

ICoSS response to Reviewing the Consolidated Segmental Statements - Our initial proposals

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 market¹.

Q1. What are your views on proposal to expand the market coverage of the CSS?

The CSS process was initially developed to address a concern that large, vertically integrated energy suppliers could seek to cross-subsidise their domestic retail offerings, so undercutting competition in that sector. These obligations were not intended to provide a market-wide assessment of supplier profit margins. Information on supplier viability, where is not publically available, is now provided to Ofgem via the annual adequacy assessment and the additional suit of RFIs which supplier regularly complete.

We therefore do not see the value of requiring suppliers to spend time and customer money in recasting the information already provided to Ofgem into an annual CSS report which is of minimal value.

Q2. Do you have any other thoughts on the CSS?

It is clear that the CSS process is no longer necessary, as evidenced by the proposals in this consultation to remove the need for vertically integrated companies to provide this information. Rather than attempting to repurpose the obligation to duplicate other processes, Ofgem should consider removing the CSS obligation.

Q3. Do you agree with our consideration that the current proposal will not impose significant costs upon newly obligated suppliers? If you consider otherwise, then please let us know and provide any supporting evidence.

No, this new obligation will create additional costs to suppliers as the information required will need to be compiled and presented in a way not currently done. Some members have indicated they are happy to provide further supporting information.

Q4. What are your thoughts on our proposal to publish a list of obligated suppliers to our website in December each year?

As we do not believe that the CSS obligation should be expanded as it is of little use, we do not see the value in publishing this list.

Q5. Do you agree with our proposal remove the requirement for suppliers to be vertically integrated suppliers to submit a CSS?

We agree that the rationale for the CSS reporting obligation has now disappeared and should be removed from vertically integrated suppliers. As we do not see the need to duplicate information already provided to Ofgem under FRP reporting and available from company's own published accounts, the CSS obligation should be removed entirely.

Q6. Do you agree with the proposal to lower thresholds for the domestic and non-domestic market?

No, Ofgem currently receives more regular and useful information through other reporting routes, and we do not believe the case that suppliers should be obliged to publish this information.

In addition, organisations that currently provide information under the CSS regime are all large companies who are required by legislation to publish account information. Extending the current scope require to smaller suppliers will require them to publish commercially sensitive information which they currently are not required to do. As the costs for publishing this information is relatively fixed, the cost will also be proportionally higher for smaller suppliers.

Q7. What are your views on our proposal not to request additional financial information?

We agree as the level of information currently provided through other reporting channels provides sufficient information.

Q8. What are your thoughts on our proposal to include an additional column for reporting 'other' activities separate to the supply or generation business?

We have a number of concerns over the proposal to create a general other section of the reporting requirement. It is outside Ofgem's scope to oversee company activities outside of regulated areas and so the regulator should not be seeking to obtain this information. In addition, as it is not clear what is meant by "other activities" we anticipate that suppliers will interpret this differently so resulting in widely varying responses.

Having to account for generation that is not integrated into a supplier business represents a significant additional cost as it is a step change to the current accounting practices for those generation activities. Publication of this information also places these generators at a commercial disadvantage compared to rival generators who are not affiliated to suppliers. As the focus of these proposals now seems to be on supplier business information and not discouraging cross-subsidies between generation and supply activities, to avoid the issues identified consideration should be given to removing the obligations to publish on generation activities if the CSS process is implemented.

Q9. What are your thoughts on our proposal not to include a transition period for the first year of reporting now that the additional financial information and the audit requirement have been removed?

The current set of proposals will have a significant impact on suppliers, in particular impacts on existing auditing processes. As ICoSS members are currently undertaking a significant amount of development work on new industry changes including the MHHS programme and new obligations for larger non-domestic customers, the current implementation date will be difficult to achieve for some suppliers, depending on when their financial year commences.

We do not therefore consider there is sufficient time for new parties to report in early 2024 , and furthermore see the need to publish CSS within four months of financial year end is ambitious when taking into account the auditing process for statutory accounts.

Q10. Do you agree with our proposal to remove the audit requirement and instead propose the CSS must reconcile back to statutory accounts?

We are supportive of removing the auditing account on suppliers as the cost implications for smaller supplier for annual audits is likely to be significant. The time for statutory accounts to be finalised means that the reconciliation of CSS to audited statements would need to be after the finalisation of company accounts.

Q11. Do you agree with the proposal that Ofgem retains the right to request an audit where there may be cause for concern?

We would note that as these new requirements will be a licence obligation, Ofgem has the ability to undertake enforcement if they feel the supplier is not providing accurate information. In addition, as the audit as the annual external audit of company accounts is comprehensive and by definition meets the required audit standards, we do not see the need for a separate audit process.

Yours sincerely



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