



Procedure for the Assignment of Debt in Relation to Prepayment Meters

MAP13

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1 INTRODUCTION

1.1 Background

The development of a process that allows outstanding Customer charges owed to one Supplier to be assigned to another follows an initiative by Ofgem. This would enable customers with outstanding charges to transfer to the Supplier of their choice in situations where such a transfer would otherwise have been prevented on the grounds of debt.

A Technical sub-Group comprising the major domestic retail Suppliers, and supported by Ofgem undertook a trial for debt assignment between Suppliers in the gas and electricity retail markets. This trial resulted in the development of benchmark processes for the Domestic gas and electricity markets which Suppliers would operate for each discrete market, as well as for Dual Fuel customers.

Following the experiences of the trial and the protocols developed for use in the trial, parallel changes were developed to modify the Gas Supply Licence and MRA to support this process, and to provide specific procedures to support it – i.e. a SPAA Procedure to support the gas processes, and a MRA Agreed Procedure for the electricity baseline.

1.2 Purpose

The purpose of this MRA Agreed Procedure (MAP) is to establish the process that will enable customers at Domestic Premises who have a debt scheduled for repayment on a Prepayment Meter to transfer to the Supplier of their choice in circumstances where such a transfer would otherwise be prevented due to the existence of outstanding debt.

This procedure sets out the actions that electricity Suppliers are required to undertake in order to assign outstanding charges owed by customers at Domestic Premises in conjunction with the Change of Supply Process (**Debt Assignment**).

1.3 Scope & Objectives

The scope of this MRA Agreed Procedure is limited to Debt Assignment in relation to Domestic Premises between Suppliers operating in England, Wales and Scotland.

The objectives of this procedure are:

- To set out the process for agreeing to a Debt Assignment in the retail electricity market in parallel with the principles of the procedure in the domestic gas market;
- To establish the process for a Debt Assignment to be completed after the Registration for the New Supplier has been Accepted in the relevant MPAS Registration System;
- To support the instance of the issue of a Notice of Objection under Electricity Supply Licence Condition 14.4(a) where a Debt Assignment is in force (see Section 4); and
- To provide for the definition and exclusion of Complex Debts from this MRA Agreed Procedure.

Notwithstanding the above, nothing in this MRA Agreed Procedure shall preclude Suppliers arranging an assignment of a Complex Debt under a bi-lateral agreement.

It is acknowledged that, because of the necessary interaction between Supplier and Customer, as well as Supplier to Supplier, Debt Assignment using this procedure may not be completed within the Objection Raising Period or Objection Resolution Period. In this case, it is envisaged that the Objection shall have been upheld, and that the intended CoS has been prevented. Nothing in this procedure shall preclude either:

- An Old Supplier issuing a Notice of Objection pursuant to Electricity Supply Licence Condition 14.4(a) prior to being approached regarding Debt Assignment; or

- An agreement to Debt Assignment being reached within the Objection Resolution Period, and that Objection being withdrawn in accordance with MRA Clause 16.13.

1.4 Glossary

The following table defines terms and acronyms used in this document:

| Acronym | Term | Definition |
|---|----------------------------------|--|
| – | Accept(ed) | As defined in the MRA. |
| – | Application for Registration | As defined in the MRA. |
| CoS | Change of Supplier | A Registration, which has been confirmed by the relevant MPAS, in relation to a New Supplier undertaking responsibility for that Metering Point. |
| – | Complex Debt | In the context of this MRA Agreed Procedure, a debt which is specified in Appendix B of this procedure and the provisions of Section 2.4.2 of this procedure shall apply. |
| – | Complex Debt Indicator | The field within the D0307 as defined in the DTC. |
| – | Customer | As defined in the MRA. |
| COR | Customer Own Reading | A meter reading provided by a Customer. |
| DPA | Data Protection Act | Data Protection Act 1998. |
| D0055 D0057 D0058 D0064 D0086 D0306 D0307 D0308 D0309 | DTC Flow Numbers | As defined in MRA Schedule 3 and/or the DTC. |
| DCOP | Domestic Code of Practice | Voluntary Code for domestic gas suppliers operated under the Gas Forum. It provides a common approach to a number of supply and transfer related issues affecting customers and suppliers. |
| – | Debt Assignment | As defined in Section 1.2 of this MRA Agreed Procedure. |
| – | Domestic Premises | As defined in the MRA |
| DTC | Data Transfer Catalogue | As defined in the MRA |
| DTN | Data Transfer Network | As defined in the MRA |
| – | Earliest Re-submission Date | As defined in the DTC |
| – | Estimated Total Debt Outstanding | As defined in the DTC |
| – | Factored Total Payment | As defined in Section 3.5 of this MRA Agreed Procedure |
| – | Metering Point | As defined in the MRA |

| Acronym | Term | Definition |
|---------|---|--|
| MDB | MRA Development Board | A sub-committee of the MEC, which has delegated authority from MEC to make the decision whether to accept or reject proposals for changes to the MRA and supporting documents and the timing of their implementation. The MDB also manages projects relating to the development of the MRA and associated products |
| MEC | MRA Executive Committee | As defined in the MRA |
| MPAN | Meter Point Administration Number | The Supply Number core data as defined in the MRA |
| MPAS | Metering Point Administration Service | As defined in the MRA |
| – | MPAS Validation Procedures | As defined in the MRA |
| MRA | Master Registration Agreement | As defined in the Electricity Licences |
| MRoCoS | Meter Reading on Change of Supplier | The meter reading issued (D0086) for use as the initial meter reading for the New Supplier and the final meter reading for the Old Supplier on a change of supplier |
| – | New Supplier | As defined in the MRA |
| – | Notice of Objection | As defined in the MRA |
| – | Notification of Termination of Registration | As defined in MRA Schedule 3 and the DTC |
| – | Objection Raising Period | As defined in the MRA |
| – | Objection Resolution Period | As defined in the MRA |
| – | Old Supplier | As defined in the MRA |
| – | Resubmission Window | As defined in Section 2.6.2 of this procedure |
| SSD | Supply Start Date | As defined in the MRA. |
| – | Total Debt Outstanding | As defined in the DTC. |
| – | Working Day | As defined in the MRA. |

1.5 Status of the Procedure

This procedure corresponds to the obligations on MEC, contained in MRA Clause 30.1, to establish the procedures for the assignment of outstanding charges between Suppliers to enable a CoS to take place.

Parties are reminded of the objective to maintain harmonised procedures for Gas (SPAA) and Electricity (MAP) in relation to Debt Assignment and it is recommended that any changes to this MAP should be undertaken in the spirit of that objective.

1.6 Conditions Precedent

This procedure shall only be applicable in relation to Metering Points where:

- A Customer at a Domestic Metering Point has a debt, repayment of which is scheduled on a Prepayment Meter (PPM) installed at the Metering Point;
- The estimated value of the debt for assignment under this MRA Agreed Procedure is greater than £20 and up to a maximum of £500;
- Suppliers, in undertaking these Debt Assignment procedures, shall ensure that the provisions of the DPA have been satisfied (see Appendix I); notably, but not necessarily restricted to, the requirements concerning informed consent and fair processing;
- The VAT requirements in respect of bad debt relief as set out by HM Customs & Excise are satisfied. These are set out in a letter dated 27th November 2001 and the supporting Annexes, ref. BST/PG/CD/CUT/RJM, are appended to this procedure (see Appendix A) for information. Customs & Excise have confirmed that the agreement will be formalised by Extra-Statutory Concession in line with the implementation of provisions for Debt Assignment.

1.7 Flow Management and Processing

The successful operation of this procedure is reliant on the exchange of data in a common format between the New and Old Suppliers.

All flows will be validated and acknowledged following receipt, whilst responses to a flow will be made, where practical, in accordance with the timescales agreed. For ease of operation, only one flow of each type (D0306, D0307, D0308 and D0309) should be sent each day, notwithstanding acknowledgements.

Appendix E to this procedure defines in more detail the rules in respect of Flow acknowledgement, acceptance and rejection, and the agreed response timescales. Details of the escalation process when dealing with disputes or failures to adhere to the procedure are also attached in this Appendix.

2 THE PROCEDURE

2.1 CoS Registration and the Old Supplier's Objection

Prior to the initiation of Debt Assignment, the following sequence of events is expected to have occurred:

- The Customer has entered into a contract with their preferred Supplier;
- The New Supplier has submitted an Application for Registration for the Metering Point, by sending DTC Flow D0055 to the relevant MPAS, and this Registration has been Accepted by that MPAS;
- The Old Supplier has issued a Notice of Objection (D0064) to the New Supplier's Registration on the grounds of outstanding charges pursuant to Electricity Supply Licence Condition 14.4 and this Objection has been accepted by the relevant MPAS.

2.2 Customer's Notification of the Objection to Change of Supplier

MRA Clause 16.7 requires that, where the Old Supplier has issued a Notice of Objection, the Customer is advised by that Supplier of the reason(s) for such objection and how the Customer may resolve the issue(s). In the circumstance that the Notice of Objection relates to a debt scheduled to a PPM, it shall be indicated to the Customer that the possibility of Debt Assignment may be applicable, and that the Customer should approach the Supplier to whom they wish to transfer in order to progress this option. The Old Supplier shall ensure that their contact information is included in this letter so that, should the Customer wish to progress Debt Assignment through the New Supplier, this can be expedited through use of those contact details. An example letter is included under Appendix C to this procedure.

2.3 Initiating the Assignment of Debt process

2.3.1 Customer's Agreement

In order to initiate the Debt Assignment process, the Customer shall agree that the New Supplier shall approach the Old Supplier in order to resolve the grounds for issuing a Notice of Objection in relation to a CoS through the use of Debt Assignment.

The New Supplier shall ensure that:

- A The Customer is informed that initiating the process is not a guarantee that Debt Assignment may be agreed;
- B The Customer is informed that this will require the exchange of account information, including debt information, between the Suppliers concerned. Notably, the requirements of the DPA especially in respect of obtaining the Customer's informed consent shall be satisfied in this regard; and
- C The Customer is aware of the DPA obligations on the Supplier under this procedure

2.3.2 Notifying the Request for Debt Information

Where the New Supplier has obtained the Customer's consent as noted in Section 2.3.1, they shall contact the Old Supplier using Flow D0306 (Request for Debt Information) to notify a request for information in relation to Debt Assignment under this procedure. For the avoidance of doubt, and to prevent undue delay in dealing with the request, the New Supplier shall only send the D0306 when it has satisfied the requirements of Section 2.3.1(B) in respect of the DPA.

For the purposes of this procedure, it is not assumed that at the time that Sections 2.3.1 or 2.3.2 are undertaken that the Objection Resolution Period has expired.

2.4 Response to Debt Information Request

Upon receipt, the Old Supplier shall validate the D0306 and send a flow acknowledgement/file rejection to the New Supplier, in accordance with the guidelines detailed in Appendix E. Rejections of individual records within the D0306 should be dealt with in accordance with the guidelines in Appendix E.

It is recognised that the Objection Resolution period may not have expired at the time that the D0306 is received; however, it is not a requirement of this procedure that a response to the D0306 shall be sent before the expiry of that period.

2.4.1 Responding to the Debt Information Request

Where the D0306 and/or individual records have not been rejected by the Old Supplier, it shall respond to such request within 3 Working Days with the appropriate information using the D0307 (Debt Information). If the debt is not identified as a Complex Debt, the 'Complex Debt Indicator' field in the relevant record should be populated with the (F) indicator, and thereafter all the appropriate fields populated.

2.4.2 Complex Debt

Where a debt is identified by the Old Supplier as a Complex Debt, the 'Complex Debt Indicator' field for the relevant record should be populated with the (T) indicator. No further information regarding the Complex Debt, i.e. which category of Complex Debt is applicable, needs to be provided to the New Supplier. However, it is recommended that the Old Supplier should keep a record of the reasons why a Debt Assignment has been refused on the grounds of Complex Debt to support any follow up action by the Customer and /or the National Consumer Council.

2.4.3 Related MPAN(s)

If the Old Supplier is aware that there is a Related MPAN associated with the Metering Point then it shall include this information in the D0307 as additional information.

2.4.4 Follow-up to the D0307

The Old Supplier shall not be required to send any follow-up to the D0307 as the onus to progress the Debt Assignment consequent upon any information notified within the D0307 shall be upon the New Supplier. In this regard, note should be taken of the timescales noted in Appendix E in relation to the maximum response period that an Old Supplier should anticipate before the prospect of a Debt Assignment can be considered as closed.

2.5 Actioning the Information Regarding Outstanding Charges

Following receipt and successful validation of the D0307, the New Supplier shall consider the possibilities:

- A. Termination of Debt Assignment as a direct result of the population of the 'Complex Debt Indicator' in the Old Supplier's response.

Note that, if a Complex Debt has been notified in the D0307, then the Customer must be informed by the New Supplier that there is an issue on the account and advised to contact their current Supplier in relation to any resolution or dispute as to their refusal to progress a Debt Assignment.

Nothing in this procedure shall preclude bilateral negotiations between the Suppliers with a view to progress a transfer of the debt and a CoS. However, any such debt transfer or CoS shall be outside the provisions of this procedure. The Suppliers shall also be responsible for the DPA and VAT considerations in any such debt transfer.

- B. Review the information regarding the outstanding charges that have been provided by the Old Supplier in the D0307 in order to progress a Debt Assignment under this procedure (see Section 3.5).

2.6 Review of Outstanding Charges: New Supplier

Where a record within the D0307 from the Old Supplier does not indicate a refusal due to Complex Debt, the New Supplier shall assess whether it wishes to proceed with Debt Assignment under this MRA Agreed Procedure. This may include verification of a meter reading or payment schedule with the Customer.

2.6.1 Declining to proceed with a Debt Assignment

If the New Supplier declines to undertake the assignment of outstanding charges, it shall notify the Customer accordingly. Should this be the case, the New Supplier is not required to respond to the D0307 but any such failure to respond within 10 Working Days of receipt of the D0307 shall mean that no further action need be considered by the Old Supplier.

2.6.2 Confirming that the Debt Assignment is accepted: Supplier-to-Supplier

Where the New Supplier determines that a Debt Assignment should proceed, it shall use reasonable endeavours, to confirm this intention to the Old Supplier using the D0308 (Confirmation of Customer Debt Transfer), as soon as possible but in any event within 5 Working Days of receiving the D0307 flow. The D0308 may include a meter reading obtained from the Customer. This will assist the Old Supplier in the finalisation of the Customer account. Any exchange of meter readings in this procedure are for the purpose of Debt Assignment only and the relevant provisions of the Settlement Agreement shall apply to a change of supplier meter reading.

The D0308 will also indicate the Earliest Resubmission Date. This date refers to the date on which the New Supplier will send an Application for Registration (DTC Flow D0055) to the relevant MPAS for the Metering Point and shall be no less than 4 and no more than 10 Working Days after the sending of the D0308 flow to the Old Supplier (the “**Resubmission Window**”).

In accepting the information within a D0308, the Old Supplier accepts no responsibility for ensuring that the New Supplier has undertaken appropriate verification of any meter reading or outstanding charges

Also, in sending the D0308, the New Supplier agrees that it will undertake payment of the outstanding charges in accordance with Section 3.3 of this document, unless otherwise agreed between the Suppliers prior to the D0308 being submitted and notwithstanding the exceptional circumstances noted in Appendix F of this procedure.

2.7 Registering the MPAN

The New Supplier shall send an Application for Registration (DTC flow D0055) to the relevant MPAS in accordance with the Resubmission Window noted in Section 2.6.2 of this procedure no more than 2 Working Days after the Earliest Resubmission Date noted in the D0308. It is recommended that the Application for Registration is sent as early as possible within the Resubmission Window, since this will maximise the opportunity to resolve any notice of Rejection with Reason Code (DTC Flow D0057) from the relevant MPAS.

2.7.1 Acceptance of an Application for Registration

Where the Application for Registration has been accepted by MPAS, the Old Supplier shall ensure that, upon receipt of the Notification of Termination of Registration (DTC Flow D0058) a Notice of Objection is either not issued in respect of the CoS, or is withdrawn within the Objection Resolution Period.

2.7.2 Rejection of an Application for Registration

It is recognised that an Application for Registration may be rejected by MPAS under the MPAS Validation Procedures. In this circumstance, the New Supplier shall use reasonable endeavours to resolve the reason for the rejection in order to ensure that an Application for Registration is re-submitted as soon as possible, but in any event no later than 2 Working Days after the Earliest Resubmission Date noted in the D0308 flow.

Where the reason for rejection of the Application for Registration cannot be resolved within the Resubmission Window, the proposed Debt Assignment under this procedure cannot be concluded. In this circumstance, the New Supplier shall ensure that the Customer and the Old Supplier are informed that the Change of Supplier cannot be completed.

Nothing in this procedure shall preclude the Suppliers agreeing to an extended timescale following the expiry of the Resubmission Window for the re-submission of an Application for Registration. In this circumstance the New Supplier must contact the Old Supplier and indicate the latest date that the resubmission will be sent. Where it is bi-laterally agreed that the resubmission timescale is to be extended, the Old Supplier shall continue to ensure that a Notice of Objection is not issued, or is withdrawn within the Objection Resolution Period, in respect of that Registration.

3 FINALISING THE DEBT ASSIGNMENT

Once the Application for Registration notified by the New Supplier has been Accepted by MPAS, including where any Notice of Objection has been removed, and subsequently the Change of Supplier has been completed, the New Supplier is advised to update their internal systems with details of the amount expected to be assigned from the Old Supplier.

3.1 New Supplier issues New Payment Device

The New Supplier shall arrange for a new payment device to be issued to the Customer and for the charges outstanding at the time of the CoS to be incorporated within that device.

The new Supplier shall use reasonable endeavours to ensure that the Customer does not see any undue interruption or disruption to their repayment. This may involve the use of an estimated debt at the outset until such time as the final amount can be confirmed and the outstanding amount reset to the correct value.

3.2 Old Supplier Finalises the Customer Account

Using the CoS reading, the Old Supplier shall calculate the Total Debt Outstanding owed by the Customer. The notification sent to the Customer will confirm that the outstanding charges have been assigned in full to the New Supplier.

3.3 Associated Supplier Notifies the Total Debt Outstanding to New Supplier

Within 5 Working Days of finalising the Customer account, the Old Supplier shall send a D0309 (Confirmation of Debt Assigned) flow to the New Supplier, notifying them of the Total Debt Outstanding inclusive of VAT for each Customer. The D0309 may also optionally include details of both the Factored Total Payment, inclusive of VAT, and the VAT component of that Factored Total Payment expected to be paid to the Old Supplier as a result of the agreed factoring mechanism detailed in Section 3.5 of this document.

3.4 New Supplier validates D0309 and notifies Customer

Upon receipt of the D0309, the New Supplier shall validate the flow and update its internal systems with the actual debt assigned for each Customer. In addition to the normal flow validation carried out in accordance with Appendix E, it is recommended that the New Supplier checks the consistency of data provided in the D0309 to that provided in the D0307, notably the Total Debt Outstanding against the Estimated Total Debt Outstanding, for each Customer. Any discrepancies or queries should be notified to the Old Supplier as soon as possible, but no more than 10 Working Days after receipt.

The New Supplier may also decide to contact the Customer in relation to the information received.

3.5 The Old Supplier Invoices the New Supplier

The Old Supplier shall ensure that the New Supplier is invoiced based on the Total Debt Outstanding (inclusive of VAT) notified in the D0309. The invoice should also contain details of the agreed mechanism of factorisation as detailed below, such that the actual payment due is made clear.

For each completed Debt Assignment, the amount paid by the New Supplier, known as the Factored Total Payment, will be calculated as follows:

Factored Total Payment is equal to:

Total Debt Outstanding net of VAT * 90% rounded to the nearest penny (or any other percentage/rounding already agreed by the Suppliers)

PLUS

VAT on Actual Final Debt @ 100%

A single invoice shall be issued on or after the 12th Working Day of each month for each Supplier with whom the Old Supplier has assignments for which the D0309 flow was issued in the previous month, showing a total amount due, and supported by an electronic spreadsheet based on the relevant D0309 flows. This supporting spreadsheet should detail each account subject to assignment and the Factored Total Payment due on that account, as well as the relevant MPAN, the Actual Final Debt Total Debt Outstanding and the amount of VAT. An invoice should not be issued until a period of at least 10 Working Days has elapsed since the issue of any given D0309 file.

The New Supplier will validate the invoice on receipt and raise any query or dispute within 5 Working Days of that receipt. If the dispute cannot be resolved immediately, the Old Supplier should issue a new invoice excluding the relevant entries. Once resolved, the disputed items should be included on a future invoice. Each invoice shall be settled by the New Supplier within 28 days of receipt.

Late payments shall be calculated at LIBOR+2% and shall be shown as such on the succeeding invoice.

4 ABILITY TO RAISE A NOTICE OF OBJECTION ON GROUNDS OF DEBT ASSIGNMENT

A Customer may seek to transfer to another Supplier following a CoS pursuant to a Debt Assignment that has been effected under this MRA Agreed Procedure. Where a Debt Assignment is in place and any of the debt is outstanding, the Supplier has a right of Objection under the MRA. If the Supplier raises an Objection on the grounds of Debt Assignment and then subsequently receives a D0306 flow it has two options:

a) Complete the 'Complex Debt Indicator' field in the D0307 flow with the (T) indicator, as per Section 2.4.2.

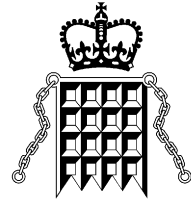
b) If it is content for this procedure to be followed in full, it should treat the debt as if it had put the debt on the meter (which may mean completing the 'Complex Debt Indicator' field in the D0307 flow with the (T) indicator for any of the other reasons given in Appendix B). The Supplier should then continue to follow this procedure. If the CoS is completed the outstanding amount of the initially assigned debt will be reassigned.

5 OFGEM MONITORING REQUIREMENTS

Ofgem will monitor reports regarding Customer transfers through the use of this procedure. Under Clause 27.13, the Authority can request information from Suppliers and it is anticipated that Ofgem will procure the provision of these reports through a notification pursuant to that Clause. Indicative report requirements are given under Appendix G of this MRA Agreed Procedure for information only.

APPENDIX A: HM CUSTOMS AND EXCISE LETTER

Policy
Construction and Utilities Team
4th Floor West, New King's Beam House
22 Upper Ground, London SE1 9PJ
Tel: 020 8765 5377 Fax: 020 8765 4824
bob.morrison1@hmce.gsi.gov.uk



HM Customs and Excise
Business Services and Taxes

Dave Barnes Esq.
Head, Social Action Plan
OFGEM
9 Millbank
LONDON
SW1P 3GE

Your ref:

Our ref: BST/PG/CD/CUT/RJM

4 September 2003

Dear Dave

Transfer of customers in debt in the gas and electricity sectors

Following our meeting of 17 October, together with representatives of gas and electricity suppliers, I attach details of the formal bad debt relief agreement.

- **Annex A** gives the wording of the agreement itself. This will form the basis of the Extra-Statutory Concession (ESC) in due course.
- **Annex B** explains the terms and conditions of the agreement.
- **Annexes C1 and C2** give a step-by-step diagrammatic walkthrough of how the agreement works.
- **Annex D** lists the gas and electricity suppliers participating in the Debt Assignment Trial.

I should be grateful if you would forward these details to all the participants of the Debt Assignment Trial before 1 December. In due course, please let us know –

- The date that the second trial is due to start;
- The date that the condition in the Licence that allows suppliers to prevent Consumers in debt from moving to a different supplier is amended. (It would be helpful to see a copy of the Code of Practice)

I trust this is all in order, but please let me know if you have any queries.

Yours sincerely

BOB MORRISON

Appendix A: HM Customs and Excise Letter (continued)

Annex A

VAT bad debt relief agreement

Where there is a novation of debt as a result of a domestic consumer transferring from one supplier of gas or electricity to another, the new supplier may claim Bad Debt Relief on unpaid supplies of gas or electricity made by the former supplier to that consumer, provided that all of the following conditions are met:

- (i) The whole of the debt in the supply of gas or electricity has been transferred;*
- (ii) At the time of payment for the novation, the former supplier accounts for VAT at the appropriate rate on any supplies of gas or electricity made upon which no tax point has yet occurred, or re-accounts for VAT on supplies made for which claims for Bad Debt Relief have already been made;*
- (iii) Any claim is not made until six months after payment of the novated debt;*
- (iv) The following records are held by both the former and new supplier:*
 - Evidence of the value of the consumer's debt (including the VAT amount) that has been novated, and*
 - Evidence of the date of payment of the novation.*
- (v) In addition to the records listed at iv above, the new supplier also holds the following to support their claim for Bad Debt Relief:*
 - A copy of the document issued by the new supplier to the consumer to recover the novated debt (not required if a pre-payment meter is in use).*

For the purposes of this agreement, "gas" means gas that has been conveyed through pipes to premises by a licensed gas transporter.

This agreement cannot be used for tax avoidance purposes.

Appendix A: HM Customs and Excise Letter (continued)

Annex B

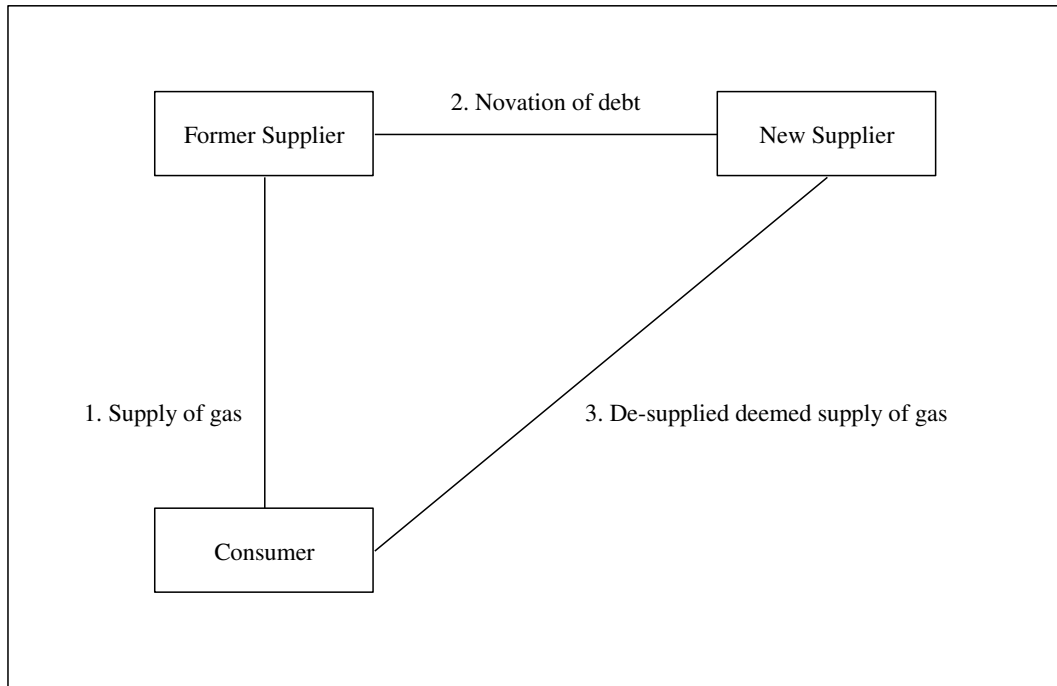
Terms and conditions of the VAT bad debt relief agreement

1. The agreement at Annex A is between Customs & Excise (CE), OFGEM, and the gas and electricity suppliers participating in the Debt Assignment Trial (Annex D).
2. This agreement will operate over three stages:
 - **Stage 1** shall come into effect on 1 December 2001, and shall lapse after a period of three months. It shall apply only to domestic pre-payment meter consumers.
 - **Stage 2** shall come into effect on a date to be notified by OFGEM to CE and shall lapse after a period of three months. It shall apply only to domestic credit consumers.
 - **Stage 3** shall come into effect on the date that the condition in the Licence that allows suppliers to prevent Consumers in debt from moving to a different supplier is amended and subject to the procedures set out in Ofgem's Code of Practice.
3. CE will formalise the agreement by Extra-Statutory Concession (ESC) on a date no earlier than the Stage 3 comes into effect. The ESC shall apply equally to all gas and electricity suppliers.
4. The entire debt of the Consumer with the Former Supplier must pass to the New Supplier. Where the Former Supplier supplies both gas and electricity to the Consumer, and continues to supply the Consumer with either commodity, this agreement applies to the commodity transferred to the New Supplier. The entire debt transferred must be subject to the same rate of VAT.
5. CE requires that the New Supplier has a document showing the value of the debt novated and the VAT accounted for by existing supplier (since this will be the value of any Bad Debt Relief claim if necessary). Both the Former Supplier and the New Supplier will need to hold a record of when the payment for the novation is made. This will act as the date VAT is due on the supply to the consumer for the Former Supplier (if cash accounting) and the start of the six months period for recovery of Bad Debt Relief (for New Supplier).
6. The New Supplier may claim Bad Debt Relief on any debt novated under the terms of this agreement, notwithstanding that the agreement may have lapsed at the time of such claim.
7. "Novation" means *the substitution of a new obligation or debt for an old one by mutual agreement. This may be a new arrangement between the same parties, or the substitution of a new debtor for an old one.*
8. In this agreement, "domestic" has the same meaning as in Group 1 of Schedule 7A to the VAT Act 1994.
9. CE reserves the right to withdraw this agreement without notice if any of its terms are breached by any gas or electricity supplier.

Appendix A: HM Customs and Excise Letter (continued)

Annex C1

Example 1 – Where Former Supplier is Cash Accounting and New Supplier is either “Cash Accounting” or “Invoice Accounting”.



Step 1

Supply of gas to consumer. No invoice has been raised nor payment received, so no tax point. Nevertheless, the debt of the Consumer is £100 net.

Step 2

On transfer to New Supplier, there is novation in the debt of the Consumer from Former Supplier to New Supplier. This novation does not give rise to a supply for VAT purposes.

However, Former Supplier has supplied gas and so the responsibility for accounting for VAT remains with them. When New Supplier pays Former Supplier for novating the debt, this creates a tax point for Former Supplier and £5 output tax - the VAT on the £100 supply to the consumer - becomes payable. In theory, the amount paid for the novation will be £105 being the total debt of the Consumer to Former Supplier, but it is up to the two Suppliers to determine how much is actually paid for the novation. The output tax declared by Former Supplier cannot be deducted as input tax by New Supplier.

Therefore in total, £105 - or any other amount agreed by the suppliers - will have been paid to Former Supplier. Former Supplier has now been paid in full and no longer has a debt in the gas supplied to Consumer. If the Consumer wants a tax invoice, Former Supplier must issue this as only they have made a taxable supply to the Consumer. The value of this supply is £100 + £5 VAT.

Step 3

There is a de-supplied deemed supply of gas from New Supplier to the Consumer (of the gas supplied to the Consumer by the Former Supplier). New Supplier can issue a statement or demand to Consumer for £105 (being the amount owed) but must not issue an invoice or document that shows the VAT on this novated debt. When the New Supplier gets paid, there is no output tax to declare as Former Supplier has already accounted for it. If New Supplier does not get paid, Bad Debt Relief can be claimed (£5) after six months from the payment of the novation. Customs will require all the following evidence for claiming Bad Debt Relief:

Evidence of the value of the consumer's debt (including the VAT amount) that is novated;

Evidence of the date of payment of the novation; and

A copy of the document that had been issued to the consumer by the new supplier, showing the de-supplied, deemed supply. This would confirm that a double entitlement to input tax had not been given. *This document is not required for pre-payment meters.*

Note:

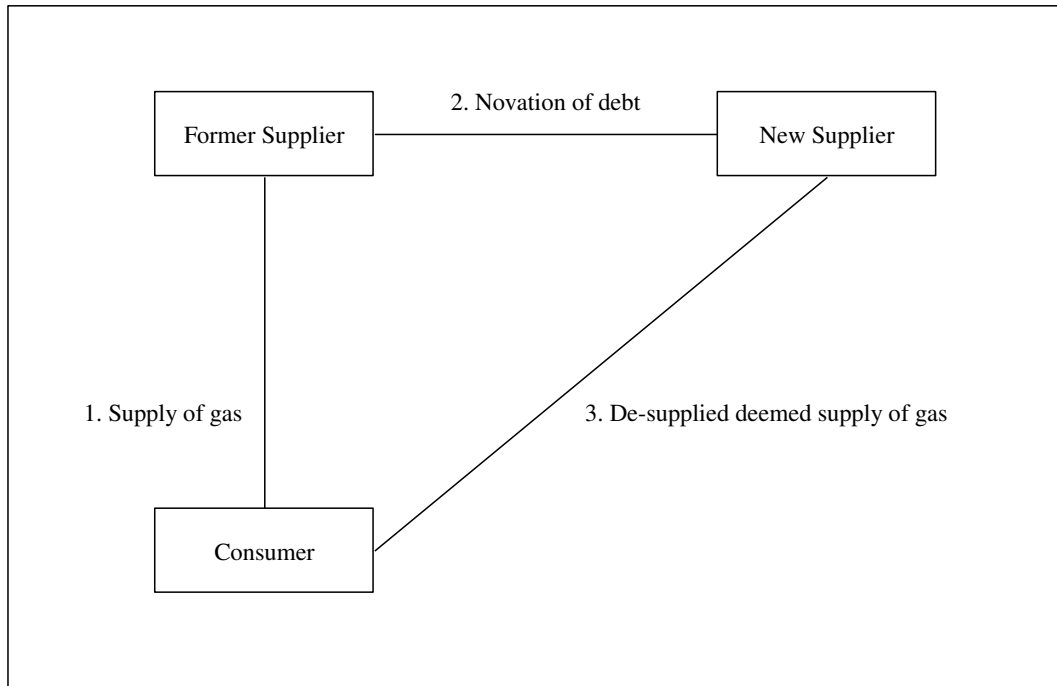
In this Annex -

- References to gas equally apply to electricity;
- Gas supplied by the Former Supplier to the Consumer is £100 net of VAT;
- Gas supplied by the New Supplier to the Consumer will always be £105 without the addition or inclusion of VAT.

Appendix A: HM Customs and Excise Letter (continued)

Annex C2

Example 2 – Former Supplier is “Invoice Accounting” and New Supplier is either “Invoice Accounting” or “Cash Accounting”



Step 1

Supply of gas to Consumer. An invoice for £100 + 5% VAT has been raised and output tax declared.

Step 2

On transfer to New Supplier, there is novation in the debt of the Consumer from Former Supplier to New Supplier. This novation does not give rise to a supply for VAT purposes.

However, Former Supplier has supplied gas and so the responsibility for accounting for VAT remains with them. Former Supplier has already accounted for £5 output tax on making the supply to the Consumer. In theory, the amount paid for the novation will be £105 being the total debt of the Consumer to Former Supplier, but it is up to the supplier to determine how much is actually paid for the novation. The output tax declared by Former Supplier cannot be deducted as input tax by New Supplier.

Therefore in total, £105 or any other amount agreed by the suppliers will have been paid to Former Supplier. Former Supplier has now been paid in full and no longer has a debt in the gas supplied to Consumer.

Step 3

There is a de-supplied deemed supply of gas from New Supplier to the Consumer (of the gas supplied to the Consumer by the Former Supplier). New Supplier can issue a statement or demand to Consumer for £105 (being the amount owed) but must not issue an invoice or document that shows the VAT on this novated debt. When the New Supplier gets paid, there is no output tax to declare as Former Supplier has already accounted for it. If New Supplier does not get paid, Bad Debt Relief can

be claimed for £5 after six months from the novation. Customs will require all the following evidence for claiming Bad Debt Relief -

Evidence of the value of the consumer's debt (including the VAT amount) that is novated;

Evidence of the date of payment of the novation; and

A copy of the document that had been issued to the consumer by the new supplier, showing the de-supplied, deemed supply. This would confirm that a double entitlement to input tax had not been given.

Note:

In this Annex:

- References to gas equally apply to electricity;
- Gas supplied by the Former Supplier to the Consumer is £100 net of VAT;
- Gas supplied by the New Supplier to the Consumer will always be £105 without the addition or inclusion of VAT.

Appendix A: HM Customs and Excise Letter (continued)

Annex D

Relevant suppliers

- British Gas Trading
- London Electricity
- Npower (Innogy)
- Powergen
- Scottish Power
- Scottish & Southern
- Seaboard and Beacon Gas
- TXU Energi

APPENDIX B: COMPLEX DEBT

For the purpose of Debt Assignment, Complex Debt shall be defined as follows:

- Debts in relation to a Customer account into which a suspected misdirected payment has been made or into which a misdirected payment claim has been submitted but not confirmed.
- Debts in relation to an account that is currently 'in dispute' between the Customer and the Old Supplier.
- Debts in relation to a Customer account to which a fraud investigation is pending or in progress.
- Debt in relation to a Customer account to which the applicable rate of VAT indicates that the Customer is non-domestic.
- A debt for which a repayment rate is not currently set on the meter.
- Debts in relation to a Customer account as a result of Debt Assignment having been completed under this MRA Agreed Procedure.
- Any other reason which the Old Supplier considers to be 'complex', in which case a full record of the reason must be retained.

APPENDIX C: SAMPLE OBJECTION LETTER TO CUSTOMER

«Title» J Public
111 Main Street
Maintown
Mainshire
MA1 1NT

ddmmyyyy

Dear Mr Public

Re: Customer Reference Number 010102020303

We are sorry to hear that you have chosen to switch your electricity supply to another company. At present, there is a balance outstanding on your account and as a result we have objected to the transfer.

What happens next is up to you. You can stay with [our name], and continue to pay off your debt as previously agreed. Or you can arrange to pay what you owe. If you would like to do this, please call us on 0800 999 999. Once the debt has been cleared, you will be free to transfer to the company of your choice. You will need to contact them to restart the process.

Alternatively, as you have a prepayment meter, your chosen supplier may be willing to take on responsibility for collection of your debt. If this prospect interests you, you should contact them to discuss this option in more detail. For this option to progress, we will need to provide details of your outstanding balance to your chosen supplier. In line with Data Protection rules, you will need to give your consent to this data being exchanged. Your chosen supplier will ask for this consent when you speak to them. They will also ask for the reference quoted at the bottom of this letter, so please keep it handy.

If you would like any further help or advice regarding this matter, please call us on 0800 999 999.

Yours sincerely

Mr J Bloggs
Registrations Manager

Supplier Reference: ZZZY

APPENDIX D: ESCALATION SUMMARY

The table below summarises the escalation procedure that should be taken when resolving any issues with the Debt Assignment process.

| Process | Timescale | Responsibility Level of Contact(s) |
|--------------------------|-----------|--|
| Raise Initial Dispute | Day 1 | Operational Staff |
| Initial follow up | Day +5 | Supervisor/Manager of Operational Staff |
| Second follow up | Day +7 | Nominated Debt Assignment Handling Contact |
| Final follow up | Day +10 | MRA Supplier Contract Manager |
| Determination of Dispute | Day +15 | MRA Disputes Committee - can find a party in breach of the MRA if the obligations contained in Clause 30 are not followed. |

APPENDIX E: FLOW MANAGEMENT AND PROCESSING

Flow Content and Format

The content of all flows sent in respect of this procedure must conform to the structure in the Data Transfer Catalogue. All flows must be sent in a Comma Separated Variable (CSV) format, by email. It has been deemed that password protection and/or encryption of flows is not necessary, as the content of the flows has been limited so that potential for information to be misused, if it should fall into the wrong hands, has been minimised.

File Naming Convention

All files issued in respect of this procedure should be named in line with the File Name values as set out below (except with Response Flow, where the convention shall be that the To and From fields mirror the original flow):

| Item | File Name Values | | | | | | | | | | | | | | |
|--------------------------|---|---|--------------------------------------|---|---------------|---|--|---|-------------------------------------|---|---|---|---|---|--|
| Item Description: | A code used to indicate the unique name of the File for use in the Debt Assignment Procedure. | | | | | | | | | | | | | | |
| Valid Set: | Any in the format: DDDDDFFFFTTTTyymmddXXXS (See Notes for values) | | | | | | | | | | | | | | |
| Validation: | As Valid Set shown in Notes | | | | | | | | | | | | | | |
| Physical Length: | 23 Characters | | | | | | | | | | | | | | |
| Notes: | <p>Where:</p> <ul style="list-style-type: none"> • DDDD is the DTC flow reference number; • FFFF is the 'From' Supplier Id; (except for acknowledgements, see Acknowledgements below); • TTTT is the 'To' Supplier Id; (except for acknowledgements, see Acknowledgements below); • yymmdd is the date the initiating file was sent; (except for acknowledgements, see Acknowledgements below); • XXX is the number of MPANs within the flow; and • S is flow status. Values for S are: <table border="1" data-bbox="491 1624 1179 1877"> <tbody> <tr> <td>I</td> <td>Initial Request for Debt Information</td> </tr> <tr> <td>A</td> <td>File Accepted</td> </tr> <tr> <td>C</td> <td>File Accepted - Partial rejections within the File</td> </tr> <tr> <td>D</td> <td>Flow Rejected - Invalid Flow Format</td> </tr> <tr> <td>E</td> <td>Flow Rejected - Invalid Flow Identifier</td> </tr> <tr> <td>F</td> <td>Flow Rejected - Incorrect Number of Records</td> </tr> <tr> <td>G</td> <td>Flow Rejected - Incorrect recipient Supplier</td> </tr> </tbody> </table> | I | Initial Request for Debt Information | A | File Accepted | C | File Accepted - Partial rejections within the File | D | Flow Rejected - Invalid Flow Format | E | Flow Rejected - Invalid Flow Identifier | F | Flow Rejected - Incorrect Number of Records | G | Flow Rejected - Incorrect recipient Supplier |
| I | Initial Request for Debt Information | | | | | | | | | | | | | | |
| A | File Accepted | | | | | | | | | | | | | | |
| C | File Accepted - Partial rejections within the File | | | | | | | | | | | | | | |
| D | Flow Rejected - Invalid Flow Format | | | | | | | | | | | | | | |
| E | Flow Rejected - Invalid Flow Identifier | | | | | | | | | | | | | | |
| F | Flow Rejected - Incorrect Number of Records | | | | | | | | | | | | | | |
| G | Flow Rejected - Incorrect recipient Supplier | | | | | | | | | | | | | | |
| Acknowledgements | In the case of FFFF and TTTT, the 'From' and 'To' details shall be populated in the acknowledgement so that these mirror the details in the original D Flow. | | | | | | | | | | | | | | |

Table 1 at the end of this appendix shows example file name structures, along with the expected response timescales.

Flow Validation

All Suppliers must acknowledge receipt of every flow received, within 2 Working Days. The first stage of validation should confirm receipt and the integrity of the flow received.

a) Acknowledgement - Acceptance of flow:

If a flow has been successfully validated, the receiving Supplier must send an acknowledgement email to the sending Supplier. The email should contain a copy of the flow received, appropriately renamed to reflect that fact that it has been accepted. The File Name should indicate that the file is 'A'-accepted.

b) Acknowledgement - Rejection of flow:

If a flow fails the validation checks, the receiving Supplier must send an email back to the sending Supplier, containing the rejected flow that has been appropriately renamed to indicate the reason for rejection. The File Identifier should indicate a valid Flow Rejection Status as detailed in this section of the MAP.

Should an acknowledgement not be received within 2 Working Days it is recommended that the sending Supplier contact the receiving Supplier to check for non-delivery.

Record Validation

Whilst a flow may have been accepted, it is quite possible that individual records within a flow may be invalid, and so can be rejected. A Supplier having initially acknowledged a flow as 'A' accepted (see flow Validation) should check the records for errors before further processing, and if any are found should return the whole flow to the sending Supplier. All valid records should continue to be processed in line with this procedure, but each rejected record should be updated with the appropriate 'Rejection Row Identifier', and the File Identifier should reflect the fact that there are partial rejections within the file (Code C). The acceptable 'Rejection Row Identifier' codes are detailed in this Appendix.

Response Timescales

Suppliers should use reasonable endeavours to comply with the following timescales when responding to and dealing with flows.

- *Flow validation:* Whether the whole flow is being accepted or rejected, the acknowledgement message should be returned as soon as possible, but no later than 2 Working Days after receipt with the exception of the D0308 which is no later than 4 Working Days after receipt.
- *Record validation:* Whilst the time taken by a Supplier to return rejected items back to the originator will vary dependent on data volumes and flow types, Suppliers should seek to complete this task as soon as possible, but in all cases within the following agreed timescales:
 - D0306: 4 Working Days after receipt
 - D0307: 4 Working Days after receipt
 - D0308: 4 Working Days after receipt
 - D0309: 10 Working Days after receipt
- *Progression of the accepted flows/records:* So that continuance of the Debt Assignment process is not delayed unnecessarily, Suppliers are expected to deal with each flow as soon as possible. In all cases, Suppliers should seek to adhere to the following timescales:
 - *Supplier has received D0306:* Send corresponding D0307 no more than 3 Working Days after receipt.
 - *Supplier has received D0307:* Where Debt Assignment is to be progressed, send D0308 no more than 10 days after receipt.
 - *Supplier has sent D0308:* The date of the next Registration should be no more than 2 Working Days after the 'Earliest Resubmission Date' detailed in the D0308 flow.

- *Submission of a D0309 flow:* The D0309 flow should be sent no more than 5 Working Days after the customers account has been finalised.
- *Submission of an invoice:* Invoices should be sent at least monthly in respect of outstanding assignments. Payment terms are 28 days from issue. It is suggested that no invoice be sent in respect of a previously issued D0309 until a minimum of 10 Working Days has passed. This will allow the receiving Supplier enough time to validate, and if necessary reject, any records.

Table 1: Example Flow Name structures

| | Response Time | D0306 | | D0307 | | D0308 | | D0309 |
|---|---------------|---|------|---|-----|---|------|---|
| Flow submitted | N/A | D0306FFFF TTTTyymmdd XXXI | N/A | D0307FFFF TTTTyymmdd XXXI | N/A | D0308FFFF TTTTyymmdd XXXI | N/A | D0309FFFF TTTTyymmdd XXXI |
| Flow Acknowledgement: Acceptance | D+2 | D0306FFFF TTTTyymmdd XXXA Where FFFF and TTTT mirror D0306 | D+2 | D0307FFFF TTTTyymmdd XXXA Where FFFF and TTTT mirror D0307 | D+3 | D0308FFFF TTTTyymmdd XXXA Where FFFF and TTTT mirror D0308 | D+2 | D0309FFFF TTTTyymmdd XXXA Where FFFF and TTTT mirror D0309 |
| Flow Acknowledgement: Rejection | D+2 | D0306FFFF TTTTyymmdd XXX (D, E, F or G) Where FFFF and TTTT mirror D0306 | D+2 | D0307FFFF TTTTyymmdd XXX (D, E, F or G) Where FFFF and TTTT mirror D0307 | D+3 | D0308FFFF TTTTyymmdd XXX (D, E, F or G) Where FFFF and TTTT mirror D0308 | D+2 | D0309FFFF TTTTyymmdd XXX (D, E, F or G) Where FFFF and TTTT mirror D0309 |
| Record Level Rejection | D+2 | D0306FFFF TTTTyymmdd XXXC | D+2 | D0307FFFF TTTTyymmdd XXXC | D+4 | D0308FFFF TTTTyymmdd XXXC | D+10 | D0309FFFF TTTTyymmdd XXXC |
| Response Flow | D+3 | D0307FFFF TTTTyymmdd XXXI | D+10 | D0308FFFF TTTTyymmdd XXXI | N/A | None | N/A | None |

In line with the format and purpose of each flow, some of the Rejection Row Identifier Codes (Data Item J*** in the DTC) cannot be used with all flows.

| Flow Type | Rejection Reasons | | | | | |
|-----------|-----------------------|-----------------------|----------------------------|-------------------------------|----------------------------|----------------|
| | Missing Data (Code M) | Invalid Data (Code I) | Name Inconsistent (Code N) | Address Inconsistent (Code A) | Unrecognised Site (Code U) | Other (Code O) |
| D0306 | Yes | Yes | Yes | Yes | Yes | Yes |
| D0307 | Yes | Yes | No | No | Yes | Yes |
| D0308 | Yes | Yes | Yes | Yes | Yes | Yes |
| D0309 | Yes | Yes | No | No | Yes | Yes |

Example Flow Structures

D0306 – Structure

XXX,MPAN Core,Rejection Row Identifier,Additional Information,Customer Name,House Name/Number,Street Name,Postcode
YYY,Reading Date & Time

ZZZ,Meter Register Id,Register Reading

ZZZ,Meter Register Id,Register Reading

XXX,MPAN Core,Rejection Row Identifier,Additional Information,Customer Name,House Name/Number,Street Name,Postcode
YYY,Reading Date & Time

ZZZ,Meter Register Id,Register Reading
XXX,MPAN Core,Customer Name,House Name/Number,,

D0306 – Values

XXX,2412345678901,M,Additional information up to a max of 200 characters,Joe Bloggs,1,Bloggs Street,B1 1BLO
YYY,20130101120000
ZZZ,R1,0123456789

D0307 – Structure

XXX,MPAN Core,Complex Debt Indicator,Rejection Row Identifier,Additional Information
YYY,Meter Type,Debt Recovery Rate,Estimated Total Debt Outstanding,Reading Type,Reading Date & Time
ZZZ,Meter Register Id,Register Reading
XXX,MPAN Core,Complex Debt Indicator,,
YYY,Meter Type,Debt Recovery Rate,Estimated Total Debt Outstanding,Reading Type,Reading Date & Time
ZZZ,Meter Register Id,Register Reading
YYY,Meter Type,Debt Recovery Rate,Estimated Total Debt Outstanding,Reading Type,Reading Date & Time
ZZZ,Meter Register Id,Register Reading
ZZZ,Meter Register Id,Register Reading

D0307 – Values

XXX,2412345678901,F,A,Additional information up to a max of 200 characters
YYY,H,5.50,250.00,F,20130101120000
ZZZ,R1,0123456789

D0308 – Structure

XXX,MPAN Core,Earliest Resubmission Date,Rejection Row Identifier,Additional Information,Customer Name,House Name/Number,Street Name,Postcode
YYY,Reading Date & Time
ZZZ,Meter Register Id,Register Reading
XXX,MPAN Core,Earliest Resubmission Date,Rejection Row Identifier,Additional Information,Customer Name,House Name/Number,Street Name,Postcode
YYY,Reading Date & Time
ZZZ,Meter Register Id,Register Reading
ZZZ,Meter Register Id,Register Reading
XXX,MPAN Core,Earliest Resubmission Date,,,Customer Name,House Name/Number,,

D0308 – Values

XXX,2412345678901,20130601,M,Additional information up to a max of 200 characters,Joe Bloggs,1,Bloggs Street,B1 1BLO
YYY,20130101120000
ZZZ,R1,0123456789

D0309 – Structure

XXX,MPAN Core,Rejection Row Identifier,Additional Information
YYY,Debt Recovery Rate,Estimated Total Debt Outstanding,Total Debt Outstanding,Amount of VAT,Factored Total Payment,Reading Type,Reading Date & Time
ZZZ,Meter Register Id,Register Reading
XXX,MPAN Core,,
YYY,Debt Recovery Rate,Estimated Total Debt Outstanding,Total Debt Outstanding,Amount of VAT,Factored Total Payment,Reading Type,Reading Date & Time
ZZZ,Meter Register Id,Register Reading

YYY,Debt Recovery Rate,Estimated Total Debt Outstanding,Total Debt Outstanding,,,Reading Type,Reading Date & Time
ZZZ,Meter Register Id,Register Reading
ZZZ,Meter Register Id,Register Reading

D0309 – Values

XXX,2412345678901,O,Additional information up to a max of 200 characters

YYY,5.50,250.00,220.00,44.00,264.00,F,20130101120000

ZZZ, R1,0123456789

APPENDIX F: GENERAL GUIDANCE/ADVICE FOR EXCEPTIONAL CIRCUMSTANCES

Change of Tenancy (CoT)

It may arise that the Customer moves home at any stage in the Debt Assignment process before full completion in terms of invoicing/payment. If this occurs early enough in the process it would normally be expected that Suppliers should simply back out and cease the process. However, depending on when the CoT occurs and, more critically, when either or both Suppliers become aware of the fact of the CoT, the following scenarios describe the action that should be taken:

A) CoT occurs prior to D0308 Flow being submitted by New Supplier:

Where the Old Supplier is made aware of a CoT, they should inform the New Supplier not to submit a D0308 and the process is ceased completely at that point. If it is the New Supplier who becomes aware of the CoT, they should not submit the D0308 and the process ceases accordingly. In addition, they may choose to notify the other Supplier but are not obliged to do so.

In such cases, the Old Supplier will finalise the account as normal and arrange collection of the outstanding debt from their Customer via their normal means.

B) CoT occurs after D0308 Flow has been submitted by New Supplier:

(i) Prior to the New Supplier's Registration becoming effective:

In this case, timing of the information becoming known is critical. Where the Old Supplier is in the course of finalising the account because of the CoT, or is at least aware of the CoT and account closure is pending, they should reject the D0308 flow and the DAP process ceases accordingly.

If the Old Supplier has not been made aware of any CoT, they should accept the D0308 and subsequent resubmitted registration for the premises (although now a different, but unknown Customer) and proceed to finalise the account for DAP purposes and assign the debt. In these circumstances, the New Supplier is obliged to accept the assigned debt, although they no longer have the right to recover this from the Customer via a PPM device at the premises.

Indeed, it may well be the case that the New Supplier is not the registered Supplier at the Customer's new address and, in effect have never supplied that Customer. However, in such circumstances they now have a debt owed to them, although no Customer account to record this and will need to take appropriate recovery action by alternative means.

(ii) After the New Supplier's Registration becomes effective:

In this case, the Debt Assignment process will be completed. The Old Supplier will end its relationship with the original Customer due to a Change of Supplier, with the final debt being assigned. In turn, the New Supplier will issue the final account in respect of the CoT. Therefore:

- The Old Supplier will complete assignment of the debt as per this procedure.
- The New Supplier will be responsible for collection of the debt, via their normal CoT follow up procedures.

The essential feature of the guidance in this Appendix is the need for suitable protection to both Suppliers. However, it is the New Supplier who, by definition, instigates the process and it is expected that they will maintain a dialogue with their prospective Customer throughout each stage.

As such, the fact of a CoT arising at a late stage can be deemed to have been reasonably foreseen by New Supplier and it is on these grounds that they should be obliged to accept an assigned debt if they have submitted a D0308 Flow and/or successfully resubmitted a registration.

The table detailed below attempts to simplify the actions that each supplier should take if they are the notified party, at different stages of the Debt Assignment process.

| CoT Notification occurs: | Old Supplier takes the following action if they are the 'notified' party | <u>New</u> Supplier takes the following action if they are the 'notified' party |
|---|---|---|
| Before D0308 has been sent | <ul style="list-style-type: none"> Advise New Supplier of CoT, and ask not to send D0308, OR Wait for D0308, and reject using 'Name Inconsistent' rejection reason, plus additional information. Raise final CoT bill for Customer. | <ul style="list-style-type: none"> Ask Customer to contact Old Supplier. Don't send D0308. |
| After D0308 has been sent, but before second registration has been submitted | <ul style="list-style-type: none"> If D0308 rejection window has not passed: Reject D0308 using 'Name Inconsistent' rejection reason plus additional information. If D0308 rejection window has passed: Notify New Supplier of CoT and request that registration is halted. Raise final CoT bill for Customer. | <ul style="list-style-type: none"> Ask Customer to contact Old Supplier. Don't send second registration message. |
| After second registration has been submitted but before the CoS has completed | <ul style="list-style-type: none"> Email New Supplier to advise that CoT has occurred and Debt Assignment will not be completed, OR Send D0309 to New Supplier when CoT bill produced, advising of zero debt for assignment and occurrence of CoT. Raise final CoT bill for Customer. | <ul style="list-style-type: none"> Ask Customer to contact Old Supplier. Cancel confirmation if still within appropriate timeframe (gas only). Request Co-operative Objection if still within appropriate timeframe. Email Old Supplier to advise that CoT has occurred and Debt Assignment process should cease (optional) |
| After completion of CoS | <ul style="list-style-type: none"> Total Debt Outstanding will be assigned to New Supplier. | <ul style="list-style-type: none"> Payment in respect of assigned debt will be made to Old Supplier. Full value of debt will be allocated to Customer's account. Customer's account finalised as a CoT. |

Disputed Readings and Final Accounts

Whilst the process encourages the exchange of meter readings to aid accuracy of the final account, it is still possible that the Customer may dispute the reading used to calculate the final balance. This may occur at any time, even after the assignment is complete. If this does occur, both Suppliers can still raise a dispute as per the MRA Agreed Procedure for Resolution of Disputed Readings on Change of Supplier (MAP08). Once the reading has been agreed, and final account recalculated, the

two Suppliers will need to discuss and agree the resubmission of a D0309, and correction of any invoice sent and settled.

Erroneous Registrations

It is expected that Erroneous Registrations will be minimal due to the pre-enquiry stage of this process, as it is expected that the Customer will be heavily involved in any decisions made. If an Erroneous Registration or Service Returner does occur, the guidelines detailed within MRA Agreed Procedure for Resolution of Erroneous Registrations (MAP10) should be followed. In addition, any actions that have already been undertaken within the auspices of this MAP should be reversed – in simple terms this means that the debt will be passed back to the Old Supplier.

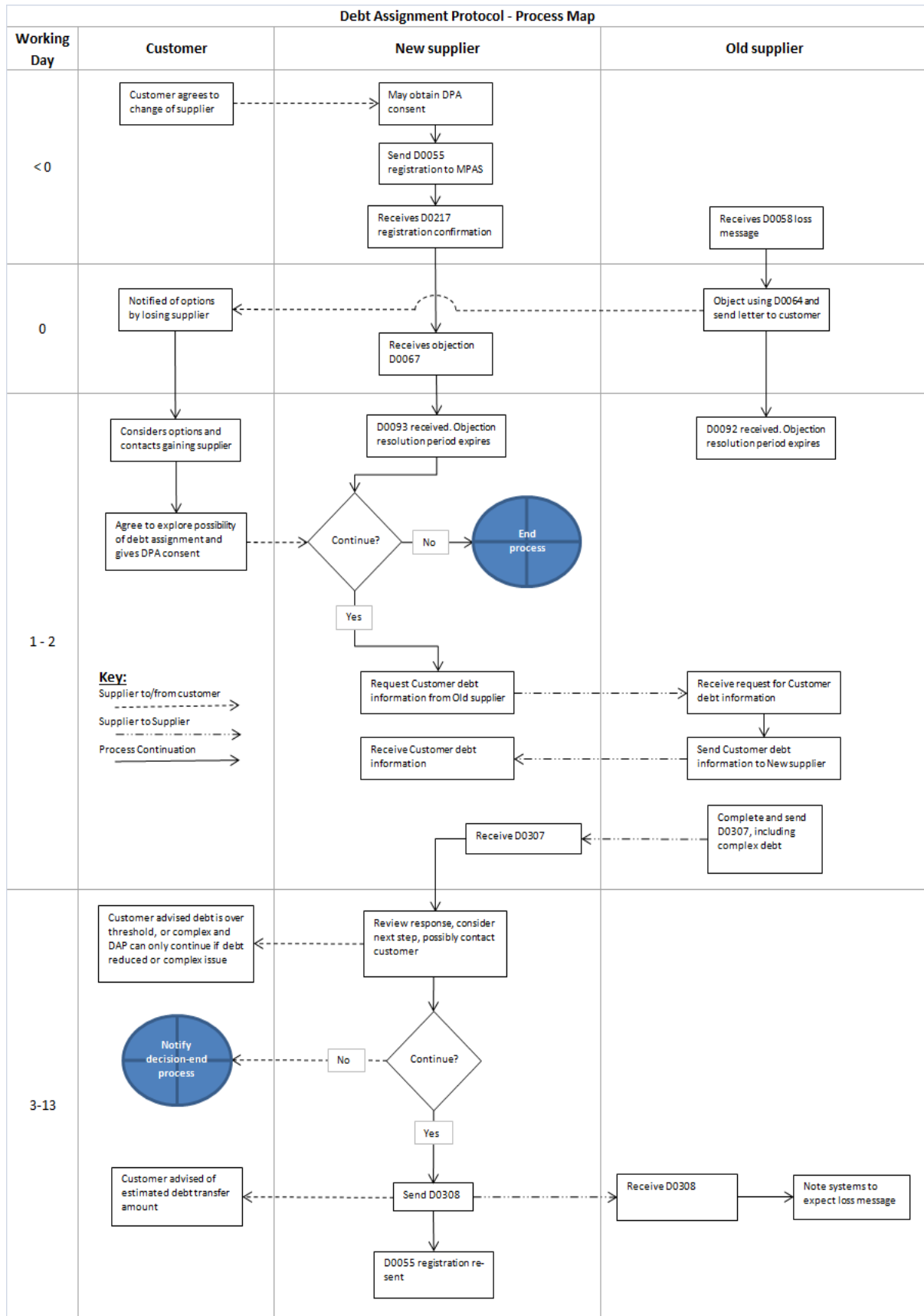
APPENDIX G: MONITORING BY OFGEM (FOR INDICATIVE PURPOSES ONLY)

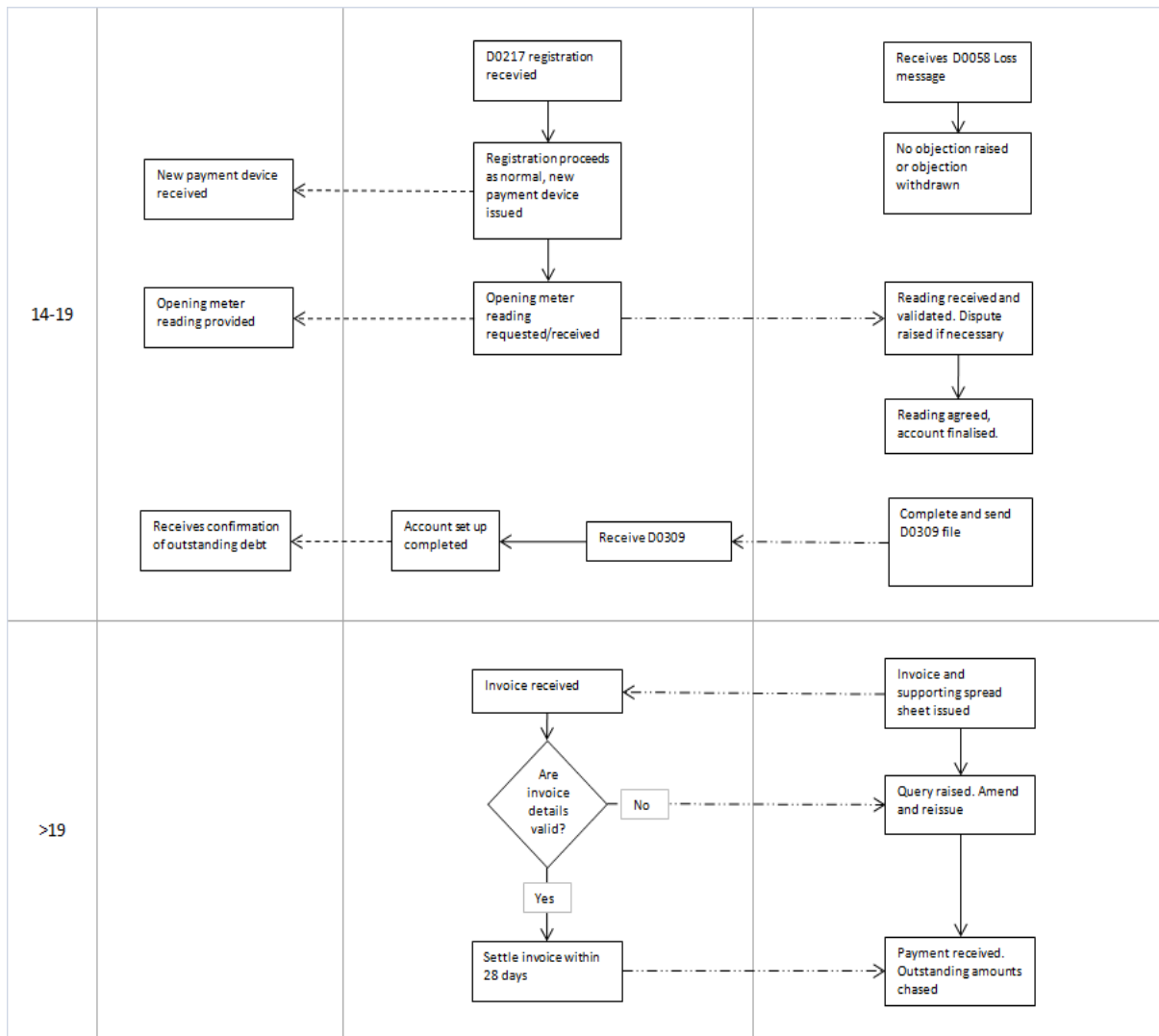
Quarterly reports from each Supplier, to be submitted by the end of the month following the end of the quarter:

- Number of Notices of Objections issued on the grounds of outstanding debt on a domestic Prepayment Meter;
- Number of D0306 flows received;
- Number of D0307s flows received, broken down <£150, £150-300, £300-500, >£500, Complex Debt;
- Number of D0309s flows received, broken down <£150, £150-300, >£300, Complex Debt.

Suppliers may raise any issues arising from the Debt Assignment under this MRA Agreed Procedure through the Issue Resolution or Change Procedures, as appropriate, under the MRA.

APPENDIX H: PROCESS FLOWCHART





APPENDIX I: DATA PROTECTION ACT

(i) Letter from Ofgem:

To: Mr Philip Jones
Information Commissioner's Office
Wycliffe House
Water Lane
Wilmslow
Cheshire
SK9 5AF

Direct Dial: 020 7901 7034
Email: david.barnes@ofgem.gov.uk

05 March 2003

Data Protection and the Prepayment Meter Debt Assignment Process

Gas and electricity suppliers have been working together to develop a process that would allow prepayment meter customers in debt to change supplier, with the debt assigned to the new supplier.

The proposals are a development from the process which was trialled over the winter in 2001/2 and which was the subject of correspondence with Faye Spencer in October 2001 on the data protection requirements.

In the light of the trial, some changes have been made, and we should welcome your views as to the application of data protection requirements to the revised process. I appreciate that this would not amount to a definitive interpretation of the legislation, but would much appreciate any advice you are able to provide.

Background

Through a mixture of licence and industry governance arrangements, gas and electricity suppliers are entitled to stop customers in debt from transferring to another supplier. These rules were put in place to reduce the risk of customers not paying their debts.

As part of Ofgem's Social Action Plan, which itself contributes to the Government's Fuel Poverty Strategy, suppliers, with Ofgem, have developed proposals for a new process to allow domestic prepayment meter customers with a debt on their meter the opportunity change supplier. Since over 1½M Customer with prepayment meters are in debt, the success of these proposals is very important to Ofgem.

The process by which this is done is outlined below:

Proposal

The key steps of the process are:

- A The Customer signs with a new supplier (this could be face to face on the doorstep or in a public place, over the telephone, or via the internet), who then starts the transfer process. The contract between the Customer and the new supplier will state that debt information may be passed to the new supplier;
- B The old supplier blocks the transfer, for debt. The old supplier writes to the Customer to explain this, but also to point out that the transfer can be completed, if the Customer and the new supplier agree to the debt being assigned. As you will see, the letter (an example copy is

attached at Annex A) tells the Customer that in order for the process to continue, debt information has to be passed to the new supplier;

- C The Customer and the new supplier make contact (most likely by the Customer calling the new supplier, but the new supplier may call or visit the Customer). The new supplier tells the Customer how the matters will proceed; including that debt information will be passed from the old to the new supplier (this will be part of the new supplier's agent's script). The Customer agrees the new supplier may ask the old supplier for information on the debt;
- D The new supplier requests the debt information from the old supplier, who provides it (this can be quite time consuming, and therefore unlike in the trial is only done once the Customer has shown, by their agreement in Step C, interest in the transfer continuing);
- E If the new supplier is willing to accept the debt, it restarts the transfer process. On completion, the debt is assigned to the new supplier. Typically the Customer will continue to repay the debt at the previous rate, but will benefit from a lower price for ongoing consumption.

Data Protection

For the process to work the old supplier must provide information on the debt, as new suppliers will have different criteria for whether they are willing to accept a debt (consumer groups are keen that there isn't a "lowest common denominator" approach).

The debt information is only transferred, and subsequently processed by the new supplier, if the Customer agrees at Step C. Both the new supplier, at Step C, and the old supplier, in the letter at Step B, explain the process to the Customer.

The experience of the trial is that customers are deterred from pursuing the process (and hence realising the potential benefits of a change of supplier) by formality in the process. The process doesn't therefore require the Customer to put their agreement to proceeding at Step C in writing.

Suppliers are therefore concerned as to where they, as the old supplier, would stand if a Customer asserted that the new supplier had not properly explained the process, and therefore had not given informed consent to disclose the debt information (the Customer might claim in these circumstances not to have received the letter from the old supplier).

It would be helpful to have your advice on these data protection issues. I think it would also be very useful, before you reply, for myself and some supplier colleagues to meet you to run-over the process and experience gained with the trial, so that you are fully aware of the position we have reached. I will contact you in the next few days to arrange a date for a meeting.

Yours sincerely,

Dave Barnes

HEAD SOCIAL ACTION PLAN

(ii) Response to Ofgem:

J/SP/T0006

To: Dave Barnes

Head Social Action Plan

Ofgem

9 Millbank

LONDON

SW1P 3GE

7 April 2003

Dear Dave

Data Protection and the Prepayment Meter Debt Assignment Process

When we met here in Wilmslow on 2 April in order to discuss your letter of 5 March 2003 you asked me to formally set out in writing the gist of the comments that I made at that meeting. I am happy to do so.

My comments are based on the processes outlined on the second page of your letter in which the key steps of the process are broken down into five stages, A to E.

A

I stressed that ideally before customers sign up with new suppliers they would have a reasonable appreciation of what this would involve, so they have the option of withdrawing at the outset if they are unhappy with this. In particular, because there is a need for a formal transfer of supply, there will need to be contact between the existing and new suppliers. If customers are aware that an existing supplier may block a transfer where the account is in arrears they will understand that they either need to ensure that any monies owed to the existing supplier are paid off or alternative arrangements made. I enquired whether there was any intention for there to be any promotion of the possibility of transfer that would target, in particular, those with pre-payment meters and/or those who are known to be in debt. My point was that if a Customer who is in debt is aware before contacting a new supplier that though this will not necessarily prevent transfer arrangements will have to be made to transfer the arrears to the new supplier then any Customer who is in debt who signs up with a new supplier will do so in the knowledge of what this entails.

We discussed at some length the practical limitations on how much information can be provided to a Customer at the time they sign with a new supplier given this exercise may take place in a busy shopping centre or over the telephone. Nevertheless, all practical efforts should be made to ensure that, as far as possible, those who enter into a dialogue, either face to face, over the phone, or via the Internet, with a potential new supplier are alerted to the consequences of signing up. I acknowledge that the difficulty there is in striking a balance between making the whole process so detailed and complicated as to be overwhelming on the one hand and seeking to ensure that the Customer is

provided with relevant information on the other. However, potential customers should fully appreciate that if they are in debt the old supplier may block the transfer, which would inevitably involve indirectly alerting the new supplier to the likelihood that the Customer is in debt. It is essential that due prominence is given to this. We do not accept that merely because an explanation is buried in detailed terms and conditions that this would suffice. It should be made absolutely clear to individuals that if they do not wish their existing supplier to be contacted, they should not proceed with the contract, or can cancel it if the contract is subject to a cooling off period. We did discuss the practical ways in which this key information could be drawn to the Customer's attention including an appropriately prominent warning very near the signature box.

B

As explained above, even though I appreciate that there may be other circumstances in which the existing supplier can block a transfer, and even though no details of the extent of any debt would be released, to the extent that the usual inference to be drawn when an existing supplier blocks a transfer is that the Customer is in debt I am satisfied this will amount to an indirect disclosure of personal data.

C

I made clear my concerns regarding the possibility of direct contact by the potential new supplier (as I understand it this is likely where the Customer has failed to return a completed contract). You explained that there was a feeling that customers were less likely to respond to a written exhortation. My concerns relate to the embarrassment and distress that a telephone call, and perhaps particularly a personal visit, could cause depending on who was in the household at the time. I emphasised the potential risk of there being an inadvertent disclosure of Customer data if the new supplier assumed, incorrectly, that they were talking to the Customer in question and commented on the fact that the transfer had been blocked by the existing supplier touching upon the likelihood that this would be because of debt. As I explained we receive complaints from individuals who are genuinely aggrieved and embarrassed where, for example, debt information has been passed on to a family member. This can happen all too easily, for example when a family member of the same name answers the phone or door. As we also discussed, whether or not it is reasonable nevertheless to make an approach by phone would largely depend on whether or not the Customer understood at the outset that this was likely to happen which in turn would be heavily dependent on the nature of any information provided to a Customer when they signed up.

D & E

I don't see any significant problems from a data protection point of view with steps D and E.

Data Protection

I would comment briefly on two further matters in your letter in the section headed "Data Protection". First, I would simply reiterate that even though the exact detail of the debt would only be passed on to the new supplier if the Customer agrees at step C, an indirect disclosure of personal data would have occurred prior to that when the old supplier blocks the transfer and advises the new supplier of this.

We understand the concern there is to avoid making the whole process too formal on the grounds that this might deter customers from transferring. You stress, in particular, that the agreement that the Customer is required to give at step C does not have to be put in writing. From a data protection point of view there is no difficulty with any agreement being verbal. As long as it is informed verbal consent is just as valid as written consent. The difficulty is in proving that consent is given. I think we did touch in some detail on our attitude were we to receive a complaint from individuals who claimed that they had not agreed to a transfer (and the disclosure of information of personal data this would involve) in circumstances where the suppliers concerned were unable to prove that agreement had been given. However, where a supplier formally assured us that their standard procedures and

training put emphasis on the need to get agreement, and assuming that this was an isolated event and we had no grounds to believe that there was evidence of systematic failure, we would have to conclude that there could have been a one-off problem arising from a slip by a member of the suppliers sales staff or a misunderstanding by the Customer. Clearly, however, if we received a significant number of complaints to the same effect this would be quite a different matter.

Further, we did discuss at some length the position of an existing supplier who will make a disclosure of personal data, not on the basis of any direct agreement with, or instruction from, their Customer, but on the assurance (perhaps implicit rather than directly stated) from the new supplier. We understand that suppliers will be required to follow a protocol laid down by and monitored by Ofgem. In such circumstances our view would be that it is reasonable for an existing supplier to take an assurance from a new supplier at face value, unless there was strong reason to believe (perhaps on the basis of past experience) that such faith was unwarranted. I also explained that if we received complaints which suggested that such a protocol had not been observed by particular suppliers we would be likely to refer them, in the first instance, to Ofgem.

I trust that this accords with your recollection of the substance of my comments at our meeting. I confirm that I am perfectly happy for these comments to be shared with other suppliers.

Yours sincerely

PHILIP JONES

Assistant Commissioner