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06th May 2014

To: Meghna Tewari, Senior Economist and Heather Swan, Economist
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Team: Retail Markets Policy
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Consultation submission on Proposals for regulating non-domestic Third Party Intermediaries (TPIs)

1.0 Utility Aid Ltd background

Utility Aid Ltd is the only TPI working exclusively in the **Not for Profit** and **Third Sector** advising on energy procurement, consumption reduction and bureau services.

Established in 2002, the company currently works with over **1500 charitable organisations** across the UK, helping clients reduce energy spend at over **10,000 sites**. The company is proud to have saved its clients in excess of **£1,000,000** in energy costs in the last three years. It has also helped reclaim in excess of **£320,000** of charges incorrectly billed by suppliers in the last 12 months alone.

1.1 Company mandate

Utility Aid, is dedicated to delivering the highest standard of competency and efficiency, helping our customers achieve their financial objectives, as we continue to build, nurture & construct a sound ethical approach to reducing energy demand & carbon footprint in the workplace.

Our mission continues to revolve around the Utility Aid promise:

- To provide our customers with effective and sustainable solutions for their energy needs
- To grow a company that people love to deal with and people love to work for
- To continue to deliver the message that there is no cheaper or greener kWh than the kWh we do not use
- To encourage and help customers set standards for achievement, through the modern forms of cost effective monitoring & targeting schemes available today, in the knowledge and assurance that together, we can make a difference

1.2 Contact information

The contact details for Utility Aid's representative who will be able to answer any questions relating to this document along with the company address are:-

William A Campbell
Commercial Director
Utility Aid Ltd

Tel: 0808 178 8170
Mobile: 07500 798921
Email: - wcampbell@utility-aid.co.uk



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Utility Aid Ltd
Unit 8, Clover House
Boston Road
Sleaford, Lincolnshire
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1.3 Company organisation

Utility Aid currently employs 30 people across three offices which are located in Sleaford Lincolnshire, Birmingham and Glasgow Scotland.

The geographic coverage of Utility Aids services is all of the UK and Southern Ireland.

2. Customers and references

2.1 References

Below are four references that will be able to verify the work that Utility Aid has carried out as a TPI relating to procurement of energy invoice validation and resolution with energy suppliers.

Langstane Housing Association
Mr Stephen Dobson - Assistant Accountant
680 King St
Aberdeen, AB24 1SL
Tel: 01224 423074
Email: stephen.dobson@langstane-ha.co.uk
Web: www.langstane-ha.co.uk

Voluntary Sector Gateway West Lothian
Mr Jim Gallagher BEM - Chief Executive
36-40 North Bridge Street, Bathgate
West Lothian, EH48 4PP
Tel: 01506 650111
Fax: 01506 650222
Email: jim.gallacher@vsgwl.org
Web: www.vsgwl.org

Wildfowl & Wetlands Trust (WWT)
Julia McKay - Head of Finance
Slimbridge, Glos GL2 7BT, UK
Tel: 01453 891256
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Adrenaline Alley
Paul Young - Operations Director
Arnsley Road, Weldon North Ind. Est.
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NN17 5QW
Tel: 01536 202049
Mob: 07738415986
Fax: 01536 206103
Web: www.adrenalinealley.co.uk



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3.0 Response to Intervention Questions.

3.1 Question 1: Do you agree with the definition of TPIs? Please provide any suggestions along with supporting information.

Any company, that offers energy procurement or reduction advice, should be referred to as a TPI. This includes suppliers who compete in the TPI markets, such as direct contact/call centres within the supplier's own organisation and those that are third party entities. Furthermore, direct web-based or other digital entities that propose to offer supply contracts to customers should also be regarded as TPIs.

To ensure fair competition and transparency for the customer, all the above must be part of the suggested Code of Practice.

3.2 Question 2: Do you agree with our list of proposed TPIs that could be covered by any regulation we introduce?

As above, but should also include

- Local Authorities (and other non-commercial entities) which are offering collective purchasing agreements for non-domestic organisations
- Renewable providers who arrange energy contracts for non-FIT supply
- Contact/Call centres and digital based organisations
- Distribution and infrastructure providers who offer initial supply contracts

All of whose operations have a direct impact on non-domestic contracts. Another part of the industry, which offers procurement advice, is the AMR/Smart Metering sector, which should also be included.

In our experience, it is normally the practice of the larger TPI's that does not translate into "best practice". One example of this, is the recording of verbally agreed contracts where the recordings are started only after the initial "sales-pitch" has been made.

3.3 Question 3: What types of organisations should be exempt from our TPI scope definition and why?

We believe that anybody dealing with, communicating with, or offering energy procurement, reduction and renewable solutions **MUST** be governed by the new TPI code of practice, without exception. Ofgem could look at the Insurance sector to gain further insight, into pros and cons of specific legislation and governance of a parallel TPI driven sector.

3.4 Question 4: Do you agree with our recommended option for regulating non-domestic TPIs?

We consider **Options 1 and 2 unworkable**, as they do not provide non-domestic customers with sufficient protection from unethical operators. Furthermore, we would hazard a guess, that those same unethical operators would be more likely to choose either of these options, so as to maintain the status quo.

Similarly, **Option 3 fails** to deliver free market choice for customers. Enabling suppliers (for example "the Big Six") to pick and choose with whom they work, creates a scenario whereby we can envisage a similar number of TPI's dominating the market. This eradicates competition.



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Option 4 is the best option and ensures a level playing field. We would like to understand more as to how Ofgem would carry this forward? Will the Distribution networks also be involved?

Also, we would like to see any accreditation process have “teeth” i.e. there **MUST** be an independent body who has the ability to ACT, MANAGE and PENALISE any TPI or party that do not fulfil their COP obligations.

Option 4 with Central Government support is the best option.

3.5 Question 5: Do you agree with our proposed governance recommendations?

Ofgem must be responsible for the Governance of ANY COP put in place. This will provide consumer confidence and ensure a transparent regulatory body. If we want a sustainable supply, we should either re-regulate the supply market ensuring sustainable supply and cost, or make Ofgem the body they were originally set up to be

If Ofgem appoints an independent board how will they be appointed? How will the board be financed? How will this board be transparent? Who will this board report to? Ofgem state they will be responsible for this board, but as it will be made up of “industry experts” and consumer bodies where is the protection for the consumer. The Energy Secretary should be the chair and Ofgem should appoint the board. There should be no representation of suppliers on this board.

We are of the opinion that the Ofgem proposals of passing responsibility to industry are not appropriate to address the needs of the customer.

3.6 Question 6: Please provide your views on the appropriate representation for members of the proposed independent code board.

To ensure a COP is fully governed there must be a strong proactive Board in place that can ensure enforcement of at least the three key areas the proposed COP seeks to address. These are complete and clear information, honest marketing tactics and effective monitoring.

The Board should be made up of TPI's, Suppliers, consumer groups and representation from generators and distribution. Ofgem should have overall responsibility to deny or allow changes to the COP proposed by the Board with a strong rationale behind changes.

The Board should be voted by ALL registered TPI's with one company having a single vote. This would ensure that Ofgem captures the actual amount of participants in the TPI sector.

3.7 Question 7: Do you agree that there is scope for improving complaints monitoring and information sharing? Do you have any further views?

We agree that the complaints and monitoring process needs to be set in place with serious repercussions for TPI's and suppliers who do not conform.

The process for governing should be reactionary and penalties be strong and reflect the nature of any misconduct. These penalties should be financial and there should be a threat of COP revoke should the TPI be found to have three proved offences in one calendar year.

The complaints information should be published on an independent website and available for public review. The TPI's should also be forced to publish any confirmed action taken against them on their website.

4.0 We do not consider our proposals to have any significant impact on health and safety. However, we invite stakeholder views on this.



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4.1 Question 1: Do you agree with our assessment of likely impact on consumers? Is there any other issue/s we should be considering?

The impact on consumers for options 1&2 are obvious. The lack of choice and governance have been explained above.

Option 3 will provide a big six suppliers plus a big six TPI's with all other TPI's being either liquidated or bought by the bigger players which will have a negative impact on choice

4.2 Question 2: Do you agree with our assessment of likely impact on industry? Is there any other issue/s we should be considering?

Again options 1&2 should be ignored. Option 3 is the one the producers would like, primarily because they can influence more and maintain a certain control through the reduction of TPI's

Option 4 would ensure a level playing field and also provide consumer confidence that Ofgem are behaving in a correct and appropriate manner.

4.3 Question 3: Do you agree with our assessment of likely impact on competition? Is there any other issue/s we should be considering?

Options 1&2 would not impact greatly on competition. These would allow the stronger TPI's to potentially become a big six to the benefit of the larger suppliers they each work closely with.

Option 3 we agree will provide some protection but ultimately option 4 is the most robust solution which will provide protection for the consumer and the professional TPI's. This again will be dependent on the budget set by Government for implementation. Although not as large the TPI market is very similar to certain financial operation pre FSA. The FSA and regulation has certainly improved the financial sectors operations. Ofcom and their actions to protect the telecoms consumer did not go far enough.

4.4 Question 4: Are there any distributional effects that our policy proposals could cause?

We do not foresee any negative effects relating to distributional issues the proposals would cause.

4.5 Question 5: To better inform our cost-benefit analysis, please provide us with financial/costs data on the following:

Initial (one-off) costs: including costs to your business models and costs for familiarisation to the code of practice (this includes, costs to understand your obligations and relevant staff training and any costs to change internal processes as necessary);

On-going costs: this includes resourcing implications of the introduction of a code of practice to your organisation and any other expense that you think may be incurred (for example, monitoring compliance).

As a small to medium sized TPI Utility Aid believes that training is the most crucial part of ensuring an ethical approach to conducting business in the TPI energy market. Inward investment for training is recognised by Utility Aid as a tool for growth with that in mind and with an estimate of what the final code would involve we estimate a one off cost per person of £1500. This would be similar to the costs of implementation of the ISO standards.



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The on-going costs of resourcing and code introduction would be 1 permanent member of staff per 50 employees at a cost of £18,000 p.a. All compliance issues would be treated with the upmost importance to ensure no penalties were applied to the company.

4.6 Question 6: Do you have any additional comments on the risks and unintended consequences outlined above? Are there any other risks or unintended consequences that have not been considered? Please provide as much information as possible.

Utility Aid agree completely that change and regulation are the most important things required. Whilst the TPI's provide suppliers with 75% of their SME and I&C business there is a case that showing commissions on invoices will provide suppliers with an added sales tool referencing the TPI's commissions as a way the client can save money but not mentioning that within these commissions the TPI can be charging for added service such as AMR reporting and monitoring and also invoice validation.

Risk of creating a Big Six TPI which would benefit the suppliers has been raised and with good cause. TPI's need as much protection from suppliers as suppliers and consumers need from TPI's.