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Ikbal Hussein  
Licensing Manager  
OfGEM  
9 Millbank  
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Dear Ikbal,

Thank you for providing this opportunity to respond to the consultation *Gas and Electricity Licences – Proposed changes to the Application Regulations and Revocation Schedules of future licences*.

Utiligroup is a group of companies that provides solutions and services to global energy markets and consists of Utilisoft, Utilisoft Australia and Utiliserve. Utilisoft has been one of the leading independent solutions providers to the energy and utilities sector since the opening of the liberalised energy market. Utiliserve was established in 2009 in response to new entrants' concerns that were raised to us regarding the difficulties they faced in entering the markets. Utiliserve assists new entrants through the market entry processes and provides manages services to support operational activities that require in-depth knowledge of the energy markets, such as customer switching processes.

One area of concern that had been raised by new entrants was the time taken to complete the market entry process. This requires a significant outlay of capital prior to being able to operate in the market with no guarantee of success. In order to assist new entrants in this regard and so shorten market entry timescales, Utiligroup have developed product offerings to provide new entrants with licences that have already successfully completed the market entry process either at the time of inception of operational activities or in advance of such. In order to do this Utiligroup arranges for licence applications to be made in advance of the intended time of operations and undertakes the



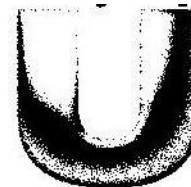
relevant Code Accession processes, for example for the Balancing & Settlement Code and Master Registration Agreement for electricity. While such applications are made in expectation of future use, the timing of such use is dependent on commercial factors. These product offerings are unique to the UK Energy Market at the current time and have been developed in conjunction with all regulatory authorities.

We recognise and welcome OfGEM's endeavours to reduce the potential for fraudulent activities and can see some benefits of a tiered approach to processing application requests. However the current proposals do raise some concerns which we would like to address in this response. In addition we would welcome the opportunity to discuss the proposals and Utiligroup product offerings with OfGEM directly.

If you would like to discuss this response further or to progress the request to discuss the proposals, please contact Mark Coyle, [mark.coyle@utilisoft.com](mailto:mark.coyle@utilisoft.com) 01254 670888.

Yours sincerely,

James Evans  
Business Process Analyst  
Utiligroup Ltd



## **Chapter 2**

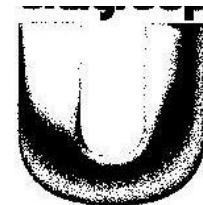
### **Question 1: Do you agree with the proposed changes to the Current Application Regulations and the Current Guidance Document?**

We welcome the revision in format of the application form to be more in the manner expected of such. However, we have some reservations with regard to the proposed question concerning how an applicant will demonstrate that they will use the licence for its intended purpose. Utiligroup provides services to new entrant and existing market participants. This may be to assist with their progression through the Licence application process and relevant code accession processes at the inception of undertakings. Alternatively, Utiligroup have developed a product where Supply Licence applications are made and Code Qualification processes completed prior to use by a market participant. This product offering seeks to reduce the individual costs of each licence application by processing multiple licences concurrently, thereby achieving economies of scale. This allows significant cost savings to be achieved and therefore reduce the overall cost of and time taken for market entry for individual participants. By necessity, such applications must be progressed in advance of any confirmed commercial agreement and the risk of non-use of the licence is borne entirely by Utiligroup. The proposed question does not provide an opportunity to explain this purpose. It is, therefore, likely, that such an application would progress to Tier 2 or Tier 3 as a matter of course and may ultimately be rejected.

We do not consider that it has been OfGEM's intention to introduce a barrier to market entry by prohibiting Utiligroup from developing these products and services for new entrants. However, we consider it to be a potential unintended consequence of the proposed changes. As such we would welcome the opportunity to discuss these changes and the context of their potential impacts on Utiligroup products at your convenience.

### **Question 2: Are there any additional questions which you consider could be included in the New Regulations?**

We have not identified a requirement for any additional questions at this time.



**Question 3: Do you have any additional comments on the content and format of the Revised Guidance Document?**

We do not have any additional comments on the content and format of the Revised Guidance Document.

**Question 4: Do you have any views on the proposed introduction of a tiered application process, based on risk profiling?**

We consider the introduction of a tiered process, based on risk profiling, would provide potential benefits with regard to the time taken to process individual applications and provide assurance as to the purpose of the application. However, if such a process were to result in Utiligroup related applications being subjected to greater scrutiny than that of other market participants, we would consider this to be creating a barrier to entry.

**Chapter 3**

**Question 1: Do you have any views as to why such a high number of gas shipper licences are not being used for their intended purpose?**

We do not have any views as to why there are a high number of gas shipper licences that are not being used for their intended purpose. However, the explanation put forward in the consultation document would appear to be a good attempt to explain this. We note that there is no requirement in the Electricity market for a non-physical trader to apply for a licence. Indeed the Balancing & Settlement Code contains provisions for such activities.

**Question 2: Do you think further action is necessary or proportionate given the issues raised in the chapter in relation to gas shipper licences?**

We consider that it may well be beneficial to encourage greater alignment between the Gas and Electricity markets in relation to manners of operation for non-physical traders.

**Question 3: Do you agree that parties should not be required to obtain a gas shipper licence prior to being able to carry out non-physical trades of gas?**



We agree that it does not seem appropriate for a non-physical trader of gas to be required to possess a gas shipper licence.

#### **Chapter 4**

##### **Question 1: Do you agree with our proposed changes to the Revocation Schedule of future licences?**

###### **In particular:**

The proposed reduction to 1 year of non-use before revoking a Gas or Electricity Supply Licence would be detrimental to Utiligroup's development of services for new entrants. As we have noted in the response to Chapter 2 Question 1, by necessity Utiligroup progress applications in advance of any definite commercial arrangement. As such it may on occasion be more than 1 year from the grant of a licence before a new entrant seeks to make use of the licence for the intended purpose. During this period the costs of maintaining the licence and the risk of non-use are borne entirely by Utiligroup.

It would seem that the 1 year period has been arbitrarily determined and we would welcome the opportunity to discuss these changes and the context of their potential impacts on Utiligroup products at your convenience.

##### **Question 2: Do you agree we should align the Revocation Schedule between the gas and electricity sectors?**

At this time we can determine no rationale for there to be different periods of inactivity requirements between Gas and Electricity. However as these appear to be arbitrary time periods, we can also determine no rationale for altering them to another arbitrary figure.

##### **Question 3: Do you agree that we should reduce the time period to 1 year before a licence can be revoked in cases where parties have not commenced the licensable activity?**

Please see responses to questions above.