RETAIL ENERGY CODE

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| | |
|---|---|
| 01 | Proposal Plan |
| 02 | Consultation |
| 03 | Final Recommendation |

# CHANGE REPORT

## I0287 – CLARIFICATION AND AMENDMENTS TO ANNULMENT DEFINITION IN SCHEDULE 23 – ALIGNMENT WITH SLC OBLIGATIONS

## R0287A – CLARIFICATION AND AMENDMENTS TO ANNULMENT DEFINITION IN SCHEDULE 23 – ALIGNMENT WITH SLC OBLIGATIONS (ALTERNATE)

| | |
|---|---|
| DOCUMENT VERSION | V1.0 |
| PROPOSED IMPLEMENTATION DATE | 27 February 2026, (if a decision by Ofgem is received by 20 February 2026), or the next available release following Ofgem determination |
| IMPLEMENTATION APPROACH | Big Bang |

| | | | |
|---|---|---|---|
| RESPONSIBLE COMMITTEE | Change Panel | CHANGE PATH | Authority Determined |
| PRIORITY STATUS | High | URGENCY | Standard |
| IMPACTED STAKEHOLDERS | Energy Suppliers | | |



| LEAD ANALYST (SOLUTION LEAD) | TECHNICAL LEAD | ASSURANCE LEAD | SUBJECT MATTER EXPERT |
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## OVERVIEW

The current wording of the Annulment definition in the REC Schedule 23 – Registration Services is insufficiently aligned with the obligations set out in Ofgem's Electricity Supply Standard Licence Conditions (SLC). This has led to inconsistent interpretations of the usage of the Annulment process.

## CODE MANAGER RECOMMENDATION

The Code Manager recommends that the Change Panel to recommend to the Authority:

- **APPROVE** the proposed change solution for I0287 and **REJECT** the proposed change solution for R0287A;
- **APPROVE** the proposed implementation approach; and
- **APPROVE** the proposed implementation date of 27 February 2026.

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# BACKGROUND

## 1 SUMMARY

The current wording of the Annulment definition in REC Schedule 23 – Registration Services does not sufficiently align with the obligations set out in Ofgem's Electricity Supply Standard Licence Conditions (SLC) 14.2(d),14.4(c) and 14.10. This misalignment has led to inconsistent interpretations of the usage of the Annulment process across the industry compared to the intention of the REC change and the licence obligation. This Issue is seeking further amendments and clearer guidance to ensure the definition explicitly outlines:

- When and how Annulments should be used.
- That Annulments are only appropriate where a Consumer has informed their existing Energy Supplier that they have not entered into a contract with another Energy Supplier.
- That other industry processes such as Consumer-initiated cancellations should be used when a Consumer changes their mind after entering into a contract.

This clarification is essential to prevent retention-based misuse, ensure regulatory compliance, and uphold Consumer trust in the Switching process.

The current Annulment definition could pose several challenges:

- Commercial impact due to inconsistent application of the process, which may lead to disputes and regulatory scrutiny.
- Consumer confusion, as the lack of clarity sends mixed signals about Switching protections and processes.
- Market disruption, particularly for new entrants who may misinterpret the definition, leading to operational inefficiencies and reputational risk.

Please note that, unlike the original change of I0287, the alternate change, R0287A, was submitted with a fully formed proposed solution. For this reason, R0287A was accepted in as a Change Proposal (with an R number) and not an Issue.

## 2 PROBLEM STATEMENT

The current wording of the Annulment definition in the REC Schedule 23 – Registration Services is insufficiently aligned with the obligations set out in Ofgem's Electricity Supply Standard Licence Conditions (SLC). This has led to inconsistent interpretations of the usage of the Annulment process.

## 3 IMPACTS

| CONSUMERS |
|---|
| All Consumers |

| REC PARTIES AND SERVICE USERS |
|---|
| Energy Suppliers |

| REC DOCUMENTS / PRODUCTS |
|---|
| REC Schedule 1 – Interpretations and Definitions |
| REC Schedule 23 – Registration Services |

| MHHS |
|---|
| No impacts identified. |

## 4 CROSS-CODE IMPACTS

There are no cross-code impacts identified with this Change Proposal.

## 5 PROPOSAL PLAN

| Milestone | Activity | From | To |
|---|---|---|---|
| **Definition** | | **20 Oct-25** | **06 Dec-25** |
| | Solution Development | October | November |
| | Legal Review | October | November |
| | Business Case Assessment | November | December |
| | Change Issues Group | December | December |
| **Change Proposal** | | **07 Dec-25** | **19 Jan-26** |
| | Consultation | December | January |
| | Final Determination | January | January |
| **Voting** | | **20 Jan-26** | **20 Jan-26** |
| | Issue for Authority Determination | 21 January | 21 January |

## 6 STAKEHOLDER ENGAGEMENT

This Change Proposal will be taken to the Change Issues Group for discussion on 04 December 2025.

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## 7 PRIORITY STATUS AND URGENCY

### PRIORITISATION MATRIX

| Category | Significance / Resource impacts / Urgency | Further selection / breakdown | Score (0-3) | Weighting | Weighted Score |
|---|---|---|---|---|---|
| **Impacts** | Consumer Impact | Indirect | 2 | 27 | 53 |
| | Retail Markets Impact | Innovation and Market Arrangements | 1 | 17 | 17 |
| | RECCo / REC Party / REC Service Provider Impact | Operational Effectiveness and Efficiencies | 2 | 7 | 13 |
| | | Legal and Regulatory Compliance | 2 | 14 | 28 |
| **Resource** | Complexity / Effort / Duration | | 2 | 9 | 18 |
| **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)** | 167 |

| | |
|---|---|
| **Priority Status** | HIGH |
| **Change Proposal Type** | STANDARD |

The priority status for this Change Proposal is high based on a weighted prioritisation score of 167. The Code Manager has identified that there may be a high impact on Consumers as a result of misalignment across industry on the definition of Annulment and inconsistent application of the process. This can also lead to Consumer confusion due to mixed signals about the Switching process, and distrust of their Energy Supplier. This Change is also needed to ensure legal and regulatory compliance, as inconsistent and misuse of the Annulment process may lead to disputes and require further regulatory scrutiny.

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# SOLUTION

## 8 PROPOSED SOLUTION – I0287

This Change Proposal seeks to amend REC Schedule 1 – Interpretations and Definitions and Schedule 23 – Registration Services. The amendments will ensure that the definition of Annulment within the Code fully aligns with the SLCs, specifically SLC 14.2(d), 14.4(c), and 14.10.

The definitions of Annulled and Annulment Request in Schedule 1 will be amended to align with the definition of annulment in in the SLCs. The definition of Annulled will be streamlined to remove repetition of Annulment Request, thereby removing opportunities for misinterpretation. The definition of Annulment Request will be amended to clarify that the Request is to be used by a Losing Supplier where the Consumer has informed the Losing Supplier that the Consumer has not entered into an Energy Contract with the proposed Gaining Supplier, and asks the Losing Supplier to prevent the Switch from taking place. This is an additional sentence to emphasise that the Losing Supplier must only submit an Annulment Request in respect of a Registration where the Losing Supplier is permitted to do so in accordance with its Energy Supply Licence, Condition 14.2(d) and 14.4(c).

Schedule 23, paragraph 10.1 will be updated to include reference to SLC 14 and that the Consumer has informed the Losing Supplier that they have not entered into an Energy Contract with the proposed Gaining Supplier and asked the Losing Supplier to prevent the Switch from taking place. This is a repetition of the SLC text to make clear the requirement for the Consumer to inform the Losing Supplier of the absence of a Contract with the proposed Gaining Supplier. When reviewing this paragraph internally, the Code Manager determined that future changes to this paragraph will be needed if the SLC changes.

Schedule 23, paragraph 10.2 will also be updated to clarify that the obligation to retain the Consumer's request starts from the date of receiving the request. Additionally, the paragraph will emphasise the requirement for the Consumer's consent and repeat the wording of the SLCs that the evidence must demonstrate that the Consumer asked the Losing Supplier to prevent the Switch from taking place.

## 9 PROPOSED SOLUTION – R0287A

This Change Proposal seeks to amend REC Schedule 1 – Interpretations and Definitions and Schedule 23 – Registration Services.

Schedule 23, paragraph 10.1 will be updated to include two scenarios that would allow for an Annulment Request to be raised. This would be either:

1) Where the Consumer has not entered into a contract with the Gaining Supplier and asks the Losing Supplier to prevent the Proposed Supplier Transfer from taking place; or
2) the Consumer does not wish the Supplier Transfer to take place and requests that the Losing Supplier informs the Gaining Supplier on their behalf.

The two scenarios capture that the Consumer has provided their consent to the Losing Supplier to take action in preventing the Switch from progressing. Additionally, and in accordance with SLC 14, that the Consumer has informed the Losing Supplier that they have not entered into an

Energy Contract with the proposed Gaining Supplier and asked the Losing Supplier to prevent the Switch from taking place. The latter is a repetition of the SLC text to make clear the requirement for the Consumer to inform the Losing Supplier of the absence of a Contract with the proposed Gaining Supplier.

Schedule 23, paragraph 10.2 will also be updated to include that the Consumer's instruction and consent may be received and obtained solely by the Losing Supplier.

## 10 DRAFT LEGAL TEXT

The legal text changes to deliver the proposed solution to I0287 can be found here.

The legal text changes to deliver the proposed solution to R0287A can be found here.

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# PRELIMINARY ASSESSMENT

## 11 BUSINESS CASE ASSESSMENT

### 11.1 COSTS

There are no central system costs associated with either Change Proposal.

### 11.2 BENEFITS

| INTANGIBLE BENEFITS | I0287 BENEFITS DESCRIPTION | R0287A BENEFITS DESCRIPTION |
|---|---|---|
| IMPROVE CLARITY ON THE ANNULMENT PROCESS | The implementation of this Change Proposal should provide clarity on the processes and Party obligations surrounding the Annulment process. The Annulment process is outlined in Ofgem's SLC 14 and the Code currently sets the same requirements. Misalignment between the Code's wording of the annulment process and SLC 14 has led to inconsistent interpretations of the usage of the Annulment process across the industry compared to the intention of the REC change and the licence obligation. By providing a clearer definition of an Annulment Request, with explicit evidence required from the Consumer, this Change Proposal will remove opportunities for further misinterpretation, prevent retention-based misuse and ensure regulatory compliance. | This benefit does not apply to R0287A because, based on advice from REC Legal Advisors, the proposed legal text does not align with Ofgem's annulment process as outlined in SLC 14 and existing Ofgem guidance. Where I0287 would follow the wording of SLC 14 exactly, R0287A's proposed legal text changes would introduce new wording that would change the Annulment process. As the SLCs ultimately govern the Consumer's Switching journey, it is pertinent that the Change Proposal implemented reflects the intention and wording of the SLCs and does not further confuse Consumers, nor REC Parties of the Annulment process. |
| ENSURE A POSITIVE SWITCHING PROCESS FOR CONSUMERS | The implementation of this Change Proposal should provide clearer legal drafting of the REC and ensure a more positive switching process for Consumers. REC Parties have raised this Change Proposal as the current misalignment between the REC's Annulment definition and SLC 14 may lead to customer confusion, as the lack of clarity sends mixed signals about Switching protections | The implementation of R0287A may have a positive effect on the Switching process but would not be compliant with the SLC. Implementing R0287A would require further engagement with Ofgem regarding the relevant SLCs and may require amendments to the SLCs. |

| | | |
|---|---|---|
| | and processes. The proposed amendments to REC Schedule 23 will make clear the requirements for submitting an Annulment Request and the obligations of the Losing Supplier. This will uphold Consumer trust in the Switching process and in their Supplier. | The potential benefit to the Consumer would be from the implementation of R0287A's proposed amendment to REC Schedule 23, clause 10.1 (ii), which would allow the Losing Supplier, acting on the Consumer's request and with their informed consent, to prevent a Switch from progressing post-Switch initiation. This cannot currently be implemented into the REC due to its direct conflict with SLC 14. |
| **FULLY ALIGN THE ANNULMENT DEFINITION IN THE REC WITH THE ENERGY SUPPLY LICENCE** | The implementation of this Change Proposal will fully align the Code with Ofgem's SLCs by replicating the wording of SLC 14.2(d), 14.4(c), and 14.10 within the REC Schedule 23. This will remove any ambiguity within the Code and explicitly refer to the Electricity Supply Licence. By ensuring consistent terminology and process expectations across both documents, this Change Proposal will avoid misinterpretation by suppliers and market participants, improving the operational efficiency of the REC. | The implementation of this Change Proposal would not fully align the Code with Ofgem's SLC as it would introduce new wording that would conflict with SLC 14.2(d), 14.4(c) and 14.10. These sub-clauses specifically govern the Annulments process. |

### 11.3 COST BENEFIT ANALYSIS

For I0287, there are no central systems costs, no expected costs to Parties and two intangible benefits associated with this Change Proposal. As such, the Code Manager believes that there is a positive case for change.

For R0287A, there are also no expected costs, but the identified benefits of I0287 do not apply to R0287A and the Code Manager has not been able to identify any other benefits of R0287A that are not listed above.

## 12 CASE FOR CHANGE

### AUTHORITY DETERMINATION

The Code Manager believes that I0287 better facilitates the following 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 | The implementation of this Change Proposal will deliver positive outcomes as it will ensure an improved Switching process. By clarifying the definition of Annulment and Annulment Requests, this Change Proposal should remove any ambiguity surrounding the Annulment process. Thereby ensuring a more efficient and effective running of the retail market, as outlined in the Mission Statement. |
| To ensure customers interests and data is protected in the operation of the REC | Positive | The implementation of this Change Proposal will provide a more positive Switching experience for Consumers, ensuring their interests are protected within the Code and its operations. Clarifying the Annulment Request should also improve Consumer's trust in their Energy Supplier by making it clear that the Annulment Request can only be submitted by the Consumer asking the Losing Supplier to prevent a Switch from taking place and providing evidence of their consent. This will remove the risks of the Annulment process being misused and prevent further detriments to the Consumer. |
| To drive continuous improvements and efficiencies in the operation of the REC and the central systems and communication infrastructures it governs | Positive | The implementation of this Change Proposal will improve operational efficiency through clearer legal drafting and reducing ambiguity in the obligations of REC Parties in following the Annulment process. |

The Code Manager believes that R0287A has the following impact on 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[2] | Negative | The implementation of this Change Proposal will not deliver positive outcomes as it will create confusion around the Switching process. As R0287A's proposed legal text is in direct conflict with the SLCs, implementing it would result in further ambiguity around the Annulment process and be detrimental to an efficient retail energy market. |

[1] REC Mission Statement
[2] REC Mission Statement

| | | |
|---|---|---|
| To ensure customers interests and data is protected in the operation of the REC | Neutral | The implementation of this Change Proposal may provide a more positive Switching experience for Consumers, by allowing them to instruct the Losing Supplier to prevent a Switch from progressing. However, R0287A would not be in alignment with the SLC's Annulment process, which could create customer confusion and mistrust in their Energy Supplier. |
| To drive continuous improvements and efficiencies in the operation of the REC and the central systems and communication infrastructures it governs | Negative | The implementation of this Change Proposal will not improve operational efficiency as it is in direct conflict with the SLCs and may increase ambiguity in the obligations of REC Parties in following the Annulment process. |

## 13 APPENDIX

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|---|---|
| **CHANGE PROPOSAL – I0287** | Link |
| **LEGAL DRAFTING – I0287** | Link |
| **CHANGE PROPOSAL – R0287A** | Link |
| **LEGAL DRAFTING – R0287A** | Link |
| **RELATED CHANGE(S)** | R0119 – Annulment Definition |

## 14 GLOSSARY

| TERM | DEFINITION |
|---|---|
| Annulled | means that a Registration has been annulled by the Losing Supplier pursuant to an Annulment Request where the Losing Supplier has received an instruction from the Consumer to terminate the progress of a Registration. "Annulment" and similar expressions shall be interpreted accordingly. |
| Annulment Request | means the Registration Service Request from the Losing Supplier to terminate the progress of a Registration in accordance with Paragraph 10 of the Registration Services Schedule. |
| Authority-Approved Change | means a Change Proposal which satisfies one or more of the criteria set out in Paragraph 9 of the Change Management Schedule. |
| Consumer | means any person supplied (or seeking a supply) of Energy at an RMP (whether or not that person also exports or is seeking to export electricity at an RMP). |
| Energy Contract | means a contract for the supply of gas or electricity (or both gas and electricity) to a Premises, or for the purchase of electricity exported from a Premises. |
| Energy Supplier | means a person which is either or both an Electricity Supplier and/or a Gas Supplier. |
| Energy Supply Licence | means an Electricity Supply Licence or a Gas Supply Licence. |
| Gaining Supplier | means, in relation to a proposed Switch (or Switch), the Energy Supplier which is proposing to become the Registered Supplier at an RMP as a |

| | |
|---|---|
| | result of that proposed Switch (or which has become the Registered Supplier as a result of that Switch). |
| Losing Supplier | means, in relation to a proposed Switch (or Switch), the Energy Supplier which will cease to be the Registered Supplier at an RMP as a result of that proposed Switch (or which has ceased to be the Registered Supplier as a result of that Switch). |
| Registration | means the record in the Central Switching Service for each RMP identifying each Energy Supplier which is registered in respect of that RMP, and the Registration Status of each such registration. |
| Switch | means a change to the Registered Supplier for an RMP. |