SERVICE USERS
Energy Suppliers
Pre-Payment Meter Infrastructure Providers

This Issue is not expected to have any impacts on Market Wide Half-Hourly Settlement (MHHS).

4 CROSS-CODE IMPACTS

No cross-code impacts have been identified.

5 PROPOSAL PLAN

Milestone	Activity	From	To
Definition		**06 Dec-24**	**01 Jul-25**
	Solution Development	December	May
	Information Request	December	January
	Legal Review	March	May
	Impact Assessment	May	June
	Solution Refinement	June	June
Change Proposal		**02 Jul-25**	**06 Oct-25**
	Business Case Assessment	July	July
	Consultation	July	August
	Solution Refinement	August	September
	Final Determination	September	September
Voting		**07 Oct-25**	**07 Oct-25**
	Appeal Window	08 October	22 October

Please note, an update to the Proposal Plan was approved by the REC Change Panel on 20 May 2025.

In addition to the update to the Proposal Plan, REC derogation RECDER_29 Code Manager – Delay to Gas Unallocatable Transaction Reconciliation was approved by the REC Performance Assurance Board at their meeting on 29 July 2025. This derogation relates to the requirements placed on the REC Code Manager in Schedule 11, Paragraph 10.2 and the starting of the annual Unallocatable Transactions process. The application requested that the start date be moved from July to October to allow the process to be run as effectively as possible.

Following the approval of the derogation, the Code Manager has expedited the progression of R0223 ahead of the timeline originally set out in the Proposal Plan, with the Voting milestone now expected to be completed date on 02 September 2025. This expedited approach is intended to ensure a decision on R0223 is reached before the derogation period ends and ahead of the commencement of the Unallocatable Transactions process in October 2025. The proposed implementation date of 22 September 2025, as included in both the consultation and this Change Report, reflects the intention to complete the change process and, subject to approval, implement R0223 prior to the conclusion of the derogation.

If Change Proposal sR0223 is not approved for implementation on 22 September 2025, the Code Manager will still run the Unallocatable Transactions process in October 2025 in accordance with the exist legal wording in Schedule 11, and under the terms of derogation RECDER_29.

6 STAKEHOLDER ENGAGEMENT AND SOLUTION ANALYSIS

To develop the solution requirements and more clearly define the problem statement for this change, an information request was carried out between 20 December 2024 and 17 January 2025. The full non-confidential responses with the Code Manager's comments has been published on the REC Portal here.

From this information request, the Code Manager found that Parties were supportive of a review of this process and identified several areas where they would like to see work undertaken. The responses to this information request were therefore used during solution development to best address the feedback gathered from Parties.

The findings of this information request were presented at Change Issues Group at the meeting 06 February 2025 as a status update.

A follow-up paper was presented to the Change Issues Group at the meeting on 06 March 2025 seeking Parties' feedback on the following two questions:

- Currently the Code is silent on what is to be done with Unallocated Transactions for Energy Supplier IDs that have been closed, but at the Backstop Date, had registerable Metering Points that would have been eligible to be part of the allocation run. Do impacted Parties have a view on what should happen in these circumstances with the eligible transactions?
- How should the Code Manager monitor that Energy Suppliers have ensured that they have taken action to allocate these transactions before they hit the Backstop Date?

Following the information request, the Code Manager has provided stakeholders with additional opportunities to engage and share feedback on this Change Proposal. This included invitations to participate in a Party impact assessment and an industry wide consultation. Regular updates have also been shared with the REC Change Issues Group. A comprehensive list of engagement activities and stakeholder communications is provided below:

- Information request (20 December 2024 – 17 January 2025)
- Party impact assessment (06 June 2025 – 27 June 2025)
- Individual meeting between Code Manager and Party impact assessment respondent to discuss response in detail and determine appropriate actions (21 July 2025)
- Industry consultation (25 July 2025 – 15 August 2025)
- Change Issues Group updates (agenda items or via Change Issues tracker updates)
    - 06 February 2025
    - 06 March 2025
    - 01 May 2025
    - 05 June 2025
    - 03 July 2025
    - 07 August 2025

- Responsible Committee updates (agenda items or via Change tracker updates)
    - 18 March 2025
    - 20 May 2025
    - 05 August 2025
    - 19 August 2025
- Update presented to Association of Meter Operators (19 June 2025)
- Updates presented to Pre-payment Metering Forum (09 January and 21 August 2025)
- Inclusion in the weekly REC Change Bulletin when the Change Proposal was raised, and during the Party impact assessment and industry consultation
- LinkedIn reminders ahead of the closure of the Party impact assessment and consultation
- Further assistance and stakeholder engagement during Operational Account Manager meetings with REC Parties

7 PRIORITY STATUS AND URGENCY

Category	Significance / Resource impacts / Urgency	Further selection / breakdown	Score (0-3)	Weighting	Weighted Score
Impacts	Consumer Impact	Indirect	1	27	27
	Retail Markets Impact	Retail Risk(s)	2	17	33
	RECCo / REC Party / REC Service Provider Impact	Operational Effectiveness and Efficiencies	2	7	13
		Legal and Regulatory Compliance	1	14	14
Resource	Complexity / Effort / Duration		1	9	9
Strategic Alignment	Contribution to/ Alignment with the objectives of the REC		1	17	8
	Contribution to/ Alignment with RECCo's Forward Work Plan		1		8
Urgency *(The need to progress a change to meet a targeted date)*		Other Planned Activity	2	10	20
				Overall Priority Score (rounded)	133

Priority Status	MEDIUM
Change Proposal Type	STANDARD

This Issue has been given a priority status of medium based upon a prioritisation score of 133.

SOLUTION

8 PROPOSED SOLUTION

The Code Manager has completed a review of the Unallocatable Transactions Review process and has proposed legal updates to Schedule 11 – Prepayment Arrangements, Section 10 Reconciliation of Unllaocatable Transactions, to provider further clarity and instructions for the process, and to ensure alignment between the processes for different fuels.

The legal text amendments include:

- For gas, removing the instruction that the annual reconciliation should be in July each year, but ensuring that the Code Manager is still obliged to initiate an annual reconciliation each Financial Year;
- Clarifying that in electricity, the Code Manager shall initiate an annual reconciliation each Financial Year, rather than determining when an Unallocatable Prepayment Allocation Run is required;
- Clarifying that where an acquisition or a migration of Gas Supply Licences has occurred since the previous Backstop Date, the Unallocatable Values shall be apportioned to the acquiring Gas Supplier, noting that Supplier of Last Resort (SoLR) acquisitions shall be excluded from the calculation;
- Clarifying that where an acquisition or a migration of Electricity Supply Licences has occurred since the previous Backstop Date, the Unallocatable Values shall be apportioned to the acquiring Electricity Supplier, noting that Supplier of Last Resort (SoLR) acquisitions shall be excluded from the calculation; and
- Clarifying that SoLR acquisitions shall also be excluded from the calculation during the process for electricity.

9 DRAFT LEGAL TEXT

The legal text changes to deliver the proposed solution to R0223 can be found, here.

An extract of Schedule 11 – Prepayment Arrangements containing the draft legal text can also be found, here.

PRELIMINARY ASSESSMENT

10 SUMMARY OF IMPACT ASSESSMENT ACTIVITY

10.1 REC PARTY IMPACT ASSESSMENTS

A Party impact assessment was issued by the Code Manager on 06 June 2025 targeting Energy Suppliers. The Code Manager received one response from an Energy Supplier. This response has been summarised below.

The full consolidated response, with additional Code Manager comments, can be found on the REC Portal, here.

The Code Manager also held a further meeting with the respondent to address their response in more detail, and to provide them with further clarity about the scope of this Change Proposal, the impacts on their organisation, and the next steps.

ENERGY SUPPLIERS	• **Supportive of Annual Reconciliation**: the respondent agreed with the proposal for annual reconciliation initiated by the Code Manager. • **Clarification Needed on Apportionment**: the respondent requested clearer legal text to ensure unallocatable values are assigned to the acquiring supplier at the time of market share calculation. • **Backstop Period Concerns**: the respondent recommended reducing the Backstop period to 12 months due to concerns that there may be low success rates with older transactions. • **Consistency and Inclusion**: the respondent asked for consistency in legal text across gas and electricity and inclusion of SoLR acquisitions in the apportionment process. • **No Cost or Risk Identified**: the respondent confirmed that implementation requires no system changes or costs and poses no risk to MHHS plans. • **Financial and Operational Benefits**: the respondent noted that resuming reconciliation would improve financial accuracy, reduce balance sheet holdings, and enhance cash flow.

11 BUSINESS CASE ASSESSMENT

11.1 COSTS

There are no costs associated with the development or implementation of this change.

11.2 BENEFITS

TANGIBLE BENEFITS	BENEFITS DESCRIPTION
FINANCIAL ACCURACY AND CONFIDENCE	Ensuring there is regular reconciliation runs, with clear instructions, will support Energy Suppliers in managing their financial reporting and cash flows, contributing to more accurate balance sheets and improved financial planning.

INTANGIBLE BENEFITS	BENEFITS DESCRIPTION
INCREASED CLARITY AND TRANSPARENCY	The amendments to the legal text of Schedule 11 – Prepayment Arrangements will provide increased clarity and transparency for Energy Suppliers on how Unallocatable Transactions should be handled, including in complex scenarios such as SoLR events of Energy Supplier acquisitions. The increased clarity and transparency will also help reduce ambiguity and ensure all impacted Parties understand their responsibilities.

ENHANCED CONSISTENCY	The solution for this Change Proposal aligns the reconciliation processes for gas and electricity, ensuring a uniformed approach that will reduce administrative complexity and the potential for error, thus reducing the burden on Energy Suppliers.
MARKET FAIRNESS	The improved reconciliation process further ensures that Unallocatable Values are fairly distributed based on current market share sizes, thus promoting equity amongst Energy Suppliers.

11.3 COST BENEFIT ANALYSIS

Since the solution for this Change Proposal is a legal text change only, and as there are no costs associated with the implementation of this change, the cost benefit analysis relies on the intangible benefits that this change facilitates.

12 CASE FOR CHANGE

The Code Manager considers that there is a positive case for change for implementing this Change Proposal on the basis that:

- The proposed solution appropriately resolves the original Problem Statement, addressing the need to improve clarity, consistency, and alignment in the reconciliation of Unallocatable Transactions across both gas and electricity, resolving ambiguities and operational inefficiencies in the current process.
- If this Change Proposal was not to be implemented, existing inefficiencies and ambiguities could lead to further financial inaccuracies and delayed cash flow to Energy Suppliers, indirectly impacting Prepayment Consumers.
- There are no associated implementation or operational costs and has proportionate effort required for implementation.
- The proposed solution is expected to deliver positive outcomes for Consumers and enhance the operational efficiency of the Retail Energy Market. By improving the financial accuracy and transparency of Unallocatable Transaction allocations, the change facilitates more reliable financial management. Additionally, the change will result in improved cash flow and reduces balance sheet exposure for Energy Suppliers. The alignment of the Unallocatable Transactions processes across gas and electricity further contributes to regulatory compliance and operational consistency.

13 CONSULTATION

A consultation on the Change Report (For Consultation) was issued on 25 July 2025 to gather stakeholder feedback. As no responses were received, and following a subsequent review by the Code Manager, no amendments have been made to the Change Report, or the proposed solution, post-consultation.

Although no formal responses were received during the consultation period, the Code Manager is confident that stakeholder engagement for this Change Proposal has been sufficient to support its progression. As outlined in Section 6 of this Change Report, the Code Manager has undertaken comprehensive engagement with impacted Parties, providing appropriate opportunity for input. This process has enabled the Code Manager to consider stakeholder perspectives and potential impacts, helping to shape and refine the Change Proposal accordingly.

14 RISKS, ASSUMPTIONS, ISSUES AND DEPENDENCIES

There are no risks, assumptions, issues or dependencies associated with this Change Proposal.

15 APPENDIX

CHANGE PROPOSAL	Link
LEGAL DRAFTING	Schedule 11 – Prepayment Arrangements (Final Recommendation) 18.08.2025 Extract – Schedule 11 – Prepayment Arrangements (Final Recommendation)18.08.2025
CONSOLIDATED PARTY IMPACT ASSESSMENT RESPONSE	Link
INFORMATION REQUEST RESPONSES (PUBLIC)	Link
CHANGE ISSUES GROUP PAPER (06 MARCH 2025)	Link
UPDATE TO PROPOSAL PLAN	Link
PERFORMANCE ASSURANCE BOARD 29 JULY 2025	Headline Report (containing decision on RECDER_29)

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16 GLOSSARY

TERM	DEFINITION
Backstop Date	means the date by reference to which an Unallocated Transaction becomes an Unallocatable Transaction, being on 1 July of any year, the date three (3) years previous, such that all Unallocated Transactions relating to the period prior to that date become Unallocatable Transactions (or any other more recent Backstop Date determined by the Code Manager).
Financial Year	means 1 April to 31 March (inclusive) each year.
Metering Point	has the meaning given to it in the Electricity Distribution Licence, which for the time being means: "the point, determined according to the principles and guidance given in the MRA Transition Schedule to the Retail Energy Code, at which a supply of electricity taken into or conveyed from the licensee's Distribution System: (a) is or is intended to be measured; or (b) where Metering Equipment has been removed, was or was intended to be measured; or (c) in the case of an Unmetered Supply, is treated as measured."
Prepayment Meter	Prepayment Meter includes any Electricity Meter operating in a mode which requires a Customer to pay Charges in advance, and references to the installation or removal of a Prepayment Meter includes the switching of any Electricity Meter to or from such a mode; Retrieved from: Electricity Supply Standard Licence Conditions 25 10 2021
Pre-Payment Meter Infrastructure Provider (PPMIP)	means, for each Energy Supplier and fuel, the contracted service provider for prepayment services to support that Energy Supplier's Prepayment Meters for that fuel.
Unallocatable Prepayment Allocation Run	means the process by which the value of Unallocated Transactions is periodically paid to Energy Suppliers, as described in Paragraph 10 of the Prepayment Arrangements Schedule
Unallocatable Transaction	means, in respect of each refreshed Backstop Date, an Unallocated Transaction which remains an Unallocated Transaction, and which has a transaction date which occurred before such Backstop Date.
Unallocated Transaction	means a Prepayment Meter transaction for which the correct Energy Supplier cannot be identified by the PPMIP.