

<b>Change proposal:</b>	<b>Retail Energy Code (REC) R0119: Annulment Definition</b>		
<b>Decision:</b>	The Authority <sup>1</sup> has decided to approve <sup>2</sup> this change proposal <sup>3</sup>		
<b>Target audience:</b>	REC Board, REC Parties and other interested parties		
<b>Date of publication:</b>	02 September 2004	<b>Implementation date:</b>	08 November 2024

## Background

The switching process provides the Losing Supplier with the ability to submit an annulment of the switch. This annulment process should only be used when a customer requests that the Losing Supplier object to their switch. The Retail Energy Code (REC) Schedule 23 Registrations Services<sup>4</sup> does not define an annulment but sets out in paragraph 10: 'A 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.' An annulment is not currently defined within the Gas Supply Licence, Electricity Supply Licence or the REC, and there is a potential risk that in some circumstances the annulment process may be utilised incorrectly when other processes may be applicable.<sup>5</sup>

## The Change Proposal

REC Change Proposal R0119 'Annulment Definition' was raised by the Retail Energy Code Company (RECCo) (the 'Proposer') on 17 May 2023. This modification seeks to define an annulment in the REC, by establishing a clear definition of when an annulment should be carried out in Schedule 23 of the REC. The Proposer notes that any annulment must be carried out only when an instruction has been given to the Losing Supplier by the customer to object to a switch.

<sup>1</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989 and section 38A of the Gas Act 1986.

<sup>3</sup> 'Change Proposal', 'change' and 'modification' are used interchangeably in this document.

<sup>4</sup> [Retail Energy Code Schedule 23 – Registration Services](#)

<sup>5</sup> Licences and Licence Conditions can be found on the Ofgem website here: <https://www.ofgem.gov.uk/energy-policy-and-regulation/industry-licensing/licences-and-licence-conditions>

To ensure accurate records are kept of annulments, this modification will also introduce a requirement for Suppliers to hold evidence of an explicit customer instruction for an annulment. Suppliers will be required to hold this for a period of at least one year.

Additionally, this modification will update REC Schedule 1 Interpretations and Definitions<sup>6</sup> with the following definition of Annulled:

- 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.

### **REC Change Panel<sup>7</sup> recommendation**

At the REC Change Panel meeting on 16 July 2024, the REC Change Panel unanimously considered that R0119 would better facilitate the REC Objectives, and the REC Change Panel therefore recommended its approval.

### **Our decision**

We have considered the issues raised by the change proposal and the Final Change Report (FCR) submitted to us on 17 July 2024. We have considered and taken into account the responses to the industry consultation which are attached to the FCR<sup>8</sup> We have concluded that:

- implementation of the change proposal will better facilitate the achievement of the applicable objectives of the REC;<sup>9</sup> and
- approving the change is consistent with our principal objective and statutory duties.<sup>10</sup>

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<sup>6</sup> [REC Schedule 1 Interpretations and Definitions](#)

<sup>7</sup> The REC Change Panel is established and constituted pursuant to and in accordance with [Standard Condition 11B.8\(a\) of the Electricity Supply Licence](#) and [Standard Condition 11.8\(a\) of the Gas Supply Licence](#).

<sup>8</sup> REC change proposals, change reports and representations can be viewed on the [REC Portal](#).

<sup>9</sup> As set out in [Standard Condition 11B.6 of the Electricity Supply Licence](#) and [Standard Condition 11.6 of the Gas Supply Licence](#).

<sup>10</sup> The Authority’s statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 and the Gas Act 1986.

## **Reasons for our decision**

We consider this change proposal will better facilitate REC Objectives (a), (b) and (c).

### ***(a) to ensure the REC operates and evolves in a manner that facilitates the achievement of its mission statement***

The Proposer believes that this modification will better facilitate relevant objective (a) as it will ensure clarity for Suppliers on when an annulment should be used and will ensure the correct processes are followed during the switching journey. The Proposer also believes that by updating the definition of an annulment within the REC, it will ensure a more efficient and effective running of the retail market.

We agree with the Proposer that by ensuring Suppliers have clearly defined processes to follow on receipt of an instruction from a customer resulting in the annulment of a switch and therefore better facilitating relevant objective (a).

### ***(b) to ensure customers interests and data is protected in the operation of the REC***

The Proposer asserts that R0119 will better facilitate relevant objective (b) by ensuring that consumers have confidence in their Supplier and in the switching process to operate correctly and in their interest.

We agree with the Proposer that ensuring properly defined processes are in place and are monitored will maintain consumer confidence in both their Suppliers and in the switching process.

We therefore consider that R0119 will better facilitate relevant objective (b)

### ***(c) to drive continuous improvements and efficiencies in the operation of the REC and the central systems and communication infrastructure it governs***

The Proposer considers that this modification will better facilitate relevant objective (c) as it will reduce the risk of ambiguity and ensure that REC documents are easy to follow. The

Proposer believes that a clear and defined process in place for annulments, and the monitoring of these annulments, will result in more efficient operation of the REC.

Consultation respondents agreed with the Proposer that this modification will improve the operation of the REC. However, one consultation respondent noted that wording in the change proposal should be amended from 'instructions' to 'an instruction' from a consumer to make it clear that a single request from a consumer is required to carry out the annulment. The Proposer agreed with this sentiment and the wording was amended to reflect this.

We agree with the Proposer on the need for continuous improvement and ensuring that the requirements are clear and as easy to follow for Suppliers as possible. We also agree that further changes to the wording to ensure that a Losing Supplier correctly applies the annulment process and the ability for a consumer to request an annulment is clearly defined.

For these reasons we consider that R0119 will better facilitate relevant objective (c).

### **Decision notice**

In accordance with Standard Condition 11B of the Electricity Supply Licence and Standard Condition 11 of the Gas Supply Licence, the Authority hereby approves REC Change Proposal R0119 'Annulment definition'.

**Michael Walls**

**Head of Retail Market Operations and Smart Metering**

Signed on behalf of the Authority and authorised for that purpose