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Our ref. Future Retail Market BEIS/Ofgem

Ørsted's response to flexible and responsive energy retail markets

The Ørsted vision is a world that runs entirely on green energy. Ørsted develops, constructs and operates offshore wind farms, bioenergy plants and innovative waste-to-energy solutions and provides smart energy products to its customers. Headquartered in Denmark, Ørsted employs 6,300 people, including over 1,000 in the UK. Ørsted is the largest offshore wind farm developer, generator and owner in the UK, and the world. Our energy retail business offers flexibility solutions to our non-domestic customers as well as supplying them with electricity and gas.

We welcome the opportunity to respond to your consultation. Ørsted believes that energy retail market plays a key role in delivering a decarbonised energy system by 2050. The ability for consumers to use energy efficiently and flexibly is fundamental to an energy system powered by renewable sources, which should be driven by regulation that is flexible and responsive. As the UK Government is committed to achieving net-zero decarbonisation by 2050, we believe the timing is right to review and reform retail regulation to help achieve this target.

Ørsted agrees that the key areas of reform have been identified and we have set out our high-level thoughts on relevant areas to our business and customers below. We believe that whilst this long-term work stream will be on-going, there are swift actions that should be taken to address immediate deficits to consumers and improve market competition.

Regulatory framework should ensure consistent consumer protection from Third Party Intermediaries (TPIs)

We believe that the current regulatory framework on consumer protection is inconsistent between energy suppliers and TPIs, where suppliers currently hold all Standard of Conduct (SoC) obligations. We agree with you that TPIs should be licensed by Ofgem (e.g. on a modular basis), so that the same SoC requirements shall apply to both suppliers and TPIs to ensure consistency in consumer

protection. This will become increasingly important as the retail market is transitioning into a more open space for new services and products.

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In the non-domestic energy retail market, TPIs play a pivotal role between energy suppliers and consumers. Depending on the agreement, TPIs provide a wide range of services to their customers, including contract negotiation and renewal. In most cases, TPIs directly own the customer relationship instead of energy suppliers. We recognise that there are many reputable TPIs already providing an excellent level of service. At the same time however, the energy supplier community has witnessed detriments to consumer satisfaction as a result of misconduct from some other TPIs.

Under supply licence obligations, energy suppliers must provide services to customers under the requirement of SoC, but the same does not apply to TPIs. Energy TPIs are, to a very limited extent, regulated by Business Protection from Misleading Marketing Regulations (BPMRs), which cover a wide range of sectors. We understand that there are TPI codes of conduct, which TPIs can sign up on a voluntary basis. However, the voluntary codes have no obligatory and enforcement powers and that TPIs who sign up to it would be subject to additional costs than those who don't.

We believe that Ofgem should directly regulate TPIs via a licencing regime, possibly on a modular basis. This would ensure consistent consumer protection rules are put in place for all parties and help level the playing field for all TPIs to compete fairly in the energy market.

A regulatory framework should be flexible to address distortions to competition and allow the uptake of new innovative products

We support your intention to remove distortions to competition that arise due to the "sizing effect" of suppliers. In response to your question 6 on whether there are similar distortions, we believe that Suppliers Charges relating to Non-Half Hourly (NHH) settlement performance under the Balancing & Settlement Code (BSC) distorts price signals for "high-cost-to-serve" customers in the retail market. This issue was discussed extensively via BSC Modification [P366](#) by the industry over a 15 month assessment period but was subsequently rejected by Ofgem on the ground that the perceived benefits to competition does not weigh against the unknown risks of changing status quo.

This is an example where the current regulatory framework could have been more responsive and flexible to address market distortions being identified by the industry. As we move from prescriptive regulation into principle based in the retail market, we believe that Ofgem should take a flexible approach to tackle market inefficiencies more swiftly.

Please do not hesitate to contact me directly (olixi@orsted.co.uk, 07879 697812) if you would like to discuss our response further.

Yours sincerely

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