

31 May 2023

**ICoSS response to Consultation on framework for consumer standards and policy options to address priority customer service issues**

The Industrial and Commercial Shippers and Suppliers (ICoSS) group is the trade body representing non-domestic industrial and commercial (I&C) suppliers in the GB energy market<sup>i</sup>.

This response is not confidential. ICoSS members exclusively supply non-domestic customers, and our response is limited to the impact these proposals will have on the non-domestic sector. It is our understanding that only the proposals contained in Annex 3 apply to the non-domestic market. It is unclear how they will interact with the recent Call for Input on the non-domestic sector. We request that a consolidated set of proposals for the non-domestic market is published prior to any statutory consultation on any licence changes to allow suppliers to fully assess their impact.

**Questions 1-6.**

We do not believe that there is any impact on the non-domestic sector from these proposals. If Ofgem subsequently believes that they should be extended in full or in part to the non-domestic sector, then non-domestic suppliers should be given an opportunity to formally respond prior to any statutory consultation.

**Consumers Standards Framework – Chapter 5**

***Question 7: Do you have any comments on the factors that should be considered in determining whether to use principle-based or rule-based approach to setting standards?***

When assessing the impact of any proposed changes to the non-domestic sector, it is important to note that the challenges being experienced by non-domestic retail customers are due to factors largely outside of a suppliers' control, such as extremely high wholesale prices and increases in transportation costs. There is not a case for significant change to the current regulatory framework; any changes risks damaging the competitive environment that currently exists in the non-domestic sector. We do believe there are areas where Ofgem can intervene during this time, such as to "Blend and Extend" network costs, improve market liquidity, and by supporting the provision of trade credit insurance to less credit-worthy customers (as recently proposed by EUK and ICoSS). In addition, Ofgem can seek to enforce existing regulation, such as regarding the operation of the Energy Bill Reduction Scheme where some customers have expressed concerns over supplier behaviour.

Though we do not see a case for significant change, a Consumer Standards Framework can be utilised in the non-domestic market. At this stage it is difficult to fully assess the impact of these high-level proposals, though we do anticipate a number of challenges in using such a framework. In particular Ofgem guidance will become critical as suppliers will be expected to determine how

best to achieve any high-level goals that are developed. To ensure suppliers have the best understanding of Ofgem's expectations, there will be a need to develop a guidance repository as well as some form of change management process.

In addition, it is important that any guidance is proportionate to the needs of the customer, which in the non-domestic sector vary significantly. The needs of a microbusiness consumer will be very different to that of a large multinational company who, in the latter case, it likely to be in the dominant position with regard to their energy contract.

***Question 8: Do you agree with our early view of reputational based incentive options for winter 2023 and the potential incentive options for development over the longer-term? Please provide explanations to support your responses.***

Developing equitable reputational or financial incentives will be challenging, based on our members' experiences of current industry KPIs:

- In the electricity market KPIs exist for the number of meter readings that are provided by each supplier by the last settlement run (RF). Some non-domestic sites are configured in such a way that it is extremely difficult and costly to obtain meter reads. This means that non-domestic only suppliers incur greater costs in hitting their targets compared to domestic suppliers.
- Similarly, the current theft incentive regime in REC, which assumes a uniform rate of theft in the market, penalises those non-domestic suppliers who operate an effective credit policy as the levels of theft in their portfolio is lower than the market average.

Both of these examples demonstrate the difficulties of developing realistic, data-driven KPIs to show supplier performance in the non-domestic sector. Ofgem should develop such indicators in the non-domestic sector only where a robust and equitable baseline can be created from the information available

Yours sincerely



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