

Modification proposal:	<b>Master Registration Agreement (MRA): Clarification of the use of the Change of Tenancy Indicator (MRA CP 183)</b>		
Decision:	The Authority <sup>1</sup> directs that proposal CP 183 be made <sup>2</sup>		
Target audience:	MRASCo, Parties to the MRA and other interested parties		
Date of publication:	13 June 2008	Implementation Date:	26 June 2008

## Background to the modification proposal

In August 2007, the standard conditions of the electricity supply licence were modified to include obligations setting out the circumstances when an electricity supplier could request a Meter Point Administration Service (MPAS) Provider to prevent a proposed transfer of a customer to new supplier (commonly referred to as raising an 'objection'). A consequential change (MRA CP 177) was subsequently approved by the Authority to remove the clauses in the MRA that had previously defined these circumstances.

The registration process for transferring a supply point to a new supplier includes the provision for the new supplier to note that the transfer is being made to coincide with a change of tenancy. That is, in the new supplier's opinion, the customer that they have contracted to supply at the relevant supply point has (or is about to) become the new tenant at the premises and is not the same legal person with whom the old supplier has a contract.

This information is sent by the new supplier in a Data Flow (D0055) which includes a 'Change of Tenancy Indicator' (CoT Indicator)<sup>3</sup>. If the CoT Indicator is set to 'True' then this signals that the new supplier believes that a change of tenancy has taken place.

This information needs to be carefully considered by the old supplier when they are evaluating whether they have grounds under standard licence condition (SLC) 14 of the electricity supply licence for them to object to the proposed transfer.

## The modification proposal

The proposed modification seeks to clarify the wording of clause 16.2 of the MRA to oblige the old supplier to use reasonable endeavours to assess that, when the new supplier has set the CoT indicator as 'True', this data is correct.

The existing clause in the MRA prohibits the old supplier from objecting to a proposed transfer where the CoT Indicator is set to 'True', "...unless it has reasonable grounds for believing that information to be inaccurate."

The modification proposal does not substantially change the substance of the existing MRA obligation. It does, however change the emphasis from the existing prohibition to object "unless it has reasonable grounds for believing that information to be inaccurate" to a requirement to "use reasonable endeavours to establish whether the [CoT indicator] has been set accurately" before making an objection.

<sup>1</sup> The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

<sup>3</sup> Data Item J0215

This change is designed to more accurately reflect the old supplier's obligations under the supply licence to only object in circumstances permitted under SLC 14. Where a supplier has information to suggest that a change of tenancy has taken place, this may indicate that they do not have a valid reason to object (as set out in the supply licences) to the proposed transfer. The proposed modification requires the old supplier to consider the CoT Indicator in that light, and to take reasonable steps to investigate the case to establish whether a change of tenancy has occurred before objecting to the transfer.

### **MRA Executive Committee (MEC)<sup>4</sup> recommendation**

The MEC, through its sub-committee the MRA Development Board considered the modification proposal at its meeting on 24<sup>th</sup> April 2008. The MEC recommended implementation of the proposal.

### **The Authority's decision**

The Authority has considered the issues raised by the MRA Change Proposal (MCP) 183. The Authority has considered and taken into account the responses to the MEC consultation on the modification proposals which were submitted to the MRA Development Board<sup>5</sup>. The Authority has concluded that:

1. implementation of the modification proposal MCP 183 will better facilitate the objectives of the MRA<sup>6</sup>; and
2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties<sup>7</sup>.

### **Reasons for the Authority's decision**

We agree with the majority of respondents to the consultation that the proposed change will make clearer the purpose of the CoT Indicator. In some circumstances, the fact that a change of tenancy has taken place may mean that the supplier does not have grounds to object to a transfer. We consider that suppliers must carefully consider whether they have the grounds to object to a proposed transfer as set out in SLC 14. The CoT Indicator is a significant piece of evidence that a supplier must consider in assessing whether grounds to object may exist.

Objections are a significant element of the procedures that support customer transfers. Suppliers are only permitted to object to a proposed transfer in the circumstances set out in the supply licence. We would expect that competition will be inhibited if suppliers are not confident that objections will only be used when appropriate.

Accordingly, we welcome the change in emphasis that this modification will bring. The modification should lead to an increased level of scrutiny on the part of the old supplier which will facilitate switching by reducing, instances of inappropriate objections. This will better facilitate an efficient, coordinated and economical system for the purpose of

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<sup>4</sup> The MEC is established and constituted from time to time pursuant to and in accordance with the MRA.

<sup>5</sup> MRA modification proposals, modification reports and representations can be viewed on the MRASCO website at [www.MRASCO.com](http://www.MRASCO.com).

<sup>6</sup> As set out in Standard Condition 23 of the Electricity Distribution Licence, see: <http://epr.ofgem.gov.uk/index.php?pk=doc169206>.

<sup>7</sup> The Authority's statutory duties are wider than matters which the MEC must take into consideration and are detailed mainly in the Electricity Act 1989.

facilitating competition in electricity supply, and is therefore consistent with SLC 23.3 (f) of the Electricity Distribution Licence.

**Decision notice**

In accordance with Standard Condition 23 of the Electricity Distribution Licence, the Authority, hereby directs that modification proposal CP 183: '*Clarification of use of the Change of Tenancy Indicator*' be made.



**Kersti Berge**

**Head of GB Markets**

Signed on behalf of the Authority and authorised for that purpose.