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Non Confidential

Ms Katie Brennan
Senior Economist
Retail Markets and Research
Ofgem

By email:

ThirdPartyIntermediaries@Ofgem.gov.uk

23rd August 2013

Dear Ms Brennan,

Reference: Third Party Intermediaries (TPIs): exploration of market issues and options

Gazprom Marketing & Trading Retail Limited (“**Gazprom Energy**” or “**we**”) would like to thank you for the opportunity to respond to your consultation. We do not consider our response to be confidential and we are happy for our comments to be shared with other interested parties.

Gazprom Energy operates in the UK non-domestic sector as a gas supplier and a gas shipper. In addition, we also operate in the UK non-domestic power market as an electricity supplier. Gazprom Energy has actively participated in Ofgem’s Non-Domestic TPI working group and the proposed drafting of a Code of Practice for TPIs.

Gazprom Energy frequently interacts with TPIs. It is our view that they carry out a valuable role within the energy market providing consumers with assistance on energy procurement and providing a key route to market for independent Suppliers in the non domestic sector. We are, however, concerned that the practices of a few “rogue” TPIs may be having a negative impact on the overall reputation of TPIs and the energy industry.

However we need to ensure any intervention is proportionate and does not have any unintended impact on the competitive non-domestic supply market. As Ofgem notes in the consultation the non domestic supply market is more open to competition with more active suppliers, and as a result has high levels of consumer switching. It is important that any intervention should not negatively impact this competitive energy market.



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Of the options for an overarching regulatory framework set forward in the consultation we note the consensus of the working group, which favored governance through suppliers i.e. it is proposed that suppliers (through Standard Licence Conditions) only work with TPIs who are accredited as complying with a robust code of practice. This approach would be similar to that taken in respect of Meter Asset Managers (MAMs). You will be aware that suppliers are able to rely upon a robust MAM accreditation process which provides confidence that MAMs accredited and audited under the scheme are fully competent and compliant.

In terms of scope, we believe it is important to focus on the relevant activity of energy procurement where issues have been highlighted and avoid scope creep into activities which may already have adequate governance provisions e.g. MAMs (MAMCoP) and AMR Service Providers (ASP CoP). In designing an appropriate solution in a timely manner to address this specific issue, in Gazprom Energy's view, it is important to ensure that we remain focused on addressing the acknowledged concerns.

We hope you find our comments useful and have set out the answers to your specific questions in the attached appendix. Should you have any questions on, or would like to meet to discuss, our response, please do not hesitate to contact me directly.

Yours sincerely,

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Appendix 1: Questions and Answers

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?

Answer: Our understanding was that Ofgem was reacting to concerns over activities primarily related to energy procurement. We note the potential for the scope to extend into areas already covered by existing arrangements such as the MAM CoP and ASP CoP.

Gazprom Energy feels that the scope of any **initial** intervention should be limited to energy procurement, unless compelling evidence of failings elsewhere is forthcoming. Extending the scope of the intervention into areas such as energy efficiency advice will add significant complexity to both the scope of obligations, the number of parties being subject to them, the arrangements for accession and any implementation timetable.

We would therefore welcome clear guidance on the scope of any new obligations if they extend beyond energy procurement in order to aid understanding of when market participants would be required to be party to arrangements and for what activities.

Question 2: Do you consider our understanding of consumers' experience of TPIs in the retail energy market is accurate?

Answer: We **do not agree** that a significant proportion of consumers interacting with TPIs have a negative experience. Instead the evidence presented at the workgroup and elsewhere in the consultation document suggests that concerns relate to the activities of a few "rogue" TPIs and there is no evidence presented of systemic failure.

As previously noted TPIs provide an important energy procurement service to non-domestic consumers and this market is acknowledged as the most liquid and competitive energy market. If, as suggested, a significant proportion of consumers were deciding not to engage with the market due to a negative experience, we would see this feeding through to a less dynamic market place and this is not our experience.

Question 3: Do you have further evidence to share regarding consumers' experience of TPIs in the retail energy markets?

Gazprom Energy frequently interacts with TPIs. It is our view that they carry out a valuable role within the energy market providing consumers with assistance on energy procurement and providing a key route to market for independent Suppliers in the non domestic sector

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

Answer: We recognise that concerns exist over a perceived lack of regulation of TPIs, although as noted in the consultation TPIs are subject to regulation under general consumer protection. We note the general consensus of the working group which favored governance via suppliers – i.e. require suppliers (through Standard Licence Conditions) to only work with TPIs accredited as complying with a robust code of practice.

This approach would be similar to that taken with Meter Asset Managers (MAMs) with suppliers being able to rely upon a robust accreditation and audit process which provides confidence that parties accredited under the scheme are fully competent and compliant.

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?

Answer: As we are not subject to SLC25 we cannot comment on its application.

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

Answer: Gazprom Energy welcomes Ofgem's formation of a non-domestic TPI working group and we have actively participated in the group. We believe the creation of a generic Code of Practice focused initially on energy procurement will provide focus and clarity in the market and will provide consumers with appropriate protection.

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

Answer: No.

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

Answer: We believe that intervention should **initially** be focused to addressing concerns over activities related to energy procurement. We note the potential for the scope to extend into areas already covered by existing industry arrangements such as the MAMCoP and ASP CoP. Please also see our response to Question 1.



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Question 9: Have we captured the full range of 'regulatory' options available?

Answer: We are not aware of any additional 'regulatory' options.

Question 10: Do you agree with the implications of regulatory change into the TPI market?

Answer: As previously noted, the working group considered the range of regulatory options available and the general consensus from the Group favoured Option 4.