

## **Change to the Market Domain Data Market Participant Identity Verification Approach Document to enable Supplier License Transfer.**

Customer Type – Supplier (SUP)

### **Executive Summary:**

Ofgem currently has a process to enable the transfer of a Supplier License to another licensed entity.

This paper seeks DSC Contract Management Committee approval to amend the Market Domain Data Market Participant Identity Verification Approach Document ([link](#)) (MPIdVAD) to enable Supplier Short Codes to be reassigned in the event that Ofgem utilise this novation process (i.e. full transfer of historic rights and obligations) to an alternative Supplier entity. Within the body of this document, we provide the proposed change(s) to the MPIdVAD.

This document proposes two distinct changes to the same paragraph in the MPIdVAD to reflect two different potential Ofgem scenarios related to this License Transfer process. This document is submitted to DSC Contract Management Committee in February 2024 for two approvals:

- Approval of the First Scenario Amendment to para 4.3 of the Market Domain Data Market Participant Identity Verification Approach Document;
- Approval of the Second Scenario Amendment to para 4.3 of the MPIdVAD.

Note: If the amendment related to the First Scenario is accepted then the Committee can determine whether the second can be accepted or rejected. If the First Scenario amendment is not accepted, we do not consider that the second can be accepted either.

### **Issue statement**

With the recent introduction of license conditions on control over material assets we have been contacted by a number of Suppliers who have been working with Ofgem to assess the impact changes might have on Supplier Short Codes (also known as Market Participant Identities (MPId)). For the avoidance of doubt, the changes in this document are only proposed to apply to Supplier entities.

A Gas Supplier is permitted to make an application to Ofgem to transfer a Gas License to another legal entity. If Ofgem approves the application for this License Transfer, the Gas Supply License will be transferred.

Currently Suppliers are prevented from transferring the 3-digit Short Code / MPIId between legal entities within the same corporate structure, by the Market Participant Identity Verification Approach Document. This document sets out the approach that the CDSP will take in order to master gas Market Participant Identities.

### **First Scenario: Novation of License from one Legal Entity to another Legal Entity**

The current wording of the MPIIdVAD prevents the Ofgem permitted License Transfer, where the original legal entity has Supply Meter Points registered using the assigned MPIId they cannot be Novated along with the MPIId due to clause 4.3.

In addition to this they also cannot be transferred using Change of Supply processes as the new legal entity cannot be assigned a MPIId until a supply license is granted. If this path were to be followed, this would mean that consumers whose Supplier was subject to a License Transfer would be recorded against an unlicensed Supplier entity until any portfolio transfer takes place once the License Transfer had been effected.

### **Suggesting wording change for First Scenario:**

Current –

4.3 of the Market Domain Data Market Participant Identity Verification Approach Document notes: "A Market Participant Identity can not be reallocated to another Market Participant for different Licenced Legal Entity for the Supplier Role Type."

Seeking approval of the below wording as part of the first scenario:

4.3 of the Market Domain Data Market Participant Identity Verification Approach Document notes: "A Market Participant Identity can not be reallocated to another Market Participant for different Licenced Legal Entity for the Supplier Role Type

**unless the reallocation of Market Participant Identity is required as part of a granted novation of the Market Participant's licence by the Authority that would include the novation of all historical and future rights and obligations of that Market Participant.**

*Impact –*

*If the proposed wording is not approved:*

- *If Ofgem continue to grant License Transfers , in each such instance where that Supplier had a registered portfolio that will be recorded against an unlicensed entity from the point that the transfer is effective and until the Supplier undertakes the relevant Switches.*

- If Ofgem stop granting such Licence Transfers, any Supplier would need to initiate a full Supplier license process and REC accession/accreditation.

## **Second Scenario: New License to achieve multiple company novation (within company group)**

As part of this Supplier rationalisation, we have seen an instance where a Supplier is seeking to novate between multiple companies under the same company group. Ofgem has granted a new licence on the basis of a plan to transfer all customers from the existing, separate gas and electricity supply licenses to the new licensed party. Ofgem will be engaging with the Supplier in this scenario in relation the transfer plan, with the aim of ensuring that it proceeds in an orderly way and without material risks of consumer detriment. The proposed Ofgem approach would mean ALL of the novated parties' MPIs would be reallocated to the new Licensed entity.

*Seeking approval of the below*

4.3 "A Market Participant Identity can not be reallocated to another Market Participant for different Licenced Legal Entity for the Supplier Role Type

unless:

- a) the reallocation of Market Participant Identity is required as part of a granted novation of the Market Participants licence by the Authority that would include the novation of all historical and future rights and obligations of that Market Participant; or
- b) the reallocation of Market Participant Identity is required as part of a novation (granted by the Authority) of multiple Suppliers under the same Affiliate Company to a newly created Licenced Legal Entity.

**"Affiliate Company"** means in relation to a party, any entity that directly or indirectly controls, is controlled by, or is under common control with that party from time to time. **"Control"** has the meaning in section 1124 of the Corporation Tax Act 2010 and the words **"Controls"** or **"Controlled"** shall be construed accordingly.

*Impact –*

*If not approved the entire Supplier portfolio which will be spread across multiple MPIs must go through the Switching process, depending on volumes may Impact the agreed plans with the regulator.*