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### **ICoSS response to Supply licensee governance arrangements guidance**

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>1</sup>.

Please note we have restricted our assessment to the impact on the non-domestic retail sector

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

No. SLC 4A places obligations on suppliers to ensure it has operational capability to serve its customers, identify and manage risks of customer harm and discharge its regulatory and legislative obligations. The senior management and governance arrangements of a supplier are not specifically related to these obligations, and if “Operational Capability and Financial Responsibility Principles guidance” are expanded to cover governance arrangement it will have a much wider impact on supplier activities than in the areas covered by SLC 4A. We believe that the changes proposed in this consultation go outside the scope of what would be expected for guidance to this licence condition. We would expect such proposals to be considered through a formal licence change.

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

No, as stated above the guidance for this licence condition should not seek to create guidance in areas outside of the scope of the licence condition. The guidance is highly detailed and could be considered, through the requirement under SLC 4A for suppliers to have “regard” for the guidance, to be effectively mandating a form of governance on supplier businesses. As set out in the questions below we have significant concerns over the negative impact such prescription will have, in addition to the concerns over these changes covering areas outside of scope of the licence condition.

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

The drafting is highly detailed, and through the requirement for supplier to have “regard”, is also prescriptive. This is evident in the examples given which could be seen to be expected benchmarks against which supplier compliance is judged.

We also believe the proposed drafting does not take into account the wide range and diversity of non-domestic suppliers. For instance, it assumes that all suppliers are of a sufficient size to warrant a large and diverse board with independent members and separate Chair and CEO— many non-domestic suppliers are of limited size and supply relatively few customers or are part of a larger parent company. It would not be appropriate for such suppliers to have such a large and unwieldy senior management arrangements. We do not believe the guidance provides sufficient flexibility for the existing range of good governance arrangements to continue.

**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?**

As milestone assessments only apply to domestic suppliers we have not responded to these 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?**

We do not agree with Ofgem's assessment that these proposals will have minimal impact on existing suppliers with strong governance arrangements. These proposals will require many suppliers to incur significant costs in adjusting their governance arrangements, which currently deliver compliance against SLC 4A, to align with the detailed guidance. Consideration should be given to this additional cost.

**7. Do you agree that overall these proposals would be benefit consumers?**

No. As set out above the proposed changes are likely to result in significant additional costs for non-domestic suppliers for little benefit and will increase costs for customers.

Yours sincerely

A handwritten signature in black ink, appearing to read "G. Evans".

Gareth Evans

