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**The Renewable Energy Company Ltd (Ecotricity) Response to the Consultation on Third Party Intermediaries: exploration of market issues and options**

Dear Katie Brennan,

Ecotricity is an independent renewable energy supplier with over 75,000 electricity and gas customers across the UK. Our experience with Third Party Intermediaries (TPIs) has highlighted a number of issues and risks, which we believe need to be addressed through tighter regulatory controls.

**Question 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?**

We agree that the categories identified by Ofgem form the largest part of the TPI market. In particular, it is the group of organisations that the consultation document labels as 'brokers' that we are most concerned about. We have been affected by price comparison websites on numerous occasions and are deeply concerned by the increasingly important role played by these organisations in the domestic sector.

In addition, we would be interested in getting some clarity over where White Label organisations sit under Ofgem's definition of TPIs. These are organisations that do not directly sell a supplier's services; and it is their brand that a customer buys into rather than the supplier's. It is important, therefore, that Ofgem clarify the status of these organisations in respect of both their relationship to the supplier and Ofgem. It is essential that they be included in the TPI definition, given the fact that it is up to them to determine how the supplier's product is presented and sold to the customer and it is difficult for suppliers to control their activities.

**Questions 2&3: Do you consider our understanding of consumers' experience of TPIs in the retail energy market is accurate? Do you have further evidence to share regarding consumers' experience of TPIs in the retail energy markets?**

We have decided to combine our responses to Questions 2 and 3.

We broadly agree with Ofgem's assessment of the range of issues surrounding the TPI sector, in particular those that affect domestic customers. We believe, however, that the key area of concern should be the quality of service provided by intermediary organisations, and the effect that this has in confusing customers and causing frustration with the energy sector. As explained above, this is particularly the case when assessing practices employed by switching and price comparison websites.

For instance, we are uncomfortable with the existing arrangements that are in place for 'populating' these websites. They are currently allowed to 'advertise' a supplier's services without their prior consent and without seeking confirmation from them regarding the accuracy and quality of the information published. It is then up to the suppliers to spot any issues and attempt to rectify these. This is often a difficult task, which requires suppliers to actively monitor these websites, without being informed directly that their products are featured on a third party website. Consequently, errors are commonly identified only at the stage when a customer raises a complaint and it is the supplier who is held accountable for these inaccuracies.

In addition, the estimated annual or monthly costs are often driven by uninformed customers putting in their own figures or estimates. This often leads to purchase decisions being made on the basis of these inaccurate assumptions. When an actual energy bill turns out to be higher than the estimate given on a comparison website, it is down to the supplier to deal with the confused customer and to seek a resolution that satisfies all parties involved.

Ecotricity operates a system whereby customers whose details are passed on to us through switching websites are asked for a confirmation before being signed up to a contract with us. This is to eliminate situations when customers would unwittingly enter into a contract with us as a result of their interactions with an intermediary party whose actions we have no control over. In our experience, these situations can cause a lot of frustration; and it is often the energy supplier who is considered at fault for not making it clear to the customer that they are switching supplier and/or what this will cost them. .

Another area of concern to us is the lack of clarity provided when energy suppliers are 'ranked' on switching and comparison websites. We believe that the broker model does not work for the energy sector, where aggregating the market into one common denominator; which is often price; detracts from other elements of the industry. In particular the quality of customer service and the environmental and ethical credentials that an energy supplier might offer are neglected. In an industry that aims to move increasingly towards fairer, more diverse, and greener offerings, we would argue that the image conveyed by these websites is actively compromising these objectives. They do not provide an accurate image of the market and do not address the consumers' requirement for value for money.

Finally, we would like to raise the issue of door-to-door sales activities carried out by TPIs. We are concerned that, often, these agents introduce themselves to customers as 'independent advisors'; when in reality they operate on behalf of well established energy suppliers. The lack of monitoring mechanisms for these activities; as well as the weak regulatory framework surrounding TPIs in general; poses a significant risk to customers in relation to the accuracy and fairness of the information that they are provided with and upon which they base their purchasing decisions.

**Question 4: What are your views on the existing regulatory measures applying to TPIs?**

We strongly believe that the regulatory measures which are in place for TPIs are far too weak; especially when balanced against the increasingly important role played by these organisations in the energy market, and in particular the domestic sector.

**Question 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?**

Yes, we do. We believe that there are significant problems for suppliers involved in dealing with TPI organisations; especially the risk of being misrepresented by these organisations and being held accountable for their actions.

**Question 6: What are your views concerning our near term work to mitigate consumer harm and promote trust in the TPI market?**

We agree that a review of the domestic Confidence Code for online switching is long overdue. We recommend that Ofgem consider a shift of focus from price alone to environmental, customer service and other considerations. With this information customers can truly gain an understanding of the value for money that they would get from various suppliers. We believe that the current arrangements for labelling tariffs as "Green" under Green Energy Supply Certification Scheme do not provide a real image of the environmental benefits that are available to customers. We feel strongly about, for example, electricity tariffs with as little as 4% renewables contribution being advertised as green; and tariffs from 100% renewable sources being advertised as 'environmental'. It is obvious that this does nothing other than confusing customers and triggering switching decisions based on inaccurate factors.

**Question 7: Are there any further areas we should consider in the near term?**

No, we do not believe this to be the case.

**Question 8: What are your views on the potential wider scope of third party opportunities as a result of Energy market developments?**

We agree with Ofgem's assessment of the opportunities which are likely to arise in the TPI market in line with forthcoming industry developments. Nevertheless, this makes it even more important for Ofgem to take early steps to strengthen the regulatory framework surrounding these organisations. Whilst we recognise that the development of new services could deliver significant overall benefits to customers, we are also weary of the harmful effects which these could have if not properly regulated and monitored.

For example, the range of TPI services that are likely to emerge as part of the Smart Metering Programme raises the issue of data ownership and how customer information is made available to third parties. A set of rules needs to be put in place in order to ensure that the use of data for the purposes of providing advice to customers is carefully monitored and the basis on which this information was disclosed is clear to customers. There should be no room left for suppliers being held accountable for the advice and services that is being offered to them by TPIs.

**Question 9/10: Have we captured the full range of 'regulatory' options available? Do you agree with the implications of regulatory change into the TPI market?**

We have chosen to combine our responses to Questions 9 and 10.

Yes, we believe that Ofgem has captured the full range of regulatory options available and would like to reiterate our strong preference for tight controls over TPIs. We believe that maintaining status quo; or even introducing other voluntary arrangements, with or without the support of an accreditation mechanism; will do nothing to address the issues and risks associated with the development of the TPI market.

Ecotricity welcomes the opportunity to respond and hope you take our comments on board. We also welcome any further contact in response to this submission. Please contact Holly Tomlinson on 01453 769301 or [holly.tomlinson@ecotricity.co.uk](mailto:holly.tomlinson@ecotricity.co.uk).

Yours sincerely



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