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**The Renewable Energy Company (Ecotricity) Consultation Response to Improving Reporting Transparency of Large Energy Suppliers**

Dear Stefan Bojanowski,

Ecotricity is a renewable energy generator and supplier with over 60,000 customer accounts, 53 windmills across the UK and the country's first large scale solar power plant.

We welcome the opportunity to respond to Ofgem's latest proposals to improve reporting transparency for large suppliers. We previously commented on the January consultation on this issue. We are pleased that transparency is being addressed as it is an important factor with regards to improving competition in the energy market.

Ecotricity's response is divided into two parts:

- A) Answers to the questions outlined in the consultation; and
- B) Our additional views and conclusion.

**A) Answers to questions outlined in the consultation paper**

***Question 1: Do respondents have any further comments on our unchanged proposals on recommendation 1?***

Ecotricity agree with Ofgem. We believe that provided the updated recommendation 3 is implemented, recommendation 1, on requiring companies to publish their statements to the same year end, will not be necessary.

**Question 2:** *Do respondents have any further comments on our unchanged proposals on recommendation 2?*

Ecotricity remain in support of implementing recommendation 2. We believe that an independent opinion on the statements is essential. Ideally we would support this being done by an auditor, as recommended by BDO, it is unclear why Ofgem have changed their position on this.

**Question 3:** *Do respondents have any comments on our updated proposals on recommendations 3, 7 and 8?*

Ecotricity support the updated proposals to recommendation 3. We believe that requiring companies to reconcile to the UK result in their published Group accounts and preparing these using International Financial Reporting Standard will ensure comparability.

In our response to the January consultation we stated that we did not support recommendation 8, on the specification of a consistent profit base, being taken forward. We are pleased that this is no longer being considered.

**Question 4:** *Do respondents have any further comments on our unchanged proposals on recommendation 4?*

We continue to agree with Ofgem's position. We believe that a checklist of business functions carried out by each department is an appropriate way for firms to report their energy trading and we believe that the checklist provided in this consultation document covers all required areas.

**Question 5:** *Do respondents have any further comments on our unchanged proposals on recommendation 5?*

On further reflection since our response to the January consultation, it is now our position that transfer pricing policies should be subject to periodic review.

**Question 6:** *Do respondents have any comments on our updated proposals on recommendation 6?*

We continue to support the recommendation to include fuel costs in segmental statements with uniform reporting and free EU ETS allowances and we support Ofgem's update. We agree that for those companies that do not use their generation business to procure fuel it is more appropriate that these costs be included in a footnote than in the main statement template.

**Question 7:** *Do respondents have any comments on our proposal to not take forward work on publishing capital employed as part of the Statements?*

We do not agree with Ofgem on this issue. We believe that information regarding capital employed should be published: this will further reporting transparency.

**Question 8:** *Do respondents have any further comments on our unchanged proposals to increase the customer number threshold?*

Ecotricity supports increasing the customer number threshold at which these requirements should apply. We agree with the proposal that the threshold should be 250,000 customer accounts in any of the four customer groups (domestic electricity, domestic gas, non-domestic electricity or non-domestic gas).

**Question 9:** *Do respondents have any views on the usefulness of further breakdown of the non-domestic segment in future Statements?*

Ecotricity have no comments in relation to Question 9.

**Question 10:** *Do respondents have views on the usefulness of further clarity on how third party costs are recovered across the segments?*

We would welcome increased clarity in the way in which third party costs are recovered and welcome Ofgem's proposal to require companies to explain how they allocate these costs. This will not only improve transparency, but will also enable the Government to better assess the impact of environmental and social obligations.

#### **B) Our conclusion and additional views**

In addition to our views expressed above, we believe that transparency would be greatly improved through a mechanism of anonymous trade reporting. The volume, tenor and value of all energy trades, by all companies should be reported to a central private data repository. Trades between generation assets as well as between retail and wholesale departments of the same business should all be included. This anonymous data should then be made available to all industry parties.

Overall Ecotricity supports moves to increase transparency in reporting by the Big Six large vertically integrated suppliers. We support Ofgem's position in favour of the implementation of: recommendation 2, having an independent individual provide an opinion on the statements; the updated recommendation 3, on reconciliation of the statements; and the updated recommendation 6, on reporting fuel costs.

We agree with Ofgem's position that recommendation 1, on requiring reconciliation to the same year end; and recommendation 8 on the specification of a consistent profit base; are not necessary. We agree that a checklist of business functions is sufficient in relation to reporting trading activities. We are in strong support of Ofgem's proposal to make the threshold for being bound by these requirements 250,000 customers in any one customer group.

We do not agree with Ofgem's decision not to take forward the requirement for mandated companies to publish information regarding capital employed and we believe that transfer pricing policies, referred to in recommendation 5, should be subject to periodic review.

Ecotricity welcomes the opportunity to respond and hope you take our comments on board. We also welcome any further contact in response to this letter. Please contact Emma Cook on 01453 769301 or [emma.cook@ecotricity.co.uk](mailto:emma.cook@ecotricity.co.uk).

Yours sincerely,



*PP* Emma Cook  
Head of Regulation, Compliance & Projects