

Update to action plan on retail financial resilience: supplier control over material assets

Brook Green Supply are a commercial Gas & Power Supplier that formed in 2016. We are writing in response to your update to the retail financial resilience package and the incorporation of supplier control of material assets. We would like to register our concern in regard to the lack of clarity over the extent of this requirement, as well as the potential increase in regulatory and operational commitment this requirement could create. We are aware of the need for Ofgem to respond to the market challenges of 2021 and we support measures to improve the supplier retail market where possible, but we are requesting significant changes to what is being requested here and how we can ensure we comply.

Our first point is that we are unsure of the scope of this potential regulation. We, like many other suppliers, use third parties for a number of different functions. We would like clarity over whether this regulation affects third party relationships with providers of IT functions such as Gentrack. The guidance appears to be aiming to ensure suppliers are not stripped of their assets prior to exiting the market. We understand Ofgem's desire to guard against this but we do not see why third party relationships with IT or other back office functions would need to come under this guidance. If Ofgem intend for this to be the case, we would like to register our opposition to this as it seems wholly unnecessary to the ambition of this guidance.

We have some internal relationships that we believe will come under the scope of this regulation. We would again just ask for more clarity over what is going to be required to show compliance, as well as confirmation of dates. We would support Ofgem's request to showcase formal agreements but we think more extensive reporting would be unnecessary. We would also request that this guidance doesn't limit suppliers' ability to procure hedging positions via a different entity and would note that if it results in significant changes to our commercial agreements, this could result in costs which are ultimately passed onto the customer.

Finally we would also seek guidance over the statement, 'Many factors will be taken into consideration, such as size of organisation and customer base/type. Our monitoring approach for non-domestic suppliers will be proportionate to the risk of mutualisation.' As an industrial and commercial supplier our risk of mutualisation is minimal compared to other suppliers in the market. Based on the above statement that size of organisation and customer type will be taken into account, we would ask for clarity over whether we will see the full scope of this regulation.

In summary we support Ofgem's measures to improve the supplier retail market but we would ask for clarity over the scope of this regulation and how you mean to check compliance. We believe that extensive reporting shouldn't be necessary to show compliance. We would be opposed to strict regulation around procuring hedging positions via different entities, as well the inclusion of third party providers of IT and other back office functions in this guidance.