

Third Party Intermediaries: exploration of market issues and options

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Responses to this consultation are due on 23 August and should be sent to the following e-mail address: ThirdPartyIntermediaries@Ofgem.gov.uk.

QUESTION	RESPONSE
1: Do you agree with the scope and range of TPIS operating in the energy market, from the information provided? Do you have any further views on this?	<p>CIPS think that there is some confusion over the various definitions of the roles of a TPI and market issues because the scope of TPI services is too wide.</p> <p>CIPS will not be commenting on the domestic market as this is outside of our jurisdiction.</p> <p>Therefore, we would advocate a limit to the scope of this review to non-domestic TPI's operating with customers in a market that comprises of England, Scotland, Wales and Northern Ireland.</p> <p>Non domestic customers who use TPI's in procuring energy will contract with the TPI using a range of commercial options such as brokerage fee, fixed cost, performance related fees shared savings, or a combination of these methods. In addition TPI's may also receive additional revenue from energy companies through a volume related reimbursement scheme.</p> <p>Rather than widening the scope of services to be included, we would suggest focusing on the commercial transparency of the fee structure to the customer by the Supplier. This would be applicable to large and small single operator TPI's.</p> <p>This transparency and honesty of the fee structure should also be applicable to the Government Procurement Services consortium and other Public Buying Organisation's</p>
2: Do you consider our understanding of consumers' experience of TPIS in the retail energy market is accurate?	CIPS has no further comments relating to customer experience of TPI's in the retail energy market,
3: Do you have further evidence to share regarding consumers' experience of TPIS in the retail energy markets?	We have no further evidence to share regarding TPI's abusing their position in the retail energy market.

<p>4: What are your views on the existing regulatory measures applying to TPIs?</p>	<p>From CIPS's prospective there is no clear existing regulatory measures applying to non-domestic TPI's.</p>
<p>5: Do you consider the current formulation of SLC 25 may be acting as a barrier to the development of more face-to-face multi-party TPI activity?</p>	<p>CIPS has no comment to make as to whether or not the current SLC25 is acting as a barrier.</p>
<p>6: What are you views concerning our near term work to mitigate consumer harm and promote trust in the TPI market?</p>	<p>As noted on paragraph 5.8, relative cost implications may be more significant for smaller TPI's. Such smaller TPI's should not be discriminated against as they may be a trusted source of energy procurement support and advice to their clients. It is less likely that these smaller TPI's will be the source of the issues and should not be penalised by regulations and /or legislation which will be to the advantage of larger TPI's who have the resources to cope with the changes. The heavy-handed approach is therefore risking reducing the numbers of trusted TPI's in the market.</p>
<p>7: Are there any further areas we should consider in the near term?</p>	<p>The Group are happy with the areas covered in this consultation in the near term other than the limiting of the scope to the non-domestic sector at this time.</p>
<p>8: What are your views on the potential wider scope of third party opportunities as a result of Energy market developments?</p>	<p>There are many incentives for non-domestic users to reduce energy consumption at their sites. The role of TPI's is widening. Energy procurement is only part of the relationship that can develop between a TPI and a customer. A number of TPI's commenced as energy efficiency and energy design consultancies and are now offering energy procurement services as requested by their clients.</p> <p>Many TPI's started solely as energy procurement brokers and have widened their scope of services offered in line with customer and business needs. There are many other business models.</p> <p>Those companies who offer a range of services may consider it less likely that they will want to agree a simple brokerage fee. If they are also supporting energy efficiency services, then they will be potentially reducing their income from traditional brokerage as they support minimising energy waste or improving energy efficiency.</p> <p>These developments may lead to more performance related contracts whereby the procurement services and energy efficiency</p>

	<p>services compensation is combined.</p> <p>Another development of TPI's is the offering of finance to non-domestic end users to support investment in energy efficiency projects or energy generation projects. This area, sometimes known as energy performance contracting or energy service contracting, is likely to be a growing area. It may also include energy procurement.</p>
<p>9: Have we captured the full range of 'regulatory' options available?</p>	<p>CIPS think that Ofgem have covered the full range of regulatory options available.</p>
<p>10: Do you agree with the implications of regulatory change into the TPI market?</p>	<p>The keys to success in introducing any future operating frameworks is to ensure that fair competition is not harmed, it has a clear scope, it effectively addresses the issues, is non-bureaucratic, and is low cost to implement to TPI's and hence their customers. The introduction of any framework should not discriminate against smaller TPI's and potentially curtail fair competition.</p> <p>We recognise that there have been issues with the lack of transparency in the costs to the non-domestic end user from the TPI.</p> <p>CIPS would support the adoption of Option 2 – a light approach to sanctions would be of preference if supported by Ofgem. This option will have the advantage of being easy and quick to introduce when compared to the other options.</p> <p>We do not agree with the generalisation in the statement made in paragraph 7.18. Option 2 would be welcomed if it had the support of Ofgem and would likely be effective if it is clear what issues are to be addressed.</p> <p>CIPS is concerned that failure may result from introducing a complex framework, whose scope is too broad, trying to cover too many possible scenarios, and not having a clear focus.</p>