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Dear Neil

Re: Statutory Consultation on strengthening milestone assessments and additional reporting requirements

On behalf of SSE Energy Supply Limited, I have set out our views on Ofgem's proposals in the Annex to this letter. Please note that the Annex is **confidential**.

We agree with Ofgem that there is a need to take action to strengthen the resilience of suppliers. We have encouraged and supported Ofgem to act in this regard regularly and continue to remain supportive of action being taken where this will improve standards across the energy market and result in a reduction in the likelihood or amount of costs being socialised across the rest of the market in the event of supplier failure.

However, in our response to Ofgem's action plan on financial resilience, submitted today, we set out our view that:

1. We need to prioritise those actions that will have the greatest impact
2. We need to assess Ofgem's proposals against the most appropriate baseline
3. We need to ensure that effective risk management is rewarded
4. Ofgem's proposals to amend SLC 19AA need to be urgently revised

Against this context, there is no evidence available that suggests Ofgem's proposals on commercial developments and personnel changes would have had a material benefit had they been in place ahead of the gas market crisis. We continue to believe that Ofgem's work to reform the RO Scheme and the domestic-specific challenges (e.g., use of domestic credit balances, review of the price cap etc) remains the highest priority actions. Had these reforms been in place ahead of the gas market crisis, we do not consider that Ofgem's proposals on commercial developments and personnel changes would be needed in their current form.

Notwithstanding our view that Ofgem's proposals on commercial developments and personnel changes are unnecessary, we are profoundly concerned at the approach Ofgem has taken to the development of these proposals.

Ofgem's proposals seek to impose higher standards on the energy market in some cases than those that exist in financial services, where some senior manager appointments do not require prior assessment by

the Financial Conduct Authority (FCA) but, instead, require firms to certify that senior managers are 'fit and proper'. Ofgem's statutory consultation offers extremely limited rationale for this decision.

Furthermore, the financial services Senior Managers & Certification Regime was created by an Act of Parliament, as a considered response to the findings of the Parliamentary Commission on Banking Standards, following the Global Financial Crisis. It was implemented by the FCA following a thorough consultation process, which included a comprehensive assessment of the costs and benefits of doing so. Ofgem's statutory consultation seeks to implement comparable changes in the shortest timeframe possible, using a compressed impact assessment, despite Ofgem's acknowledgement that the introduction of these rules could have a 'significant impact'. We do not consider that this is a rational approach.

We have set out further detail on the impacts of these proposals in the Annex to this letter and do not consider that Ofgem's proposals represent a proportionate response given that the additional burden placed on suppliers would not materially change Ofgem's ability to prevent or remedy consumer harm. For listed companies, such as SSE plc, it is important to note that detailed financial reporting requirements already exist, ensuring that listed companies are already subject to extensive disclosure and transparency obligations.

We would, therefore, urge Ofgem to urgently review its approach to this consultation and to reassure the industry that these proposals will not be implemented in their current form without the publication of an appropriate consultation and impact assessment. We have shared our own view on alternative solutions in the Annex.

We would appreciate the opportunity to discuss our concerns bilaterally with Ofgem.

Yours sincerely,

Sam Bird

Head of Regulation – Business Energy GB

