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ASSURANCE DECISIONS SUPPORTING R0155

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FOR DECISION	This paper provides a high level summary of the feedback received relating to R0155 assurance and the resulting adjustments to the proposed assurance approach. The PAB is invited to discuss the proposed approach and then determine the assurance approach to be included in response to the R0155 change consultation.
Appendices	Appendix 1 – RECPAB_24_0730_05 - Assurance Decisions for R0137 and R0155.docx

1 MAJOR SWITCHING INCIDENT ACTION PLAN – BACKGROUND

R0155 is a REC Change that is focused on the non-domestic energy market. It establishes requirements when a customer identifies that they are a new occupier of a premises (sometimes referred to as a change of tenancy). Energy Suppliers should treat new occupiers as separate contracting organisations to the preceding occupier, but need to validate that the new organisation is genuinely new, and not an attempt to break a contract fraudulently. The change seeks to establish timeframes for this process, as well as guidance on the types of evidence that should be used to assess if the occupier is genuinely a new organisation. This covers two process variants:

1. A change of occupier with an associated switch request, and therefore a 'losing' and 'gaining' supplier.

2. A change of occupier without a switch, and therefore only a single supplier involved.

This second type of process is different to most REC processes, which are about minimum expectations in multi-Party interactions, instead of direct interactions between Parties and consumers.

In July 2024 the Code Manager consulted the PAB with three options for assurance of these processes:

1. Limited assurance through a one-off implementation test

2. Continuous monitoring / PATs, similar to the monitoring of other areas through risk data.

3. Regular sample checking.

The Code Manager recommended option 3, with the PAB considered that a combination of 1 and 2 was required. The July PAB paper is included as an appendix, which includes information on a different change R0137 ('Introducing Third Party Intermediary (energy broker) assurance and accreditation') which is not relevant to this matter.

1.2 DEVELOPMENTS SINCE LAST PAB ENGAGEMENT

The change process has progressed, which included gaining feedback from Parties and other organisations through a Party Impact Assessment as well as a Change Consultation. The Change Consultation will close on 26 November 2024. Parties have queried the proportionality of the assurance approach; there are also proposed plans to facilitate parts of the process through the Secure Data Exchange Platform at some point in the future, which could result in a change in the assurance approach.

In addition, Ofgem have indicated they will issue an RFI which requires Suppliers to provide aggregate information (e.g. the average time to resolve a change of occupier related switch). This means that we could request the same information to avoid Suppliers having to provide related but different data.

On this basis we consider it important for PAB to consider the solution and its assurance in the light of this industry feedback, and the intended benefits derived from the REC Change.

1.3 HOW THE INTENDED LEGAL TEXT DEFINES THE ASSURANCE APPROACH

The R0155 sets different obligations on REC Parties in the two process variants, and these have therefore been treated separately.

Change of Occupier with a Switch

The solution design involves no changes to the REC systems. Current switching processes involve, an 'objection window', which for non-domestic customers is 2 working days. The solution anticipates that if the losing supplier is unsure of whether the switch relates to a valid change of occupier they will object to the switch. The losing supplier will have 10 days to validate any information provided by the gaining supplier that substantiates the switch relates to a valid change of occupier.

If a losing Supplier has enough information to release a consumer before the objection window is complete, they can opt not to object, or they can object and later communicate with the gaining Supplier to initiate a new switch. There is no limit on the number of switches that a single customer interaction could take.

The new schedule provides guidance but not requirements on the types of information that a Supplier should use to assess if a change of occupier is genuine.

As a result there is no centrally provided information to enable 'assurance by design' and any assurance activities can only be based on information provided by Suppliers. The Code Manager has set out in change documentation that Suppliers provide information on each event, including information on the time taken to resolve it.

As the process may involve multiple switches this information includes information to track the customer journey across multiple events, to identify if customers are delayed from switching by following the process multiple times.

This change is expected to generate benefits for consumers and Suppliers, but the extent of these have not been estimated as the data to do so robustly was not identified. These benefits would only arise only if organisations follow the processes set out in the REC.

Change of Occupier without a Switch

REC systems do not track consumer interactions of this nature currently, and this change does not alter this. It does specify the expectation that Suppliers respond to requests within 10 working days, and provides guidance on the types of information that could be used to make a decision.

As the only records relating to this process will exist in a Supplier's systems, any assurance must involve the provision of information by the Supplier.

1.4 THE ROLE OF THE PAB

The PAB determines the nature, timing and extent of the assurance. We think PAB should consider the following:

1. Nature, for example which combination of the three initial options.

2. Timing, including when this should start and how frequently it should be required.

3. Extent. We should consider the depth of the assurance, e.g. whether it should only look at if organisations have complied with the timelines, or if it should also seek to validate that the change is working as intended (which would involve assessing if the consumer outcomes have been improved).

We note that the Change Panel is responsible for this change and will have the opportunity to accept or reject the entire solution based on its benefits case.

2 SUGGESTED ASSURANCE APPROACH

The suggested assurance approach is based on a combination of Market Monitoring and Pre-Release Monitoring, instead of a Continuous Monitoring approach.

2.1 MARKET MONITORING

Based on the feedback received we propose to amend the assurance approach to sample test relevant change of occupier events. This would be based on information we have on the frequency of objected change of occupier switches in the non-domestic market. This has the following benefits:

1. This does not require the submission of any routine information by Parties on compliance.
2. This avoids the perception of wasted effort developing reporting if the Code Manager implements R0155 then subsequently implements technology to enable it which could involve reporting from the Security Data Exchange Platform system. We should note that it is possible that tech enablement would be implemented that would not provide reporting, due to system limitations.

This would have the following downsides:

3. This approach primarily uses information on the level of events, not compliance with the schedule, to then determine where PATs are applied. This will always generate false positives as it is imprecise, and guarantees that PATs need to be applied and therefore Suppliers need to provide ad hoc responses. Using the Ofwat data mitigates this, but this is infrequent.

4. This does not provide as rich information on any abuse of the process by TPIs, some of whom may be submitting fraudulent information to multiple Suppliers.
5. This provides less useful information on whether the change has been successful.

2.2 PRE-RELEASE MONITORING

Based on the PAB's steer to test readiness, we have proposed in the change documentation the following information request:

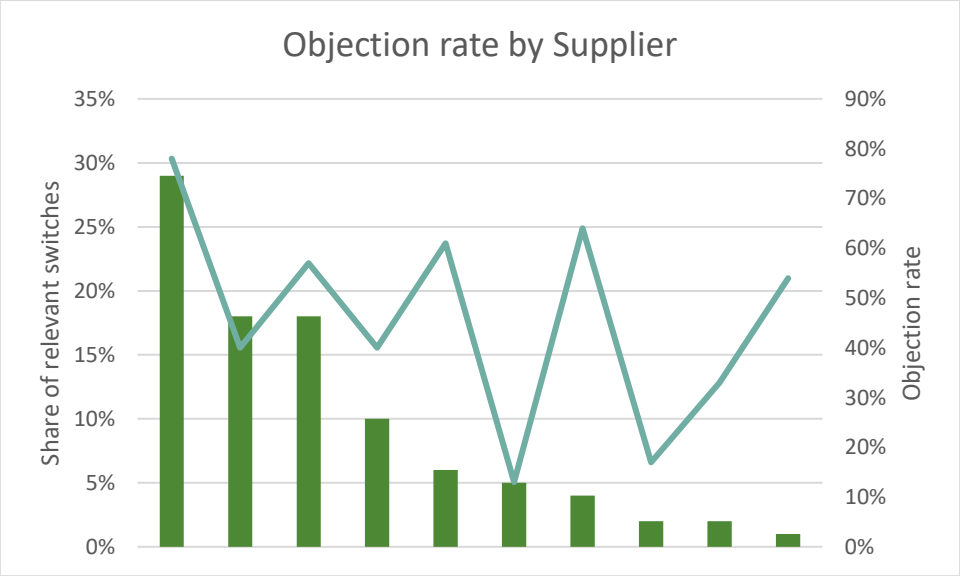
1. What internal documentation and training are you providing to your staff and agents to correctly identify a valid Change of Occupier, a possible Change of Occupier that needs more information or an invalid attempt to use Change of Occupier processes?
2. Have you identified and implemented any necessary changes to your systems to be able to track Change of Occupier, prompt staff and agents to take relevant steps and execute the revised processes introduced by R0155?
3. How will you monitor the application of the internal documentation and training you provide so that all staff or agents apply it consistently?
4. How will you monitor your compliance with the timelines?
5. How do you monitor long running or repeated attempts to use Change of Occupier processes that you are not able to complete?
6. Please confirm that you will be ready to provide reporting in line with the PARC requirements from the change implementation date.

This would be requested from Suppliers that are operating in the non-domestic market. Some feedback has been received on this, but not to the scale of the feedback on monitoring. Some suggestions have indicated that the pre-existing annual attestation, or an OAM prompt, would be more appropriate, given organisations are making these kinds of changes regularly.

We wish to confirm that this level of questioning is viewed as proportionate by the PAB for all Suppliers active in the non-domestic market. We would like to point out that the final question is dependent on the decision made relating to continuous monitoring.

3 WHAT DOES DATA WE ALREADY HAVE TELL US ABOUT THIS MARKET?

We have information on objected switches which are flagged as relating to a change of occupier and where the domestic premises indicator suggests are non-domestic premises between January 2024 and the end of September 2024, summarised by the losing Supplier. This suggests 96% of these switches relate to 10 Suppliers, with another 31 Suppliers having some switching activity. We have summarised this below:



4 PROPOSED WAY FORWARD

From the pre-existing information we would suggest that the Code Manager requests information on readiness from the 8 organisations that object to more than one third of all change of tenancy switch requests. To help these organisations plan ahead we would publish the proposed timeframe for this exercise well in advance, provide advance notice of any information request being issued and a reasonable time period to respond.

We would continue to monitor this information and analyse performance 3 months after the change has been implemented; Suppliers with high objection rates would be requested to provide further information. The decision on to whom this would be applied would involve a PAB discussion. We envisage allowing 2 months to support the sample check; in effect this means reporting on effectiveness of this change from a compliance perspective 6 months after implementation.

We would separately analyse the aggregate level information provided as part of Ofgem's RFI to validate the effectiveness of the change. We plan on discussing this in more detail with Ofgem between the issue of this paper and the PAB meeting, and will present on this in more detail at that point.

4.1 DECISION REQUIRED

The PAB is requested to discuss and determine the assurance requirements for R0155. The recommendation is that:

1. The information request is focused on the most active non-domestic suppliers who have highest objection rates.

2. Continuous monitoring based on the requirements of the schedule is replaced by monitoring of process initiation and sampling of performance.

Should there be any unexpected feedback to the R0155 consultation on assurance we will provide a written update and recommendations to the PAB, so that a decision can be taken at the December PAB and 17th December Change Panel.