



Making a positive difference
for energy consumers

[REDACTED]
Utilita Energy Limited,
[REDACTED]
[REDACTED]

Your Ref:N/A

Our Ref:N/A

Direct Dial: [REDACTED]

Email: [REDACTED]

Date: 08 March 2021

Dear [REDACTED],

Utilita Energy Limited

Decision: Temporary Derogation in respect of User Entry Process Testing in Tranche 1

Thank you for your correspondence dated 29 December 2020 in relation to the application by Utilita Energy Limited (**Utilita Energy**) for a temporary Derogation from compliance with the following requirement during Tranche 1 of User Entry Process Testing for the Switching Programme:

- Paragraph 4.22 of Schedule 2 (Transition Schedule) to the Retail Energy Code (**REC**) version 1.1, which requires each Large Supplier to ensure that it is, and that its Interfacing System is, ready to commence the User Entry Process Testing (**UEPT**) "as soon as the User Entry Process Testing is made available."

The purpose of this letter is to set out our¹ decision² to approve the above temporary Derogation in respect of Utilita Energy and on the condition that Utilita Energy instead complies with paragraph 4.22 of Schedule 2 to the REC version 1.1 in Tranche 2 of UEPT for the Switching Programme (**Tranche 2**). The Direction (enclosed) in respect of this

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.

temporary Derogation takes effect from the commencement milestone TE160 UEPT Tranche and shall remain in force until the commencement of milestone TE770 UEPT Tranche 2 unless revoked earlier or varied in writing by the Authority.

Reasons for decision

Ofgem have considered this application carefully and, for the reasons explained below, Ofgem have decided to grant this application and permit Utilita Energy to commence UEPT in Tranche 2 rather than in Tranche 1.

The decision has taken into account the information provided by Utilita Energy in its application, along with programme requirements in relation to Derogations, as set out in the Ofgem guidance document, *Switching Programme CR-D040: Derogations from REC requirement for Large Suppliers to enter UEPT in Tranche 1*. As outlined at paragraph 1.16 of that guidance, in assessing an application for a derogation from the REC Transition Schedule, as well as considering any impacts on the objectives and timescales relevant to the Switching Programme, Ofgem will be guided by its principal objective of protecting the interests of existing and future consumers. This includes, among other things, having regard to the interests of vulnerable consumers, promoting competition in the energy market and considering the need to contribute to the achievement of sustainable development.

In taking this decision we have considered in particular the nature of Utilita Energy's customer portfolio - being predominantly smart pre-payment meter customers - and the specific impacts experienced by Utilita Energy in the course of the COVID19 pandemic. Utilita has noted that this has resulted in the organisation needing to redeploy resource allocation during the unprecedented events of the last year. With reference to the efforts in responding to the COVID19 pandemic set out by Utilita Energy within its application, we consider there to be justification as to why Utilita Energy believes that it will be unable to meet the timeframes to enter Tranche 1 for UEPT.

Compliance with the REC is a requirement under electricity supply standard licence condition 11B and gas supply standard licence condition 11. After REC v1 was designated in 2019, the underlying assumptions about when market participants should enter UEPT changed. This was due in large part to the COVID19 pandemic, but also due to new evidence on the individual circumstances of licensees. To fully respond to these changes, Ofgem must be able to exercise discretion in allocating UEPT tranches; as a result, the REC was amended by way of CR-D040 to enable Ofgem to grant specific derogations in respect of paragraph 4.22 of the REC Transition Schedule. Ofgem take note of and shall monitor the assurances given by Utilita Energy, including that Utilita Energy is proposing to join

UEPT at the earliest possibility in Tranche 2, which would facilitate operational flexibility and in no way negate from its commitment to participation in the Switching Programme. We are satisfied that sufficient planning has been undertaken to demonstrate that Utilita Energy will be able to enter UEPT at Tranche 2.

Ofgem are further satisfied that Utilita Energy will not receive any unfair advantage by entering UEPT at a later date, given that resources otherwise allocated to the Switching Programme were being redeployed in support of their response to COVID19 and in particular their vulnerable customer base. As indicated by Utilita Energy, the ability to enter UEPT at Tranche 2 will allow for resources to support already vulnerable customers during the ongoing lockdowns resulting from COVID19.

Ofgem highlights that this temporary Derogation is a short term deferral and acknowledges that Utilita Energy is fully committed to the Switching Programme, consistently attends working group meetings and regularly engages through Readiness Assessment Checkpoints, assurance visits and provides ongoing support to the Programme through its representation as the Medium Supplier Representative at both the Implementation Group and Delivery Group.

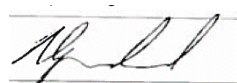
Decision

Following careful consideration of its application and other relevant factors, Ofgem have decided to grant this application and permit Utilita Energy to commence UEPT in Tranche 2 rather than in Tranche 1, with reference to the enclosed Direction to Utilita Energy dated 8 March 2021.

We thank Utilita Energy for its ongoing engagement in the Switching Programme, and look forward to working with them to deliver the objectives of the Programme.

If you would like to discuss any aspect of this decision please email SwitchingPMO@ofgem.gov.uk.

Yours Sincerely,



Nicola Garland
Acting Head of Delivery
Switching Programme