

Modification proposal:	Supply Point Administration Agreement (SPAA) Change Proposals (CP): SCP 506 - 'SPAA Closure'		
Decision:	The Authority ¹ has decided to approve ² this modification ³		
Target audience:	SPAA Parties, SPAA Panel and other interested parties		
Date of publication:	5 January 2021	Implementation date:	Five working days following Authority approval

Background

In July 2018 we published our intention that the introduction of the Retail Energy Code (REC) would, as well as underpin the arrangements introduced by the Ofgem Switching Programme, allow for the consolidation of retail energy provisions and the closure of the SPAA and the Master Registration Agreement (MRA).

This intention was confirmed in our Retail Code Consolidation (RCC) Significant Code Review (SCR) launch statement⁴ published 29 November 2019. The RCC SCR had been planned for implementation on 1 April 2021. In response to the Covid-19 pandemic a re-plan of the Switching Programme was undertaken, and the planned date for the RCC SCR and REC v2.0 implementation was delayed to 1 September 2021. This was confirmed in a Switching Programme email to programme Regulatory Design User Group (RDUG) participants on 18 May 2020.

Our decision to delay the implementation date for RCC and REC v2.0 recognised that the transition of some existing theft arrangements would be more appropriately facilitated by 1 April 2021. This is because service provider contracts for the Energy Theft Tip-Off Service (ETTOS) and Theft Risk Assessment Service (TRAS) would expire at the end of March 2021. This approach was confirmed in a letter addressed to the SPAA Executive Committee and SPAA Board in July 2020.

The REC Transition Steering Group (RTSG) was initiated early 2020 to facilitate cooperation between code bodies and the efficient transfer of roles and responsibilities from the SPAA and MRA governance bodies to the institutions established under the REC. We expressed our view at this group that the preferred route for the closure of the SPAA would be that the agreement is terminated, and that parties not be subject to further invoices or obligations following its termination.

To this end, the SCP 506 was raised to facilitate the orderly closure of SPAA Ltd as a legal entity, following REC v2.0 go-live on 1 September 2021. It also facilitates the transition of relevant gas theft arrangements from SPAA Ltd to RECCo Ltd which is planned for 1 April 2021.

¹ The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority. 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 38A of the Gas Act 1986.

³ 'Change' and 'modification' are used interchangeably in this document.

⁴ See: https://www.ofgem.gov.uk/system/files/docs/2019/11/rcc_launch_statement.pdf

A related MRA change, MRA CP 0267⁵, has been developed in close alignment and proposes similar changes to facilitate its closure. Further, Distribution and Connection Use of System Agreement Change Proposal 374⁶ proposed changes to facilitate the transfer of some electricity theft arrangements to the REC concurrently with SCP 506 on 1 April 2020.

The modification proposal

This change proposal was raised by BUUK Infrastructure. It seeks to ensure that SPAA Ltd and relevant parts of the SPAA will continue to function as necessary until an orderly closedown of the company has taken place. As part of the closedown a number of activities may be required in accordance with company law provisions and SPAA Ltd's Articles of Association, such as:

- Board meetings and decisions
- Preparation and audit of financial accounts and statements
- Payment of liabilities
- Raising of further funding, and/or returning surplus funds to Parties (as required)
- Transfer and/or redemption of shares
- Transfer or disposal of assets and intellectual property.

Changes are proposed to the SPAA Main Body and SPAA Schedule 4 (SPAA Limited) in order that directors of SPAA Ltd are able to undertake these activities while enacting the orderly closedown of SPAA Ltd following RCC SCR implementation.

Changes are also proposed to the SPAA Main Body that facilitate the early transfer of theft arrangements, due to take place on 1 April 2021.

Change Board⁷ recommendation

At the SPAA Change Board meeting on 13 October 2020 the Change Board voted on the proposed modification. In accordance with the weighted vote procedure,⁸ the Change Board unanimously considered that SCP 506 would better facilitate the achievement of the relevant objectives of the SPAA and therefore recommended its approval.

Our decision

We have considered the views of the Change Board and the Change Report received by us on 5 November 2020 and have concluded that:

⁵ See: <https://www.mrasco.com/changes/change-tracker/amendments-to-facilitate-the-closedown-of-the-mra-and-mrasco/>

⁶ See: <https://www.dcusa.co.uk/change/dcp-374-energy-theft-transition-into-the-retail-energy-code/>

⁷ Change Board is established and constituted pursuant and in accordance with the SPAA.

⁸ The threshold for a change proposal being accepted by relevant SPAA parties is 65%, as set out in clause 9 of the SPAA.

- implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the SPAA;⁹ and
- consenting to the modification being made is consistent with our principal objective and statutory duties.¹⁰

Reasons for our decision

We consider this modification proposal will better facilitate the achievement of SPAA objectives (c) and (d) has a neutral impact on the other relevant objectives:

(c) the promotion of efficiency in the implementation and administration of the supply point administration arrangements

We agree that the changes outlined in this proposal are consistent with promoting efficiency in implementing and administering the SPAA arrangements. The changes are associated with the orderly closure of the SPAA and SPAA Ltd and are consistent with the direction of travel set out in the RCC SCR launch statement. We consider that this change proposal will promote efficiencies by providing early clarity to SPAA parties, and facilitate proportionate administration of the SPAA during the closedown period.

(d) so far as is consistent with sub-paragraphs (a), (b) and (c), the efficient discharge of the licensee's obligations under this licence

We agree that implementing this change is consistent with licensees' discharge of the relevant licence obligations. Ofgem has proposed¹¹ that Standard Licence Conditions (SLCs) for the Gas Transporter licences are to be amended at RCC implementation to remove obligations to comply with the SPAA. We have also proposed that the Gas Supplier SLCs will be amended to remove obligations to maintain and comply with the SPAA. We agree that this change proposal is consistent with the direction of these proposed SLC amendments.

In relation to the specific changes which are not entering into effect five working days following this Authority decision, we will work pragmatically with the SPAA code administrator and industry to ensure that the dates by which and manner in which such changes are to take effect, and any related definitions, are clear and aligned with wider RCC and REC v2.0 implementation.

Decision notice

In accordance with SLC 30 of the Gas Supply licence, the Authority hereby approves modification proposal SPAA CP 506: SPAA Closure.

Arik Dondi

Head of Switching Arrangements – Retail Directorate

Signed on behalf of the Authority and authorised for that purpose

⁹ As set out in Standard Licence Condition (SLC) 30.5 of the Gas Supply Licence.

¹⁰ The Authority's statutory duties are wider than matters which the Change Board must take into consideration and are detailed mainly in the Gas Act 1986.

¹¹ See proposals for licence changes: <https://www.ofgem.gov.uk/publications-and-updates/switching-programme-and-retail-code-consolidation-proposed-licence-modifications>