

# Change of Tenancy FAQs

## Stakeholder engagement

### **1. Can you confirm the stakeholder engagement activity that took place before the CoT proposal was created?**

As a result of feedback Ofgem received in response to its [Non-Domestic Market Review](#), the Regulator asked that RECCo look at proposals for strengthening the Change of Tenancy process. We also held workshops with non-domestic suppliers and TPIs to better understand the challenges and issues in the non-domestic market. We aimed to identify areas where we could help facilitate better consumer outcomes. One of the key issues that emerged from our stakeholder workshops was the use and potential misuse of the CoT process. The first draft of the CoT Proposal, presented at the CoT Webinar (24<sup>th</sup> October 2023), was developed by interrogating the responses to that market review and understanding the risks and issues caused by the current CoT process.

The webinar held on the 24<sup>th</sup> of October was further stakeholder engagement designed to present our thinking to date and seek feedback on the practicalities of the draft process. The formal feedback requested from attendees will further strengthen the CoT process to drive fair and equitable outcomes for all stakeholders.

### **2. Will RECCo make quantitative evidence available which supports the scenarios identified in the presentation?**

The work undertaken by Ofgem as part of their Non-Domestic Market Review has gathered feedback and evidence in relation to this issue, and their review informed our understanding of the issues. A link to this review can be found [here](#).

We would expect further evidence to be made available as the Change Proposal develops, including the production of an Impact Assessment.

### **3. A 5-working-day Service Level Agreement (SLA) is quite short; what work has been done with Suppliers to suggest that this is an acceptable window?**

There are two 5-day Service Level Agreements (SLAs) within the draft CoT process. The first is for validating the evidence provided to support the CoT request and for the Supplier to decide whether the CoT should be processed via the red, amber or green route. This SLA starts on the date the evidence is received. This SLA is in draft form, and we have asked stakeholders for feedback on whether this is the correct length of time for the validation process to take place. If stakeholders feel this is too short or too long, we ask that they respond to the [formal feedback request](#).

The second 5-day SLA is for the meter transfer to occur. This SLA starts once the evidence has been validated and the Green or Amber route chosen. We consider that this should be the starting point for any SLA for this part of the process, given the expectation within the faster

switching arrangements that switching should ordinarily be completed within five days. Again, the formal feedback route allows stakeholders to comment on this SLA.

#### **4. How can stakeholders provide feedback on the proposed COT rules?**

At our webinar on the 24<sup>th</sup> of October, we asked stakeholders to provide feedback on five key questions relating to the proposed COT rules. These questions are:

1. Is our draft COT definition list extensive enough?
2. Are the evidence requirements fair and obtainable by the consumer?
3. Is the five-working-day SLA for the gaining Supplier to validate COT evidence and decide the RAG route appropriate?
4. Is the twenty-working-day SLA for COT objection validation by the losing Supplier appropriate?
5. Do you believe that the draft plans laid out by RECCo will improve the COT process for non-domestic consumers?

You can view and answer the questions [here](#). There is also space within the form to provide feedback about other areas of the COT proposal. [The feedback form will close on the 17<sup>th</sup> of November, 2023.](#)

This current engagement is in addition to the formal change process, which will commence when we submit the Change Proposal. That process will include consultation in accordance with a timetable to be approved by the REC Change Panel.

## **COT Process**

- 1. A standard process must cover at least 95% of Change of Tenancy (CoT) cases. This could involve 20+ definitions of CoT. Does RECCo have those definitions prepared yet? Furthermore, the 5% of cases a Supplier considers ambiguous should be subject to independent adjudication. What plans does RECCo have to introduce this?**

We believe that our proposals will cover the majority of CoT situations. However, we welcome feedback on the proposals and to the extent that they do not cater for every situation, we will consider that either as part of the further development of the current proposals or, if ruled out of the scope of those proposals, to be considered as part of a future refinement.

In most cases, we do not consider that involving independent adjudication of live transactions would be practicable or appropriate. Under our proposal, suppliers will determine whether the evidence provided meets the evidentiary requirements. Providing clear guidance and rules ensures that any differences of opinion over whether the evidentiary requirements have been met would be minority exceptions. Adherence to the new requirements would be subject to performance assurance. If our proposals do not sufficiently remedy the problems identified, we will give further consideration to what more could be done.

- 2. Will the process be performance assured?**

Yes, all processes governed under the REC are subject to the performance assurance framework.

### **3. Will the rules specify the required identification and timeframe for a Change of Tenancy?**

Yes. We aim to ensure that legitimate CoT cases that can be properly evidenced are processed within the standard switching timescale. A case requiring further investigation must be completed within a reasonable timescale, as defined in a new Service Level Agreement. This will prevent customers from being exposed to deemed charges while conducting the necessary checks.

### **4. Are the changes in line with actual contract law?**

The new requirements will be reviewed legally and checked for compliance with applicable laws.

### **5. Can we have clear guidelines for a change of ownership? Currently, Suppliers ask for documents that can't be provided in some cases.**

The proposal aims to ensure that most cases of a change in tenancy or ownership can be easily demonstrated and agreed upon without any delays. However, it may not be possible to provide an exhaustive list of documents that could indicate a change has taken place.

### **6. COTs are, by nature, not addressed explicitly by the Code or SLC. Is this something REC is seeking to codify?**

Yes, that is the nub of what these proposals are about.

### **7. When will the changes be effective?**

The implementation timetable will be subject to the agreement of the REC Change Panel. However, we aim to raise the Change Proposal by the end of this year in line with the expectations previously set out by Ofgem.

### **8. Can you explain the difference between the Change of Tenancy and the Change of Supplier process and how the new rules cater to both?**

The draft CoT rules have been written to clarify the meter transfer instances that occur if the business responsible for paying the bill at a specific meter changes mid-way through an existing contract period. These rules include the requirement on the supplier to properly satisfy itself that the business requesting the meter transfer is doing so legitimately and that the correct evidence is gathered to support that.

Suppose the new business at the premises wishes to change supplier. In that case, the gaining supplier is the responsible party for gathering the evidence and satisfying that the new business meets the definition of a Change of Tenancy and choosing whether to make the meter transfer via the Red, Amber or Green route. The rights for the Losing Supplier to object are laid out in the RECCo draft proposal.

If the new business at the premises wishes to remain with the incumbent supplier, the rules around satisfying itself that the new business meets the definition of a Change of Tenancy, gathering and retaining the evidence, and choosing whether to make the meter transfer via

the Red, Amber or Green route falls on the incumbent supplier. It must still make these checks and follow the process thoroughly.

**9. How will RECCo ensure the COT process sits alongside GDPR/DPA 7 principles?**  
**Sometimes, a lease may be in an individual name, not a trading company's.**

These proposals are designed to act in the consumer interest by enabling them to enter into new contractual arrangements promptly and efficiently. When an individual consumer, such as a sole trader, wants to enter into a non-domestic contract, it is generally beneficial for them to allow the sharing of their personal information to the extent required for the agreement to take place.

**10. Will there be a formal consultation period on the new COT rules?**

Yes, the proposed CoT rules will be further consulted as part of the REC Change Process. The REC Code Manager will notify interested parties of the consultation timetable once the REC Change Panel agrees. We aim to submit these proposals to the REC Change Panel meeting on the 19<sup>th</sup> of December and expect a consultation period of around three weeks to take place early in the New Year.

**11. Will the new COT rules be voluntary or mandatory?**

We anticipate that key elements of the proposals, such as acceptable forms of documentary evidence of a CoT and Service Level Agreements, will be mandatory. Other elements of the proposals will be provided for guidance only, i.e., the sort of changes in consumer status that should not be considered a CoT.

**12. Will there be any guidance around back-dated COTs?**

We would welcome further clarification on the issues in this regard and will consider what, if any, guidance we can provide to address concerns.

**13. What triggers the start of the 5-day SLA for validation?**

The 5-day SLA starts the day that the evidentiary threshold, that will be set out in the REC, is met. If it is clear that the customer cannot provide all of the required evidence, then the supplier may choose to progress the meter transfer via the Amber route, as described in the RECCo draft process.

**14. Can we see definitions for Change of Control, Change of Managing Agents and Novations?**

When drafting the valid CoT definitions, we focused on those that most commonly occur. However, we appreciate that this list is not exhaustive and is open to revision as new definitions emerge. As part of our formal feedback request, we have asked that stakeholders provide additional definitions of CoTs, and we will explore these, along with those mentioned above, as part of our review.

## Misuse of the process

### 1. What are the plans to combat any increases in fraudulent CoTs?

Suppliers will remain best placed to identify and tackle fraudulent CoTs. We aim to facilitate the identification of genuine CoTs so that transfers are not unduly delayed, and suppliers can focus on exceptions.

### 2. Based on the status of Supplier relationships, how likely do you think it is that you can stop the misuse of the CoT process? What is considered the minimum win?

We are hopeful that with the introduction of rules around the definition of CoTs and, more importantly, the evidence required to support the validity of a CoT, we can reduce the number of cases of misuse.

Furthermore, through the implementation of a standardised and consistent process of CoT meter point transfer, performance review will be easier to apply and undertake, highlighting areas of misuse and applying sanctions where appropriate. RECCo are not placing any definitive figures on 'minimum win' but will monitor the use of the CoT process and its effectiveness.

### 3. What is the plan to deal with fraudulent customers within a CoT setting where it's published as a standard?

Cases of fraud are legal matters and should be dealt with appropriately between the involved parties.

Performance review of the transfers made under the CoT process is expected to highlight occasions and participants operating outside the normalised expectations. Where this is seen, RECCo will intervene as appropriate.

### 4. What consideration has been given to the Supplier's right to protect their business from fraud and debt?

Nothing in our proposals removes the supplier's ability to protect their business from fraud and avoid debt. However, it seems evident from the Ofgem non-domestic market review findings that applying those protections is causing inadvertent harm to many consumers seeking to effect a Change of Tenancy. Our proposals aim to ensure that those genuine CoT situations that can be appropriately evidenced can be expedited. At the same time, further checks and balances may continue to those that have not or cannot be evidenced.

### 5. We receive many falsified headed documents – how can this be combated?

The validation of the evidence is the responsibility of the supplier. It is recommended that the validity of evidence received on the headed paper is checked with the company for whom the headed paper is representative.

**6. If the customer is in debt on the “green route,” can a Supplier object on the grounds of debt until the losing Supplier has established if it is debt avoidance?**

These proposals do not curtail a supplier's ability to object to a transfer per Standard Condition 14 of their Gas and Electricity Supply Licence. They are intended to apply to situations with a genuine and evidencable CoT. We are aware that debt avoidance is one of the reasons that a consumer may seek to fraudulently trigger a CoT, either with the existing or a newly registered supplier. Suppliers will still be able to take steps to prevent fraud where they see it; our proposals seek to ensure that the time taken to undertake such checks does not inadvertently capture non-fraudulent transfers.

## Technical requirements

**1. Will RECCo require non-domestic suppliers’ systems to recognise and set the CoT indicator? Many current suppliers lack this capability.**

The technical impacts of the proposals will be thoroughly assessed as part of the change process. At this stage, we are still formulating the business processes to address the risks and issues identified.

## Remedies for CoT delay

**1. What penalties will be in place for Suppliers that fail or refuse to comply with any new obligations, and how can RECCo ensure that all non-domestic customers are protected?**

We do not refer to ‘penalties’ under the REC and require remedies to be proportionate to be enforceable. However, any new requirements inserted into the REC would be subject to the performance assurance framework, overseen by the Performance Assurance Board, which has a range of techniques available. Ultimately, compliance with the REC is a condition of the Gas and Electricity Supply licence. As such, non-compliance that has not or cannot be remedied through performance assurance techniques can be escalated to Ofgem.

**2. Will there be protection for consumers if Suppliers delay the Change of Tenancy process and charge out-of-contract rates?**

These proposals aim to ensure prompt completion of the Change of Tenancy. The proposals include Service Level Agreements for the completion of checks, which may be necessary for what is expected to be a minority of cases where a legitimate Change of Tenancy cannot be immediately evidenced. Remedial actions may be available where suppliers exceed those Service Level Agreements. Individual cases and consumer redress will not be a matter for the

REC; we expect that they will continue to be subject to the supplier's complaint-handling procedures and, if necessary, referral to Dispute Resolution (where applicable).

**3. Should Suppliers be penalised if they take longer than an agreed timescale?**

If accepted, the proposed rules would be subject to the REC performance assurance framework, overseen by the Performance Assurance Board. The PAB can apply various performance assurance techniques to maintain or improve standards.

**4. Many Suppliers refuse to raise the CoT flag when I can provide proof of legitimate CoT. This results in long delays – what can be done?**

These proposals are aimed at addressing those situations. The prescription of clear evidentiary standards and supporting guidance will ensure that Suppliers, Consumers, and TPIs can work within a common framework. In most cases, it will avoid any doubt or differing interpretation of whether a legitimate Change of Tenancy exists. If these initial proposals do not achieve the intended result, we will continue to review and strengthen the rules to deliver those improvements.