

Independent Suppliers Group
c/o Brevia Consulting
5 Salamanca Place
London SE1 7HP
Tel: 020 7091 1650

Actions to improve the transparency of energy company profits

Independent Suppliers Group response

5 November 2014

Dear Sir or Madam,

Please find below the response of the Independent Suppliers Group (ISG) to Ofgem's consultation on actions to improve the transparency of energy company profits.

The ISG has been formed so that the leading independent energy suppliers can respond with one voice to developments in UK energy policy. With Co-operative Energy, First Utility, Utilita and Utility Warehouse as our founder members, the Group represents the interests of over 1.4 million customers.

The ISG wants a market that works for bill payers. A market in which there is genuine competition between companies for customers, forcing down the price people have to pay for their energy. The ISG welcomes any proposals that will make the market more competitive, and therefore put a downward pressure on energy bills. However, policy makers must ensure that they do not unintentionally strengthen the hold the Big Six currently have over the market.

Consolidated Segmental Statements should be restricted to large vertically-integrated companies

The ISG believes that there is no need to extend Consolidated Segmental Statements beyond the large vertically-integrated utilities, as we do not see how the consumer will benefit from this.

For the Big Six there is a logic to publishing Consolidated Segmental Statements. As the Ofgem consultation document explains clearly, the fact that the Big Six own both generation and supply businesses leads to a lack of clarity over how and where they make a profit. This creates the need for them to publish Consolidated Segmental Statements to clarify their internal prices and where they make their profits. However, independent suppliers do not operate under a business model which creates these issues in understanding our profits. The ISG therefore feels that, not only is Ofgem correct to state that 'now is not the time to introduce changes to the scope of application of the obligation'¹, but that Ofgem should go further and confirm that it does not intend to expand the scope of the obligation to cover independent suppliers in future.

Forcing independent suppliers to publish Consolidated Segmental Statements without a clear need for the information it might provide, and understanding of the benefits it would achieve, could be counterproductive. As outlined in the preceding paragraph, the ISG does not believe consumers will benefit from having this information in the public domain, and would be open to misinterpretation when compared (as they inevitably would be) with the very different supply businesses of the Big Six. Ofgem

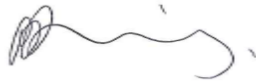
¹ Ofgem, *Rebuilding consumer confidence: Actions to improve the transparency of energy company profits*, 10 October 2014, p. 20, [link](#).

already publishes a breakdown of the costs that contribute to the average energy bill, and independent suppliers have no generation arm to compare to in order to verify this data. Independent suppliers will simply be left with an unnecessary regulatory burden, which will not only be of little help to consumers in understanding our profits but detract from our ability to serve their customers by diverting valuable and scarce resources towards ensuring compliance.

Publishing segmental statements could also pose the problem of independent suppliers having to reveal commercially sensitive information. Relative to the Big Six, some independents are more focussed in certain sectors of the retail market. The level of detail being proposed for release could be damaging to competition, as rivals will be able to get information about independents operations they can then utilise to benefit their own businesses.

The ISG would therefore encourage Ofgem to maintain its current position on this issue, and not seek to force independents to publish Consolidated Segmental Statements.

Yours faithfully,




Ramsay Dunning
Group General Manager
Co-operative Energy



Darren Braham
Founder and Chief Financial Officer
First Utility



Bill Bullen
Managing Director and Founder
Utilita



Charles Wigoder
Executive Chairman
Utility Warehouse