

**Non-domestic TPI Project**  
Summary of industry feedback to date

Non-domestic TPI Project team  
December 2014

ofgem

## Objectives of non-domestic TPI project

### Direct

- Set minimum standards that all TPIs must achieve
- Raise quality of TPI route to market

### Indirect

- Improve consumer trust in TPIs
- Encourage development of innovative products eg using smart meter data

Reason for intervention: issues identified with the non-domestic TPI route to market (1), (2)

- Polarised view of brokers: 34% positive, 31% negative (2)
- Misrepresentation (of identity, markets)
- Sales misinformation (incorrect tariffs, conditions)
- Lack of clarity on commission
- High-pressure sales
- No single point for complaints: the market is currently unregulated

(1) (Nov 2011 – onwards) Retail Market Review work

(2) Dec 2013: Quantitative Research into Non-Domestic Consumer Engagement in, and Experience of, the Energy Market

A specific consultation on the non-domestic market ran Feb – Jun 2014, asking for feedback on specific regulatory options.

- August 2014: open letter published [on Ofgem website](#) , setting out the preferred route and next steps

Options:

1. *Do nothing – not tenable*
2. *Voluntary code – potential for inconsistent standards, existing codes have do not represent whole market*
3. **Mandatory code, backed by licence condition for suppliers to only work with accredited TPIs**
4. *Direct licensing of TPIs – disproportionate, expensive, unwieldy (>1000 TPIs in market)*

## Work done to date

During 2013 – 14, a working group made up of Suppliers, TPIs and consumer groups met 9 times to give industry input into Ofgem's policy development.

### Suppliers

BES Utilities  
British Gas  
DONG Energy  
E.ON  
EDF Energy  
Energy UK  
Gazprom  
GDF Suez  
Haven Power  
ICOSS  
npower  
Opus Energy  
Scottish Power  
Smartest Energy  
SSE

### TPIs

Auditel  
ECA Group  
Energy Services Partnership  
Ener-G  
Fairnet Commercial Services  
Inenco  
Jutton Associates  
Make it Cheaper  
Online Direct  
Power Direct  
Power Efficiency  
Zenergi

### Consumer/ industry groups

Citizens Advice  
FSB  
ACS  
TPI Code of Practice  
MEUC  
ACMC  
UIA

All outputs available  
at [www.ofgem.gov.uk](http://www.ofgem.gov.uk)

## Summary of proposals

- Following the consultation, working groups and bilateral meetings, work has started on the detailed drafting of:
  - TPI code
  - Supply licence changes
- A summary of thinking to date is included below
- Feedback is welcomed and should be sent to:  
[ThirdPartyIntermediaries@ofgem.gov.uk](mailto:ThirdPartyIntermediaries@ofgem.gov.uk)

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A TPI engages in

- (a) giving advice, information or assistance in relation to contracts for the supply of energy to persons who are or may become customers under such contracts, and
- (b) providing any other services to such persons in connection with such contracts.

This code covers the [all of the/ micro-businesses only in the] non-domestic market.

**Included:**

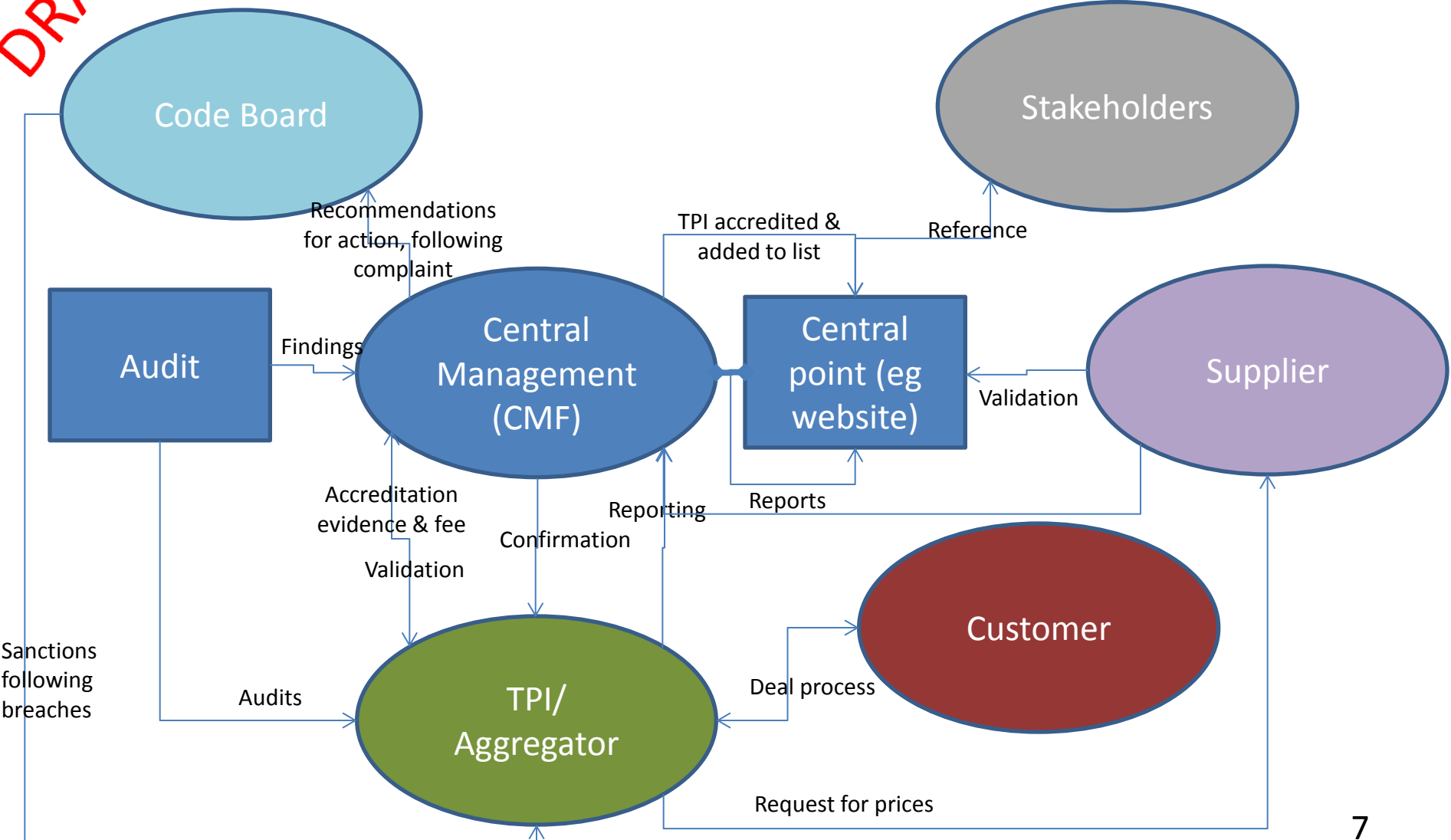
Aggregators  
Brokers  
Consultants  
Local authority purchasing  
groups

**Excluded:**

Managing agents  
Direct sales forces

# Proposed arrangements for managing code

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### Initial entry:

- Initial accreditation to code via self-audit to published criteria
- Requirement to demonstrate that can operate within the code

### Entry for new TPIs post initial set-up/ re-entry following suspension

- Audit of processes prior to accreditation

### Membership:

- Once accredited, company would be shown on [website] visible to the public
- Regular audits to monitor ongoing compliance
- Requirement to reconfirm compliance (re-accreditation) on an [annual] basis



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### Business processes for all TPIs:

- Requirement to keep records of all sales activity for [period] after contracts sold expire
- Requirement to regularly report sales activity
- Standards of conduct for their dealings with customers
  - Appropriate sales techniques
  - Appropriateness of products
  - Clear presentation of terms (suppliers' and TPIs') [prior to contract signature]
  - Transparency of offers ie how much of the market was searched
  - Transparency over basis for remuneration
  - Making it easy for the customer to contact you to correct a mistake and acting promptly to put it right eg compensation after mis-selling
- Requirement to have a complaints policy , with timescales. Report on complaints received and their resolution, including escalating complaints when required to the CMF
  - A complaint is 'any expression of dissatisfaction'

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### Additional business processes for aggregators:

- Only engage with TPIs that have current accreditation under the TPI Code, including giving prices or accepting contracts sourced from a TPI
- Report complaints against and suspected breaches of the Code by TPIs they work with [within X days of discovery].
- Provide regular reports of contracts signed to the code management function
- Respond to ad hoc requests for information to support investigations [promptly]
- Support customers that are victims of TPI mis-selling to an appropriate outcome

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### Management of the code:

- Submit to audits when scheduled or when required after a decision by the Code Board.
- Co-operate with breach resolution, in line with schedule of breaches and sanctions in the event of non-compliance
  - Triggered audits (TPI pays)
  - [Complaint handling fees]
  - [Warnings]
  - [Fines]
  - [Suspension from code]
  - Expulsion from code
- Fund the code via accreditation fees, direct payment for audits
- Able to propose code modifications and implement changes to the code to maintain compliance

## Proposed licence condition requirements 1

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Proposed objectives of the new licence condition:

- Where the licensee uses TPIs as a route to market, to facilitate improvements to the standards of service provided by those TPIs to customers.
- Consumers using the licensee's TPI route to market have confidence that they will:
  - be dealt with in a fair and transparent manner and
  - be presented with products that meet their needs.
- The licensee and any Representative maintain a standard of service in relation to the sale of energy products which follows the Standards of Conduct.

## Proposed licence condition requirements 2

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### Proposed requirements of the licence condition

- Licensees only engage with TPIs that have current accreditation under the TPI Code, including giving prices or accepting contracts sourced from a TPI.
- Licensees will report complaints against and suspected breaches of the Code [within X days of discovery].
- Licensees will provide regular reports to the code management function
- Licensees will respond to ad hoc requests for information to support investigations [promptly]
- Support customers that are victims of TPI mis-selling to an appropriate outcome

## Reporting – indicative data needs

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Data required from TPIs/ aggregators	Data required from suppliers/ aggregators	Frequency	Purpose
Activity: <ul style="list-style-type: none"> <li>• Meters signed</li> <li>• Date contract signed</li> <li>• Winning supplier</li> </ul>	Activity <ul style="list-style-type: none"> <li>• Meters signed</li> <li>• Date contract signed</li> <li>• Successful TPI</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly</li> </ul>	<ul style="list-style-type: none"> <li>• Check compliance with the code</li> </ul>
Complaints (about purchasing) <ul style="list-style-type: none"> <li>• Complaint date</li> <li>• Category</li> <li>• Stage in internal escalation</li> <li>• Resolved Y/N &amp; date</li> <li>• Associated breach Y/N</li> </ul>	Complaints (about TPIs) <ul style="list-style-type: none"> <li>• Complaint date</li> <li>• Category</li> <li>• Raised with TPI Y/N</li> <li>• Date passed to TPI</li> <li>• Associated breach Y/N</li> </ul>	<ul style="list-style-type: none"> <li>• TPIs – Monthly</li> <li>• Suppliers – ad hoc</li> </ul>	<ul style="list-style-type: none"> <li>• Allow tracking of complaints</li> <li>• Check compliance with the code</li> </ul>

## Reporting – potential public reports

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Proposed report	Purpose
<p>Market reports</p> <ul style="list-style-type: none"> <li>• Total volumes using TPI route</li> <li>• Audits completed with/ without improvement actions</li> <li>• Complaints by category (consolidated)</li> </ul>	<p>Market information</p> <p>Give stakeholders visibility of market and help build trust</p> <p>Indicate areas where code modifications required</p>
<p>TPI level reports</p> <ul style="list-style-type: none"> <li>• Complaints by volume (meters signed) index by TPI e.g. 10 complaints with 100 meters = 10%</li> <li>• [Escalated complaints by TPI by category, status (e.g. open, closed)]</li> <li>• Breaches by TPI by category, status (e.g. open, closed) and associated sanctions</li> </ul>	<p>To give consumers a view of how many complaints a TPI has, in proportion to their activity</p> <p>Give stakeholders visibility of market and help build trust</p>

## Illustrative administrative costs of other codes

Code	Annual Costs	Activities
SMICoP	£130K*	-Code governance and administration -Board/ Panel Secretariat function -Advice and support to code parties -Management of code modification process -Budget management -Management of code party sign-up( initial accreditation)
DCUSA	£180K*	
E.On	£250K* ^	
SEC	£2.8m	
BSC	£15m	

*(Technical expertise and advice*

*Critical analysis and assessment of modifications)*

\* Ongoing code compliance is demonstrated by code parties being subject to an independent audit by an auditor appointed by the Code Board

^ Estimated set-up costs £250k

### Source information

Electralink SMICoP Code administrator Brian O'Shea – (3 Nov). 15/16 projected costs

DCUSA website – public accounts

E.On – Duncan Sedgwick – E.On Code Manager (4 Nov)

SEC – SECCo 15/16 public accounts (web)

BSC – Elexon 15/16 public accounts (web)

The information in this presentation is at draft stage and not approved by Ofgem

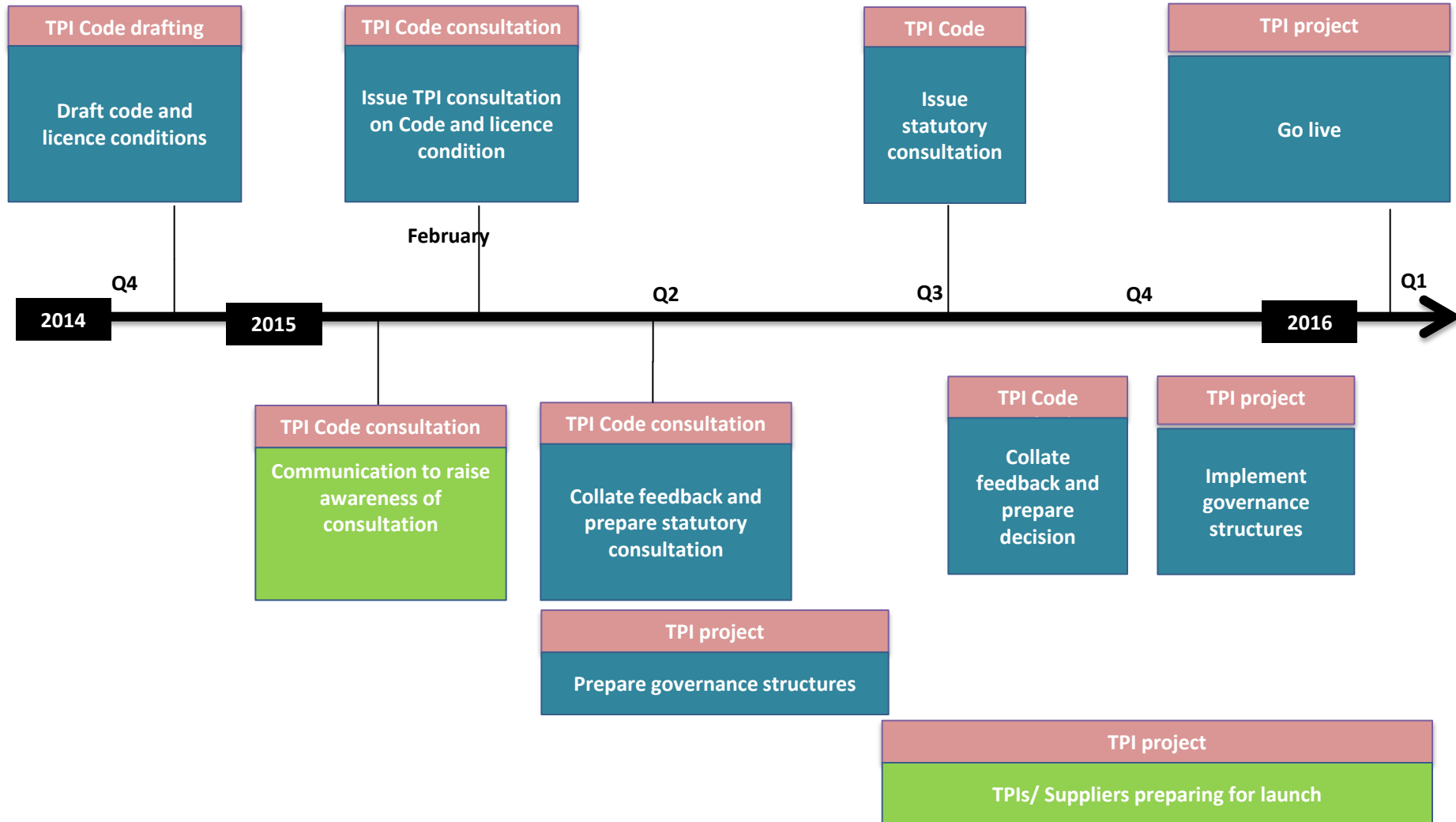


## Potential costs allocation

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Cost	Options
Set-up costs (no revenue would be generated until accreditations begin) <ul style="list-style-type: none"> <li>• Board</li> <li>• Central management function</li> <li>• Systems/ website</li> </ul>	1) Suppliers contribute 2) TPIs contribute 3) Find self-funding route
Running costs <ul style="list-style-type: none"> <li>• Board running costs/ salaries</li> <li>• CAF running costs                             <ul style="list-style-type: none"> <li>• Accreditation</li> <li>• Complaints handling</li> <li>• Investigations</li> <li>• Reporting</li> <li>• Monitoring</li> </ul> </li> </ul>	TPIs
<ul style="list-style-type: none"> <li>• Audits</li> </ul>	TPIs pay for directly when required

## Next steps



- Dedicated mailbox:  
[ThirdPartyIntermediaries@ofgem.gov.uk](mailto:ThirdPartyIntermediaries@ofgem.gov.uk)
- Bilateral meetings

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**Our priority is to protect and to make a positive difference for all energy consumers. We work to promote value for money, security of supply and sustainability for present and future generations. We do this through the supervision and development of markets, regulation and the delivery of government schemes.**

**We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.**