

Retail Policy Team
Ofgem
10 South Colonnade
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E14 4PU

9 April 2025

Dear Retail Financial Resilience Team,

Thank you for the opportunity to respond to the consultation on the Supply Licence Governance Arrangements. We have carefully reviewed the proposals and fully appreciate the intentions behind the suggested changes.

As a long-standing market participant with over 20 years' experience in the energy sector, we fully support measures and initiatives that promote stability, strengthen the market, reduce the risk of supplier failure, enhance transparency by everyone involved, and ultimately improve outcomes for all consumers—particularly those in vulnerable circumstances.

This consultation could be viewed also as an opportunity to encourage innovation in governance models, particularly in light of the rapidly evolving market landscape. As new governance frameworks and technological solutions emerge, it is important that Ofgem's guidance remains sufficiently flexible to accommodate such developments, provided they continue to meet the core objectives of good governance.

Please find our responses to the consultation questions below. We would welcome the opportunity to engage further on these matters and look forward to continuing a constructive dialogue aimed at building a more resilient and fair energy system for all—especially those most in need.

Yours sincerely,

Antonis Lamaj,
Energy Regulation & Compliance Manager

A handwritten signature in black ink, appearing to read "Antonis Lamaj", with a stylized flourish at the end.

1. Updated guidance under SLC 4A

a. Do you agree that Ofgem should introduce guidance under SLC 4A setting out its expectations for governance arrangements?

From our perspective, we support changes that aim to strengthen the market and enhance consumer protection—especially for those in vulnerable circumstances. We believe that strong governance is fundamental to sustainable operations, customer confidence, and long-term regulatory compliance. It is essential that the entire industry fully understands and embraces the principles underpinning effective governance.

Overall, we agree with the introduction of guidance under SLC 4A. It will help ensure governance arrangements are robust, transparent, and focused on delivering positive outcomes for consumers. We also welcome Ofgem's decision to adopt a guidance-based approach rather than prescriptive rules, allowing flexibility for suppliers to tailor arrangements according to their size, structure, and specific risks.

We look forward to reviewing the final guidance and continuing to work collaboratively with Ofgem on its implementation.

b. Do you agree that the guidance under SLCA 4A should cover the effectiveness of the board, transparency of governance arrangements, and example scenarios?

From our perspective, we support the guidance under SLC 4A, emphasising the importance of board effectiveness, transparency in governance arrangements, and the inclusion of example scenarios.

We agree that board effectiveness is crucial for good governance. A well-balanced board contributes to organisational culture, accountability, and sound decision-making, aligning governance with customer-focused outcomes to ensure high-quality services.

Transparency is also essential for building trust with everyone involved. Clear governance structures and decision-making processes promote accountability and long-term stability.

Including practical examples is a helpful approach, offering clarity on expectations and supporting us in improving our governance frameworks.

We encourage Ofgem to consider that the current market design means that a lot of data flows is processed in terms of settlement and financial transactions between counterparties. As we move towards MHHS it would be helpful if Ofgem could ensure the design is simplified and a single source of truth can be developed in terms of settlement so that the board can make decisions based on actual information rather than indicatives which are reconciled over a 4-year period.

Lastly, Ofgem must allow space for different business models with different governance structures to flourish, or the market will end up with suppliers looking and acting in exactly the same way to the detriment of consumer choice.

c. Do you have any comments on the guidance drafting itself?

We expect the guidance to be well-structured and aligned with the core objectives of promoting robust governance and transparency across the energy sector. However, we have a few comments and suggestions to improve the clarity and practical application of the guidance:

- i. **Clarification on Proportionality:** Provide clearer language on proportionality, particularly for smaller players, and include additional examples of how they can adapt the guidance to suit their needs.
- ii. **Further Detail on Independent Challenge:** Offer more clarity on how to assess the independence of board challenge, especially regarding non-executive directors and external oversight, along with references to industry best practices.
- iii. **Practical Examples and Case Studies:** Incorporate a broader range of real-life case studies to show how governance principles are applied by suppliers of various sizes, demonstrating practical applications.
- iv. **Consistency in Terminology:** Ensure consistent use of key terms, such as "independent oversight," "board effectiveness," and "conflicts of interest," with clear definitions at the outset.
- v. **Flexibility in Governance Models:** Allow more flexibility regarding governance models in light of the rapidly evolving market landscape.

2. Enhanced data gathering

a. Do you agree we should amend the guidance for milestone assessments to include governance arrangements?

From our perspective, we recognise that the proposed amendments to the milestone assessments, including the expectation to report on governance arrangements, represent a positive development. They appear to aim for a balance in ensuring that suppliers are held accountable for their governance. However, there are some concerns regarding the potential increase in regulatory oversight and the associated compliance costs.

While we understand the intentions behind these measures, there is the possibility that additional oversight could introduce further administrative complexity. We look forward to seeing the final version of the guidance and continuing discussions on its implementation, with a focus on ensuring a practical balance between regulatory oversight and manageable compliance requirements.

b. Do you have any comments on the guidance drafting itself?

Our response in this question mirrors the response from 1c.

3. Impact assessment

a. Have we identified the key impacts, risks and benefits of the proposals, and are there any impacts we should give further consideration to?

i. Impact on Consumers

The proposed guidance under SLC 4A and the amendments to the milestone assessment are expected to have a net positive impact on consumers by strengthening governance frameworks, which will reduce the risk of poor decisions and unexpected market exits. Given the significant costs associated with market exits, particularly since the 2021 energy crisis, improving governance is crucial. By addressing governance weaknesses, the risk of supplier(s) failures and the resulting consumer harm is minimised, leading to a more resilient energy market. However, this cannot be taken for granted, given the recent collapse of an energy supplier.

ii. Impact on Suppliers

The proposals outlined in the guidance aim to promote strong governance arrangements across suppliers, with minimal impact on those already adhering to established UK corporate governance frameworks. We acknowledge that suppliers with weaker governance structures may need to address certain shortcomings, and while this may require additional effort, it is generally regarded as a vital step in mitigating the risks of market failure and potential consumer harm. We also recognise that stronger governance can enhance investor confidence and contribute to overall market stability.

We welcome the principles-based approach of the guidance as it will provide flexibility, allowing us to tailor our governance arrangements to our specific size, needs, and risk profile.

In summary we are supportive of changes aimed at strengthening the market and protecting consumers, particularly those in vulnerable circumstances. However, we would emphasise that any regulatory steps taken should be carefully considered and proportionate, ensuring that they balance the associated risks for all parties involved. A collaborative, flexible approach—aligned with the evolving nature of the market—will be key to delivering sustained consumer benefits.