

Consultation

Guidance on Supply Licensee Governance Arrangements

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Today we are consulting on proposed guidance to clarify our expectations in relation to supply licensee governance arrangements. We consider that strong governance arrangements are important to facilitate robust and financially responsible decision making and plays a role in creating the consumer-centric culture we want to see within supply licensees.

We would like views from people with an interest in the governance arrangements of organisations, particularly supply licensees. We particularly welcome responses from consumer groups, charities, supply licensees and their parent company where they have one. We also welcome responses from other stakeholders and the public.

This document outlines the scope, purpose and questions of the consultation and how you can get involved. Once the consultation is closed, we will consider all responses. We want to be transparent in our consultations. We will publish the non-confidential responses we receive alongside a decision on next steps on our website at [ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations). If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

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Foreword

Ofgem has set out its ambition and strategy to drive further improvements and a culture change in the customer service for energy consumers. [The Consumer Confidence programme \(published in 2024\)](#) set out our ambition to raise customer satisfaction levels in the energy sector so that consumers experience the best possible service and any issues are resolved quickly and effectively. As part of this work, we have been looking at how we might clarify our expectations to ensure strong governance arrangements across all supply licensees.

Senior executives at energy companies are instrumental in setting the right culture – one that puts consumers first and prioritises regulatory compliance. A strong board will positively impact the culture of the organisation, improving customer service and driving up standards.

Strong governance arrangements also facilitate strong and financially responsible decision making, reducing the likelihood of a licensee making a disorderly exit from the market and causing costs to consumers and adverse impacts across the market. Whilst market exits will inevitably happen from time-to-time, we want consumers to trust that supply licensees are resilient to market shocks and should a licensee fail, they will not be financially worse off as a result.

Strong governance is not only likely to benefit consumers but is also likely to be valuable to companies in promoting sustainable long-term success. It can create greater trust with shareholders and investors, encouraging continued and future investment. Supply licensees will already be considering whether and how its governance arrangements enable it to achieve any growth plans such that it grows in a sustainable way. We will therefore be proportionate, allowing licensees the flexibility to have the arrangements that work best for the size, corporate structure and the specific risks they face.

The energy crisis of winter 2021 and the supply licensee failures that followed exposed significant weaknesses in the financial resilience of the retail energy market. The package of resilience measures Ofgem has introduced since the crisis has included measures relating to governance arrangements. For example, setting out expectations in relation to internal audit and risk management processes as part of the [guidance for the Annual Adequacy Self-Assessments \(AASAs, SLC 4B\)](#). We also have rules [requiring supply licensees to ensure that only those that are 'fit and proper' are appointed to senior roles \(SLC 4C\)](#).

Alongside these rules we have also introduced a new supervisory approach which aims to work with supply licensees to understand their financial risks and mitigating strategies. Through this new approach, we expect supply licensees to be able to demonstrate how

they are managing their financial risks and resources, based on the clear minimum standards and principles we have set out including in the guidance we are proposing introducing via this consultation.

Through our new supervisory approach we have worked with supply licensees to build up our understanding of their business models. This includes through their AASA submissions, requests for information and ad hoc conversations. We have used this information to identify where there might be areas worth clarifying or areas where some licensees might benefit from stronger governance arrangements.

Drawing on this information, this consultation proposes to introduce new guidance to clarify our expectations for governance arrangements and includes proposals on how we plan to enhance our data gathering in relation to governance arrangements. These proposals aim to support better decision making across the market. However, should we find that this approach does not achieve the outcomes and benefits for consumers we are looking for, we will consider whether more prescriptive rules are needed.

1. Introduction

[Ofgem's Consumer Confidence programme](#) sets out how we intend to drive further improvements and culture change in customer service for consumers. This includes working to create a more consumer-centric culture at supply licensees. It also sets out how we want to ensure consumers can trust in the financial resilience of supply licensees and have confidence that should a supply licensee exit the market it will not result in additional costs.

As highlighted in [our response to the Chartered Institute of Internal Auditors](#), we believe that weak supply licensee governance, including a lack of challenge and/or internal controls can facilitate poor or unwelcome risk management and decision-making which can ultimately lead to consumer harm. Strengthening the effectiveness of the board¹ of supply licensees is also likely to have a positive impact on the culture of the organisation, improving customer service and driving up standards.

There are also organisational benefits to strong governance arrangements. We believe it promotes sustainable long-term success of an organisation and can increase the confidence of investors, encouraging continued and future investments.

In response to the costs and other impacts caused by the energy crisis in winter 2021, we developed a broad package of policy measures. These measures are designed to deliver a combination of benefits and tackle one or more consumer harms in line with our Consumer Interests Framework. Firstly, they are aimed at tackling the 'moral hazard' whereby owners and shareholders of supply licensees were incentivised to adopt risky business models knowing that consumers would carry the burden of risk in the event of a supply licensee failing. Secondly, the measures should ensure that supply licensees are more financially resilient and better placed to manage future shocks. Thirdly, the measures are designed to reduce the amount of money at risk of ending up as cost that is mutualised across consumers in the event of a supply licensee failing.

The changes we have introduced since 2021 have included some measures to help strengthen governance arrangements and help ensure a more financially responsible culture within licensees. For instance, the guidance for the Annual Adequacy Self Assessments sets out some of our expectations in relation to governance, particularly

¹ In this consultation we use the term 'board' and 'board of directors' to refer to the governing body or equivalent of the licensee

relating to financial decisions². However, we believe there is still more that can be done to support the culture change that we want to see in the sector.

What are we consulting on

We are seeking views on proposals to introduce new guidance on the governance arrangements of supply licensees.

We are proposing to expand the guidance under SLC 4A setting out our expectations for governance arrangements within a supply licensee. The proposals aim to help supply licensees when considering their own arrangements and enable greater visibility of governance arrangements, allowing Ofgem to intervene as necessary.

We are also proposing to amend the guidance for milestone assessments (required under SLC 28C³) to incorporate our expectations that supply licensees should include details of how their governance arrangements are appropriate to support their growth plans.

Next steps

The consultation will be open until 24/04/2025. Responses will be reviewed and we intend publishing the consultation decision, alongside finalised guidance, should we proceed, in late spring 2025.

We welcome views from people with an interest in the governance arrangements of organisations, particularly supply licensees. Please send your responses to retailfinancialresilience@ofgem.gov.uk.

² The Annual Adequacy Self-Assessment is a requirement for licensees to provide Ofgem with the self-assessment of their business model and resources, risks and mitigations over the previous 12 months and the coming year, evidencing how they are compliant with the enhanced Financial Responsibility Principle (SLC 4B).

³ Under SLC 28C supply licensees are required to undergo milestone assessments. The milestone assessments are intended to ensure that supply licensees are adequately resourced and prepared for growth and that they are able to maintain the capacity and capability to deliver a quality service to their customers as they grow.

2. Updated guidance under SLC 4A

Section summary

In this chapter we describe our proposals for introducing additional guidance under SLC 4A to clarify our expectations for the governance arrangements in a supply licensee. We explain why we propose introducing the guidance and how we propose it will work in practice. We welcome views on this overall approach and on the specific drafting.

Questions

1. Do you agree that Ofgem should introduce guidance under SLC 4A setting out its expectations for governance arrangements?
2. Do you agree that the guidance under SLCA 4A should cover the effectiveness of the board, transparency of governance arrangements, and example scenarios?
3. Do you have any comments on the guidance drafting itself?

The importance of an organisation's governance arrangements

- 2.1 As we set out in our [Consumer Confidence programme](#), we want consumers to trust that supply licensees are resilient to market shocks and that should a supply licensee exit the market, consumers will not be financially worse off. We consider that strong governance arrangements facilitate robust and financially responsible decision making, reducing the likelihood of a licensee making a disorderly exit from the market which causes costs to consumers.
- 2.2 The Consumer Confidence programme also sets out Ofgem's ambition to drive a more consumer-centric culture within supply licensees, ensuring that they put consumers first and prioritise compliance with our rules and guidance. We believe the board of directors plays a key role in driving the culture of an organisation. Ensuring the effectiveness of a supply licensee's board should have a positive impact on the culture of the organisation, improving customer service and driving up standards.
- 2.3 We have seen situations where we believe stronger governance arrangements could have helped achieve a more positive outcome for consumers. For example, we have seen instances in previous failed supply licensees of weaker governance arrangements which appear to have contributed to their risk of failure and ultimately in harms to consumers. This has included lack of opportunities for challenge of key decisions, and questions over whether there was sufficient experience and knowledge in running a supply licensee across its senior leadership and board of directors. For instance, [The Business, Energy and Industrial Strategy Committee's report on Energy pricing and the future of the](#)

[energy market](#) highlights concerns in the conduct of previous supply licensee Avro Energy's directors. It states that Avro Energy's directors failed to "operate the energy company with a prudent hedging strategy and were negligent in managing financial risks" and the report talks about how the company "siphoned off customers' cash to a different business in the directors' names"⁴.

- 2.4 The benefits of strong governance arrangements in companies are also widely recognised in other frameworks. For example, through the [Financial Reporting Council's UK Corporate Governance Code](#) and [The Wates Corporate Governance Principles for Large Private Companies](#). At the heart of these reporting frameworks is an emphasis on the value that good governance can provide to companies in promoting sustainable long-term success. They also highlight the importance of considering the needs of its stakeholders, including customers, in a company's decision making and board discussions.

Existing requirements

- 2.5 The package of changes we have introduced since 2021 to improve the financial resilience of supply licensees has included some measures to help strengthen governance arrangements and ensure a more financially responsible culture within supply licensees.
- 2.6 For instance, the [guidance for the Annual Adequacy Self Assessments](#) (AASAs) sets out some of our expectations in relation to governance, particularly relating to financial decisions. The guidance predominantly relates to a licensee's risk management processes, their use of internal audits and lines of responsibility. For example, to be compliant with the Financial Responsibility Principle, supply licensees are expected to have robust financial governance decision-making frameworks in place, as well as clear ownership of the risks and mitigations amongst senior management. In addition, independent internal audits or alternative measures which achieve a similar level of assurance, are expected to be used in a licensee's capital and liquidity planning.
- 2.7 Alongside these rules and guidance, we have also introduced a new supervisory approach for monitoring the financial resilience of supply licensees. The approach is based around three essential principles:

⁴ Alongside this work, as set out in the [Consumer Confidence programme](#), we are continuing to work with Government to consider what mechanisms are appropriate to hold senior personnel at energy companies accountable if their actions lead to regulatory breaches or consumer harm.

- risk-based - focused on the areas which pose the greatest risk to consumer interests
 - proportionate - tailored to the size of firm and business model and impact of a possible failure on consumers
 - forward-looking - to ensure ongoing financial resilience and proactive risk management as the landscape evolves
- 2.8 Through this new approach, we expect supply licensees to be able to demonstrate how they are managing their financial risks and resources, based on the clear minimum standards and principles we have set out, including the new guidance we are proposing introducing via this consultation.
- 2.9 As well as the financial resilience measures we have introduced, there are also [fit and proper requirements under SLC 4C](#) which seek to ensure that any persons in a position of Significant Managerial Responsibility or Influence⁵ within a supply licensee are 'fit and proper' to hold such a role. Work is currently underway to review the requirements under SLC 4C to consider whether there are any improvements that could be made to the existing requirements.
- 2.10 In addition, as set out in the Consumer Confidence programme, we are continuing to work with Government to consider what mechanisms are appropriate to hold senior personnel at energy companies accountable if their actions lead to regulatory breaches or consumer harm.

Proposed approach

- 2.11 Through these new rules and monitoring approach we have worked with supply licensees to build up our understanding of their business models, including their current governance arrangements e.g. through the AASAs and information requests. We have used this information to shape our thinking and identify areas where further clarification in relation to our expectations might be helpful. For instance, we believe it would be beneficial to be explicit about our expectations for ensuring the effectiveness of the board of directors, including ensuring sufficient independent oversight and challenge in decision making and ensuring there are sufficient skills, knowledge and experience across its members.

⁵ Defined in SLC.1 (Definitions for standard conditions) as where a person plays a role in (a) the making of decisions about how the whole or a substantial part of a licensee's activities are to be managed or organised, or (b) the actual managing or organising of the whole or a substantial part of those activities

- 2.12 Setting out our expectations in these areas will help supply licensees when considering their own arrangements. It will also enable us to work with supply licensees where we identify weaknesses to further strengthen their arrangements.
- 2.13 Under SLC 4A, supply licensees are already required to ensure they have and maintain robust internal capability, systems and processes to enable the licensee to efficiently and effectively serve each of its customers and identify and mitigate likely risks of consumer harm. Supply licensees must have regard to any guidance on SLC 4A which, following consultation, Ofgem may issue and from time-to-time revise.
- 2.14 We are therefore proposing to expand the guidance under SLC 4A to include our expectations in relation to governance arrangements within a licensed supplier (see annex 1 for a tracked changed version of the proposed guidance) to assist licensees in meeting their obligations under SLC 4A. We are also proposing minor formatting changes to the wider guidance document to make previous and future modifications to the guidance clearer.
- 2.15 The proposed guidance will clarify our expectations under our current rules and be used as part of our new supervisory approach. Where our monitoring and supervision highlights potential breaches of SLC 4A or other conditions, we will take appropriate action, in line with [Ofgem's Enforcement Guidelines](#), in response.
- 2.16 To shape the proposed guidance, we have reviewed published corporate governance frameworks, for example the UK Corporate Governance Code and the requirements set in other areas such as electricity network licensees, identifying examples of good practice we think it would be particularly important for supply licensees to consider.

Tailoring governance arrangements

- 2.17 We consider that the most effective governance arrangements for a licensee will depend on the individual circumstances of that licensee. For example, the size, corporate structure and specific risks that the licensee faces will all likely determine which arrangements are most appropriate.
- 2.18 Therefore, whilst we could have looked to introduce more prescriptive requirements on areas such as board composition, we believe that a principles-based approach is most appropriate at this stage. However, should we find that this approach does not achieve the outcomes and benefits for consumers we envisage, we will consider whether a more directive approach is needed.

- 2.19 We are aware that there are a wide range of business models used by supply licensees and their wider corporate groups. Whilst we do not prescribe a business model that must be used, it is ultimately the licensee not the wider corporate group which is responsible for meeting its regulatory obligations. Licensees must, therefore, be able to meet our operational capability requirements and governance expectations, in addition to our financial resource requirements (e.g. capital and liquidity). We have seen recent actions to simplify the corporate structure and strengthen the remaining licensee's ability to meet their regulatory obligations. We welcome these decisions where it is appropriate to do so, recognising that each corporate group is different and that this is a decision for licensees to make having regard to their regulatory obligations.

Proposed guidance

- 2.20 To avoid repetition with the measures we have already taken to help strengthen governance arrangements, we propose that the new guidance should cover the following overarching areas:
- effectiveness of the board
 - transparency of governance arrangements
 - example scenarios

Effectiveness of the board

- 2.21 We believe that an effective board of directors is a key component of strong governance arrangements. As set out in the UK Corporate Governance Code, the board of directors' role is to promote the long-term success of the licensee and ensure it has the necessary resources, policies and practices in place to meet its objectives and measure performance against them.
- 2.22 SLC 0 and SLC 0A (Treating Domestic and non-Domestic Customers Fairly) and associated guidance set out the Standards of Conduct which supply licensees must adhere to treat customers fairly. To deliver these outcomes, we would expect supply licensees to take decisions that put good customer experience at the heart of their business models and a culture which means that all parts of the organisation understand the impact each decision they take has on customers and how it can be enhanced.
- 2.23 A theme that is consistently reflected across the frameworks we reviewed was on the importance of independent challenge to support effective decision making. We consider that supply licensees should ensure there is sufficient independent oversight and challenge in its governance and decision-making

processes and that they should actively work to prevent dominance of an individual or a particular group of individuals wielding an inappropriate level of influence in its decision making. Having independent oversight and challenge should enable new perspectives and ideas to be shared and considered, helping to enable effective decision-making. This is particularly important during times of stress or growth where a licensee may need to think differently and/or consider wider risks or consequences of a decision.

- 2.24 Conflicts of interest can also impact the decision making and effectiveness of the board of directors. We would therefore expect supply licensees to consider and manage any conflicts of interest that might be present across its senior team, including where an individual might be on the board of directors for both a licensee and unlicensed entity within the same group, to ensure that decisions are always made in the best interests for licensees and consumers.
- 2.25 The board of directors is also only as effective as its collective skills, knowledge and experiences. This is echoed in Principle Two of the Wates Corporate Governance Principles for Large Private Companies which highlights how “an effective board has an appropriate combination of skills, backgrounds, experience and knowledge that promotes accountability and incorporates objective thought, which in turn provides constructive challenge to achieve effective decision making”. We expect supply licensees to consider the collective skills and knowledge that its directors and senior management have, identifying and filling any gaps. This is to ensure there is sufficient knowledge, skills and experience needed to run its business now and in the future.
- 2.26 Finally, the board of directors has a key role to play in the culture of the licensee. This includes setting out the desired culture and monitoring to see whether that has been achieved. It also includes ensuring that actions and decisions taken by its workforce align with the company’s values and the impacts of a decision on consumers is considered to enable positive consumer outcomes. Ofwat’s Board leadership, transparency and governance – principles’ first objective is on the purpose, values and culture of a water company. It states, “the Board of the Appointee establishes the company’s purpose, strategy and values, and is satisfied that these and its culture reflect the needs of all those it serves”. We agree with this concept and expect the board of directors of supply licensees ensure that the organisational culture and employees’ behaviour aligns with the supply licensee’s vision, values and risk appetite, putting consumers at the heart of these objectives.

- 2.27 We propose setting out these expectations in the guidance. We also plan to provide examples of how supply licensees may seek to achieve this expectation, for example separating the roles of the Chair and CEO, regularly reviewing the effectiveness of its board of directors and/or having mechanisms to allow its workforce to raise concerns with its board of directors in confidence.

Transparency of governance arrangements

- 2.28 Being transparent about a licensee's governance arrangements is also important. It can help engender trust with a licensee's customers and enables consumers to make informed decisions when it comes to choosing a new provider. Being transparent about decision making bodies and processes, helps to make an organisation's board more accountable for their decisions. Transparency can also create greater trust with shareholders and investors, encouraging continued and future investment and so aiding the long-term success of the licensee.
- 2.29 Transparency over its governance arrangements is something that is already required in the RIIO (Revenue = Incentives + Innovation + Outputs) framework⁶. We think the benefits of transparency are also applicable to supply licensees and so expect supply licensees to be transparent about their own arrangements. Ways in which we might expect a supply licensee to demonstrate this transparency could include the publication of details of the corporate ownership of the licensee, matters reserved for its board or parent companies and/or the composition of its board of directors.
- 2.30 We therefore propose setting out this expectation in the guidance including examples of how supply licensees may seek to achieve this expectation.

Example scenarios

- 2.31 As mentioned above, we expect that the arrangements a licensee puts in place will be dependent on its size, corporate structure and specific risks it faces. Our proposals therefore do not specify the exact arrangements a licensee should have in place.

⁶ As part of the RIIO 2 framework, licensees are required to submit information about their Financial Resilience and Corporate Governance arrangements. This includes an overview of their corporate ownership structure, executive remuneration policies and dividend policies - [RIIO-2 RFPR - Regulatory Instructions and Guidance version 2.0 \(clean\)](#)

- 2.32 We do, however, think it would be helpful to share worked examples of the arrangements that we might expect to see in hypothetical supply licensees, using the good practice identified in other governance frameworks.
- 2.33 Example arrangements included in the proposed guidance include publishing a policy on diversity and inclusion which is used to support appointments and succession planning to help introduce different perspectives and ideas, having a log of identified conflicts of interests for senior management and members of the board of directors along with a mitigation plan which is review regularly, and publishing clearly on its website information relating to the membership of its board of directors and corporate ownership.
- 2.34 These examples are not intended to be exhaustive and just because a supply licensee implements the arrangements included in one of the examples does not mean its governance arrangements are necessarily sufficient. Compliance with SLC 4A will be considered holistically to ensure the policy intention is achieved by the governance arrangements in place.
- 2.35 We do believe though that including worked examples will help further clarify our expectations and be a useful aid for licensees when developing or reviewing their arrangements.

3. Enhanced data gathering

Section summary

In this chapter we set out our proposals for how we plan to enhance our data gathering in relation to governance arrangements. We describe our proposals to amend the milestone assessment guidance to set out our expectations that assessments should include details about how a supply licensee has satisfied itself that the governance arrangements will be appropriate for its growth plans. We welcome views on this overall approach and on the specific drafting.

Questions

4. Do you agree we should amend the guidance for milestone assessments to include governance arrangements?
5. Do you have any comments on the proposed drafting?

Existing requirements

- 3.1 As part of the Annual Adequacy Self-Assessments⁷, Ofgem requires all supply licensees to include:
- an explanation of the wider group structure and how the licensees and group as a whole operate to deliver services to consumers, including what would happen in the event of insolvency
 - an explanation of how they have established appropriate lines of defence to manage, monitor and assure their directors they have internal capabilities and processes to monitor and mitigate business-specific risks
 - an overview of internal audit requirements and processes
 - how independent audits are used in their business and capital and liquidity planning, such to ensure their management, governance, management and internal control processes are operating effectively (where they aren't used, how a similar level of assurance is achieved)
 - the governance arrangements and processes ensure appropriate lines of defence and adequate entity level controls. Examples stated include the names responsible for each area and how they are suitable to manage those responsibilities

⁷ Required under SLCs 4B.10 – 4B.15

- 3.2 Ofgem's supply licence conditions apply to the supply licensee and not the wider corporate group that the licensee sits within. Therefore, to enable us to understand how licensees are managing their financial risks and resources to meet their obligations we require this information for each licensee. To support this, we have also made amendments to our Enhanced Financial Responsibility Principle Request for Information to now explicitly require licensee level data.

Proposed approach

- 3.3 Ofgem's current requirements largely focuses on financial governance arrangements and do not cover all aspects of governance arrangements a licensee might need. For example, it does not necessarily include information about the licensee's board of directors. We therefore believe that it is important to increase the data we collect in relation to a supply licensee's governance arrangements to provide us with greater assurances.
- 3.4 As part of our monitoring activities of supply licensees, we will continue to include activities to help us understand whether there are any risks to a supply licensee's governance arrangements and work with licensees to see how they might strengthen any weaknesses. However, we believe that there is also an argument for a more formal route to gather this data.
- 3.5 We acknowledge that governance arrangements, including details of the board of directors, are unlikely to change on a yearly basis. Therefore, we are not proposing to introduce a new annual collection for this data.

Proposed guidance changes

- 3.6 As set out in SLC 28C, when a supply licensee has or is likely to reach 50,000 and then 200,000 Domestic Customers⁸, licensees are required to notify Ofgem for the purpose of undertaking a milestone assessment⁹. As mentioned, the governance arrangements an organisation has in place is likely to change depending on the size of the organisation. Supply licensees should be reviewing and enhancing their governance arrangements on regular basis to ensure they continue to be effective. However, as a licensee reaches these milestones, we believe it is particularly important that it takes stock of its governance

⁸ Defined in SLC 1 (Definitions for standard conditions) as 'a Customer supplied or requiring to be supplied with electricity at Domestic Premises but excludes such Customer insofar as he is supplied or requires to be supplied at premises other than Domestic Premises'

⁹Ofgem may also conduct a dynamic assessment of any licensees at any time where we have concerns about its financial sustainability or operational capability. In certain circumstances, Ofgem may waive the milestone assessment requirements.

arrangements (or demonstrates how it has already done so) to ensure it is still appropriate and effective for its growth plans.

- 3.7 We are therefore proposing to amend the guidance for these milestone assessments to include an expectation that supply licensees include details of its governance arrangements and how it has satisfied itself that they will be appropriate for its growth plans (see annex 2 for a tracked change version of the proposed guidance). We are also proposing to update the terminology used in the guidance document so that it refers to 'supply licensee' throughout to provide clarity that the expectation is placed on the licensed entity.

4. Impact assessment

Section summary

We consider that the proposals will bring benefits for consumers. Implementing them will impact on supply licensees depending on the extent and quality of their existing governance arrangements. In this section, we explore these impacts further.

Questions

6. Have we identified the key impacts, risks and benefits of the proposals, and are there any impacts we should give further consideration to?
7. Do you agree that overall these proposals would benefit consumers?

Impact on consumers

- 4.1 We consider that the proposals to introduce new guidance under SLC 4A and amending the milestone assessment guidance will have a net positive impact on consumers. This is because it aims to strengthen decision making, reducing the likelihood of poor decision making triggering a licensee into making a disorderly exit from the market which would likely lead to costs to consumers and other negative impacts. Whilst Ofgem is not looking to introduce a no failures regime in the retail market, we want consumers to be able to trust that should a supply licensee fail, they will not be worse off as a result.
- 4.2 The costs of market exits since the start of the energy crisis in Autumn 2021 has amounted to £2.3 billion so far for those that went through the SoLR process (this figure is not yet finalised as we are [continuing to process claims from SoLRs appointed in this period](#)).
- 4.3 We saw instances in failed supply licensees where weaknesses in their governance arrangements might have contributed to their failure. We therefore consider that the proposed measures to strengthen governance arrangements will help reduce the risk of future costs to consumers emanating from failures.
- 4.4 We also see a secondary benefit for consumers through the proposals positively impacting the culture of the organisation. As we set out in [the Consumer Confidence programme](#), we consider that senior executives at energy companies are instrumental in setting the right culture – one that puts consumers first and prioritises regulatory compliance. Strengthening the effectiveness of the board of supply licensees is likely to have a positive impact on the culture of the organisation, further benefiting consumers.

Impact on consumers: public sector equality duty

- 4.5 As a public body, Ofgem is subject to the requirements of the public sector equality duty, as set out in section 149 of the Equality Act 2010. This means we must look for ways to eliminate discrimination, advance equality of opportunity and foster good relations between people who share protected characteristics, and those who do not.
- 4.6 In developing this policy, we have given due regard to the impact on consumers in vulnerable circumstances.
- 4.7 As set out above, we consider there will be a net positive impact on consumers as a result of the proposals. We believe this positive impact will not be dependent on the type of consumer and so will benefit all consumers, including those in vulnerable circumstances.

Impact on supply licensees

- 4.8 The proposals will place no or minimal burden on those supply licensees which already have strong governance arrangements. The expectations we propose to set out in guidance are intended to align with many of the already established UK corporate governance frameworks, limiting the need for changes where supply licensees' arrangements already align with these frameworks.
- 4.9 For those supply licensees which have weaker arrangements there is likely to be additional burden as they address the weaknesses in their current arrangements. We consider this additional burden is proportionate in order to further reduce the risks of harm to consumers. Strong governance arrangements are also likely to improve investor confidence and therefore encourage continued and future investment.
- 4.10 Allowing flexibility in the application of the guidance to suit the situation of each supply licensee (the principles-based approach), will minimise any burden that is placed on licensees. This is because our proposals will not dictate the exact arrangements a supply licensee should have in place, rather the considerations we would expect the supply licensee to make and the outcomes we would expect them to reach. This also aligns with [Ofgem's financial supervisory approach](#) which is intended to be proportionate, risk-based and forward-looking.
- 4.11 The exact arrangements a licensee has in place will be dependent on its size, corporate structure and specific risks it faces. The arrangements that are necessary and/or appropriate for larger entities are unlikely to be the same for smaller entities. We therefore do not consider that the proposed changes will affect the ability of new entities entering the market.

- 4.12 The proposed addition to the milestone assessments guidance may place additional burden on those supply licensees that reach the specified customer number milestones depending on their governance arrangements at the time. However, we would expect that a supply licensee will already be considering whether and how its governance arrangements enable it to achieve its growth plans such that it grows in a sustainable way.

Environmental impact

- 4.13 We have not identified any environmental impacts of these proposals.

5. Your response, data and confidentiality

Consultation stages

- 5.1 The consultation will be open until 24/04/2025. Responses will be reviewed and we expect the consultation decision to be published in late spring 2025.

How to respond

- 5.2 We want to hear from anyone interested in this consultation. Please send your response to retailfinancialresilience@ofgem.gov.uk.
- 5.3 We've asked for your feedback in each of the questions throughout this consultation. Please respond to each one as fully as you can.
- 5.4 We will publish non-confidential responses on our website at www.ofgem.gov.uk/consultations.

Your response, your data and confidentiality

- 5.5 You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.
- 5.6 If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you *do* wish to be kept confidential and those that you *do not* wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we'll get in touch with you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.
- 5.7 If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the UK's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations in the appendices to this document.
- 5.8 If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we

receive. We won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

General feedback

5.9 We believe that consultation is at the heart of good policy development. We welcome any comments about how we've run this consultation. We'd also like to get your answers to these questions:

1. Do you have any comments about the overall process of this consultation?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Were its conclusions balanced?
5. Did it make reasoned recommendations for improvement?
6. Any further comments?

Please send any general feedback comments to stakeholders@ofgem.gov.uk

How to track the progress of the consultation

You can track the progress of a consultation from upcoming to decision status using the 'notify me' function on a consultation page when published on our website. Choose the notify me button and enter your email address into the pop-up window and submit.

ofgem.gov.uk/consultations

Notify me +

Would you like to be kept up to date with *Consultation*
name will appear here? subscribe to notifications:

Email*

Submit >

Once subscribed to the notifications for a particular consultation, you will receive an email to notify you when it has changed status. Our consultation stages are:

Upcoming > **Open** > **Closed** (awaiting decision) > **Closed** (with decision)

Appendices/Annexes

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Appendix/Annex	Name	Page no.
1	Proposed amended guidance for SLC 4A	See attached
2	Proposed amended guidance for milestone assessments	See attached
3	Privacy Notice	22

Appendix 3

Privacy notice on consultations

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name, address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority (for ease of reference, "Ofgem") is the controller. The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. With whom we will be sharing your personal data

Your personal information will not be shared with anyone outside of Ofgem. However, we may publish your response to our consultation on our website. If your response includes personal information we will publish your response as is, unless you tell us you wish to have any names on the document redacted.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for six months after the project is closed.

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data

- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

7. Your personal data will not be sent overseas.

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system.

10. More information

For more information on how Ofgem processes your data, click on the link to our "[ofgem privacy promise](#)".