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Dear Diego,

**Consultation: Actions to improve the transparency of energy company profits**

Thank you for the opportunity to respond to Ofgem's recent consultation regarding increasing the transparency of financial information published by energy companies. The information in this response is not confidential.

To provide you with some background, BES Utilities currently supplies electricity and gas to approximately 33,000 small and medium businesses throughout the UK. We offer a range of products to suit the needs of our individual customers, with fixed term contracts ranging in length from 1 to 5 years. We consider ourselves market leaders in smart metering and aim to install a smart meter, free of charge, for every electricity customer. Last month, we announced our third consecutive electricity price freeze until at least April 2015, meaning it will be 2 years since BES electricity customers were affected by a price increase.

As a smaller, independent supplier we have faced, and continue to face, challenges to market entry and growth. In particular we have had to fight hard to secure credit from generators, namely the 'Big 6' vertically integrated businesses, as well as keeping up with the frequency and in-depth nature of regulatory consultations, information requests and industry reforms.

Unlike our larger competitors and in an effort to keep our costs competitive, we do not possess a large regulatory and legal infrastructure, meaning it is challenging for us to attend the wide range of meetings and working groups that exist across the industry, as well read and respond to the raft of documents received on almost daily basis from Ofgem, DECC and various other organisations. That said, we are committed to growing the business in a controlled and compliant way and we are endeavouring to increase our engagement with key stakeholders, so that our views help to form the basis of future policy decisions.

We support fully the need to increase public trust in the energy industry and recognise that this can only be achieved through an improvement in the customer experience and greater transparency. As such, we welcome Ofgem's moves to require additional clarity around profits from the larger, vertically integrated companies.



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Like many others, we have concerns about whether this model allows the market to operate in a competitive way. For example, are other supply (retail) businesses benefiting from much cheaper (upstream) energy procurement positions? Equally, however, would an end to vertical integration drive additional (new) costs in the direction of those suppliers totally dependent on generators for credit and competitive price positions?

Throughout this year we have invested heavily in process and system enhancements, as well as staff training, to ensure our customers are treated fairly and receive a prompt, efficient and professional service. We see this as our key focus as we continue to grow as a supply business, and for the reasons set out above we are therefore nervous of additional regulatory obligations, which are time and resource intensive and distract us from our primary objectives.

To confirm, whilst we have no issue with the principle behind the request, we do not feel it is helpful or proportionate for smaller, independent suppliers to complete company profit returns of this nature as we would struggle to meet the proposed deadlines without additional resource which may, unfortunately, impact our ability to keep our costs down and retain the current focus we have on customer-centricity.

I trust this sets out, at a high level, our views on this issue. As mentioned above, we are keen to engage with Ofgem and other stakeholders, and we would be happy to discuss this matter in more detail, should you wish. Please contact me if you require clarification on any of the points raised in this letter.

Yours sincerely,

Joel Chapman  
Head of Regulation & Compliance

