

Ofgem decision for R0287/A: Retail Energy Code (REC): Clarification and amendments to annulment definition in Schedule 23 – Alignment with SLC obligations

Decision:	The Authority ¹ has decided to approve ² the original change proposal ³ (R0287) and reject the alternate change proposal (R0287A).
Target audience:	REC Board, REC Parties and other interested parties
Date of publication:	20 February 2026
Implementation date:	27 February 2026

Background

The REC's Registration Services Schedule outlines the key switching activities undertaken by the Central Switching Service (CSS); this includes an annulment process that allows Supplier A (the Losing Supplier) to stop a switch from taking place where a consumer has informed it that they have not entered into a contract with Supplier B (the Gaining Supplier). While annulment is not defined in the Energy Supply Licences,⁴ following our decision in 2024 for R0119⁵, it is now defined in REC Schedule 1 – Interpretations and Definitions, and the current annulment process is set out in REC Schedule 23 – Registration Services.⁶

¹ 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.

² 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.

³ ‘Change’ and ‘modification’ are used interchangeably in this document.

⁴ Licences and Licence Conditions can be found on Ofgem Electronic Public Register here: [Home Page - Ofgem Public Register](#)

⁵ [Authority Decision for Retail Energy Code Modification R0119: Annulment Definition | Ofgem](#)

⁶ [Retail Energy Code - Schedule 1 - Interpretations and Definitions & Schedule 23 – Registration Services](#)

Recently, there have been inconsistent interpretations of the usage of the annulment process across the industry. This has led to disputes over the application of the process, potential consumer confusion, and concerns about market disruption (in particular for new market entrants who may not be clear on the requirements). This has led to the REC Performance Assurance Board (PAB) engaging with Ofgem to seek clarification on the annulment provisions, how they should be applied to be aligned with the Standard Licence Conditions (SLCs), and our expectations about how these should be reflected in the REC drafting. The code manager also believes that a clarification is essential to prevent retention-based misuse, ensure regulatory compliance, and uphold consumer trust in the switching process.

We consider that this decision addresses the clarification request from the REC PAB and will allow the code manager to update the REC and issue the appropriate guidance to parties.

The change proposal(s)

The change proposal R0287 was raised by British Gas on 14 October 2025 and seeks to amend REC Schedule 1 and Schedule 23 to clarify that annulments may only be used by the Losing Supplier where the consumer has not entered into a contract with the Gaining Supplier and asks the Losing Supplier to prevent the Switch from taking place.

The alternative change proposal R0287A was raised by ScottishPower on 26 November 2025 and proposes an additional scenario allowing an annulment where a consumer does not wish the switch to progress and requests that the Losing Supplier informs the Gaining Supplier on their behalf. Due to this addition, it also adds a clause clarifying that for non-domestic suppliers the use of annulments is restricted only for Erroneous Switching scenarios due to the absence of a cooling-off period for these customers.

REC Change Panel⁷ recommendation

At the REC Change Panel meeting on 20 January 2026, the REC Change Panel unanimously agreed with the code manager's recommendation that R0287 would better facilitate REC Objectives (a), (b), and (c), and therefore recommended R0287's approval. The REC Change Panel also unanimously agreed with the code manager's recommendation that the alternative solution negatively affects objectives (a), (c), and has a neutral impact on objective (b), and therefore recommended that R0287A is rejected.

Our decision

We have considered the issues raised by the change proposal and the Final Change Report (FCR) dated 21 January 2026. We have considered and taken into account the responses to the industry consultation which are attached to the FCR⁸. We have concluded that:

- implementation of the change proposal R0287 will better facilitate the achievement of the applicable Objectives of the REC⁹
- implementation of the change proposal R0287A will not better facilitate the achievement of the applicable Objectives of the REC
- approving change proposal R0287 is consistent with our principal objective and statutory duties¹⁰

⁷ 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](#).

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

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

¹⁰ 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 that change proposal R0287 will better facilitate REC Objectives (a), (b) and (c), and that change proposal R0287A will not better facilitate REC Objectives (a), (b) and (c). This decision is also consistent with, and builds upon, our reasoning in R0119, where we determined that annulments should be clearly defined and supported by clear evidential requirements.

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

R0287

The code manager considers that 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.

We have previously set out our view¹¹ during our Statutory consultation for the Switching Programme and Retail Code consolidation that an annulment process will only be permitted where a consumer has informed the Losing Supplier that it has not entered into a contract with another supplier. As we considered that there was a greater risk that the Losing Supplier may misinterpret or not fully understand the contractual relationship between the consumer and Gaining Supplier, when a consumer cancels, we think it is for the Gaining Supplier to withdraw the switch. The Gaining Supplier has licence obligations under SLC 14A¹² to stop the switch in this circumstance and prevent an erroneous switch from taking place.

¹¹ [Switching Programme and Retail Code Consolidation: Proposed licence modifications](#)

¹² As set out in Standard Condition 14A of the Electricity and Gas Supply Licences.

We note that the majority of the respondents to the industry consultation support R0287 due to its alignment with SLC14, and for reflecting the policy intent behind this SLC to protect consumers against erroneous switches. SLC14 of the Electricity and Gas Supply Licences sets out a general prohibition on Customer Transfer Blocking¹³, which is when a Losing Supplier prevents a customer from switching to the Gaining Supplier. There are, however, exceptions contained within the SLC, where the Losing Supplier can make a request in accordance with the REC to prevent the switch, one of which is when the consumer informs the licensee that they have not entered into a Contract with the Gaining Supplier. One respondent, although supportive of the proposal, believed that it should not reflect the exact wording of the licence as future changes may need to be raised should the Licence Conditions change. We note this concern, but consider that if the SLCs, and their intent were to change, there would likely need to be consequential amendments to the REC, and its schedules.

We agree with the majority of respondents that clarifying the definition of annulment and annulment requests in the REC to align with the wording of SLC14 will help remove any ambiguity regarding this process. We consider that this will help the efficient running of the retail market by ensuring that all participants are using this process in a consistent manner. We therefore consider that proposal R0287 would better facilitate REC Objective (a).

R0287A

The code manager considers that the implementation of this change proposal will not deliver positive outcomes as it will create confusion around the switching process and be in direct conflict with the intent of the SLCs. As R0287A's proposed legal text adds another scenario which is not included in the current wording of the SLCs, implementing it could result in

¹³ As set out in Standard Condition 14 of the Electricity and Gas Supply Licences.

further ambiguity around the annulment process and be detrimental to an efficient retail energy market.

We note that the majority of the respondents to the industry consultation, including a Consumer Advocate Group, raised concerns that the alternate solution, R0287A, could result in misinterpretation and misuse of the annulments process, and have a detrimental impact to consumers and a competitive energy market. One respondent suggested that there should be a review of the annulment process in its entirety to ensure the consumer's switching journey properly safeguards the consumer against poor Energy Supplier sales practices. Although the code manager determined that such a review was out of the scope of these change proposals, they recognised there may be merits in providing additional avenues for a consumer to notify either their Losing or proposed Gaining Supplier to act on their behalf. The code manager has indicated that they would support a separate change proposal to explore this issue further, if raised by industry.

We support the code manager's position to explore the issues mentioned above in more detail. We consider that adopting R0287A could go beyond clarifying the existing regulatory framework. Such changes may require full consideration through licence modification or other regulatory processes, rather than solely through a code governance arrangement. We therefore agree with the code manager's assessment and consider that proposal R0297A would not better facilitate REC Objective (a).

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

R0287

The code manager considers that 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. We agree that a consistent and clearly defined process for the use of annulments is in consumers' interests, as it reduces the risk of misuse and supports confidence in the switching process. We therefore consider that proposal R0287 would better facilitate REC Objective (b).

R0287A

The code manager considers that 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, the code manager also considers that R0287A would not be in alignment with the SLCs, which could create customer confusion and lead to a poor experience with their Energy Supplier.

In their response to the industry consultation, a Consumer Advocate Group raised concerns about potential consumer harm if R0287A is implemented. They believe the annulment process should relate solely to consumers without contracts and resolve mistakes where the consumer has not entered into a valid contract with the proposed Gaining Supplier. The implementation of R0287A could result in the consumer breaching their contract with the proposed Gaining Supplier and may result in the consumer having to pay exit fees.

While we recognise arguments that R0287A could simplify aspects of the consumer journey, we do not consider that perceived convenience outweighs the increased scope for misuse, and potential consumer detriment arising from contractual consequences. We note concerns that R0287A could result in consumer harm where a switch is prevented despite the consumer having entered into a valid contract with the Gaining Supplier, potentially exposing consumers to exit fees and confusion regarding their contractual position. As previously noted, we think that where a consumer cancels during their cooling-off period, it is for the Gaining supplier to withdraw the switch. Due to these concerns, on balance, we therefore consider that proposal R0287A does not better facilitate REC Objective (b).

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

R0287

The code manager considers that the implementation of this change proposal will improve operational efficiency through clearer legal drafting and reduced ambiguity. We agree that clearer drafting and reduced ambiguity reduces legal uncertainty, disputes, and the need for regulatory intervention, thereby supporting an efficient operation of the switching arrangements. We therefore consider that proposal R0287 better facilitates REC Objective (c).

R0287A

The code manager considers that the implementation of this change proposal will not improve operational efficiency as R0287A's proposed legal text adds another scenario which is not included in the current wording of the SLC 14 and may increase ambiguity in the obligations of REC Parties in following the annulment process. They consider that to use annulments in a way that it was not intended for, risks creating confusion for market participants and consumers.

One respondent to the industry consultation noted that there is a potential gap in the current process and that the alternative proposal provides for an improved customer journey by, in addition to catering for erroneous transfer scenarios, also covers scenarios where a customer wishes to remain with the Losing Supplier with no change of supply taking place. The respondent argues that by the Losing Supplier obtaining a clear statement from the consumer to cancel the switch, it is aligned with the Consumer Contract Regulations 2013 and facilitated through SLC14A. In response, the code manager acknowledges that while there are potential benefits to the consumer in introducing other avenues to improve the

switching journey during the cooling-off period, that this currently cannot be done through the existing annulment process and technical solution, and should be considered through a separate change proposal.

We consider that unclear REC processes would be likely to increase disputes, potential compliance risks, and the need for regulatory intervention, which would undermine efficiencies in the operation of the REC and central systems. As previously noted, we support the code manager's position to explore these issues in more detail through a separate change proposal, if raised by industry. We also consider that the obligations in SLC14A relate to the Gaining supplier, and as previously noted, have concerns about potential consumer detriment arising from contractual consequences should the Losing Supplier misinterpret or not fully understand the contractual relationship between the consumer and Gaining Supplier. We therefore consider that proposal R0287A does not better facilitate REC 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 approves R0287 and does not approve R0287A.

Michael Walls

Head of Retail Market Operations

Signed on behalf of the Authority and authorised for that purpose