

OFGEM – Third Party Intermediaries: exploration of market issues and options

Third Party Intermediary Details

Consultancy Name:	Smith Bellerby Ltd
Respondent Name:	Jenny Smith
Position:	Director
Response Date:	23 August 2013

Please note that Smith Bellerby Ltd is a member of the Association of Cost Management Consultants, which has existed for over ten years and has its own Code of Conduct. We have 25 member organisations ranging from single person consultancies to multi-million pound, multi-partner practices. Some members focus exclusively on energy procurement, but the majority offer a broader range of services to their clients, which may extend to other areas such as water, telecommunications, rent, rates etc. One of our members has recently participated in the non-domestic TPI working group.

Please note that Smith Bellerby does not operate in the domestic market. Therefore, my comments primarily relate to our experience in the non-domestic market.

I wish to comment on the ten questions posed in your recent consultation document as follows:

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?*

Your document makes it clear that there is a broad spectrum of TPI's operating within the domestic and non-domestic market in terms of size, the range of services which they offer and the way in which they are paid for their services. The only type of activity which I did not see specifically mentioned within the document, but which forms a substantial part of our day to day activities, is working on behalf of our clients to manage interactions with energy suppliers. This includes dealing with all supplier queries whether related to energy contracts, billing & payments, metering issues, usage management, new supplies, disconnections, change of occupancies etc. To perform this role effectively for our clients, we need to maintain independence from suppliers and would not welcome any moves whereby our activities are in any way regulated by them.

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

I feel there is a real lack of clear data in this area from which to draw firm conclusions. I would like to see some statistics which say – in the last year there have been X number of complaints relating to Y number of TPI's and these have been categorised as problems in the following areas....

If such information was available, I think it would be much easier to determine what type of regulatory framework would be appropriate to deliver the desired outcomes and would certainly help to avoid the sledgehammer to crack a nut syndrome.

(I note that some statistics are given in the consultation document but these are % figures rather than absolute figures).

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

No. We have not received any complaints from our clients and I am not aware of any complaints having been made about members of the APMC. I have no knowledge of other brokers' / consultants' activities.

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

There is clearly a disparity between the regulatory measures which apply in the domestic and non-domestic sectors. I support some reinforcement within the non-domestic sector, especially with respect to micro clients and specifically to energy procurement activities. I do not support extending regulation to other service activities without much more evidence that change is required to protect clients.

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?*

I cannot comment on the effect of SLC 25 on TPI activity in the domestic market since we do not operate in that sector. However, if a similar licence condition was implemented for the non-domestic arena, I can foresee issues. I believe suppliers will become much more selective in the number and type of TPI's with whom they will interact. Whilst some consolidation and concentration within the TPI sector may help to improve standards, overall it may adversely impact on the effectiveness of the sector in delivering best value for clients.

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

For those clients where we do provide energy procurement (and that is by no means the majority), they very much see this as buying energy on their behalf rather than selling them energy on behalf of suppliers. In order to provide an effective service and ensure that our clients obtain the best value from the market, it is essential that we are able to approach a wide range of suppliers. We would expect that any form of regulation covering this aspect of our activities would facilitate this and not hinder or discourage it (see response to Q5).

I support the development of a code of practice for TPI's providing energy procurement services and operating in the non-domestic sector, provided it is not too costly to comply and is not policed or enforced by energy suppliers. On the subject of compliance costs, if these are too high, you quite rightly point out that this may drive some smaller TPI's out of the market and may act as a barrier to some new entrants. However, ultimately, it would seem inevitable that the costs for both suppliers and TPI's will be passed through to clients through higher fees. This would seem to be a good reason to keep costs as low as possible. The overall compliance costs for the sector must be commensurate with the overall scale of the problem (which brings us back to the data issues raised in my response to Q2).

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

I am very keen on the suggestion described in Section 7 of the document for Ofgem to work with stakeholders to identify good TPI practice with respect to energy procurement and provide clear information / guidance for clients so they can better protect themselves. This could be achieved in a relatively short timescale and at low cost and would certainly address the objective of facilitating better practice amongst TPI's. It may well promote more trust since it would empower clients to make better choices when selecting TPI's with whom to work.

I understand that current proposals from the TPI Working Group would require all signatories to the TPI CoP to have their own complaint handling process. However, I believe there is a need to collate information from across the sector so that some firm statistics on the number and type of complaints being raised about TPI's can be gathered. Such data would be crucial in determining if any further regulatory developments are required.. Is this a role which Ofgem should / could play? There may also be merit in having a single, well-publicised, robust and transparent complaint handling / resolution process (possibly web-based) which all TPI's could utilise. With economies of scale, this may actually help to reduce the costs of compliance across the sector.

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

I am particularly interested in the issues surrounding access to smart metering data and the ability to provide enhanced services to benefit our clients in terms of both energy usage management and energy procurement. However, in the non-domestic sector, I currently have no firm views about how or indeed if these types of activity should be regulated.

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

The range presented seems sensible and appropriate, although I assume they are not mutually exclusive. ie. a combination approach may be adopted such as that described in my response to Q10.

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

In the non-domestic sector, I currently favour a combination of measures which err on the side of a lighter touch. This would comprise:

- Published guidance from Ofgem as to what would be "reasonable" behaviours/ best practice from TPI's
- A well written, single, voluntary TPI code of practice covering energy procurement activities
- Availability of a universal, well-publicised, robust and transparent complaint handling / resolution process which could be utilised by all TPI's

I would not be in favour of heavier, broader regulation unless and until such time as the number and type of complaints involving TPI's indicates that it is necessary, both to protect clients and from a cost point of view.