

Future Supply Market Arrangements

LG Energy Group welcomes the opportunity to respond to the Ofgem consultation on Future Supply Market Arrangements.

LG Energy Group Limited is a third-party intermediary, headquartered in the North West of England. It provides services such as consultancy, procurement and bill validation to a number of large I&C clients, many of whom are house-hold names. The core principles of *transparency, accountability and integrity* are more than just a tag line, they run through all activities which LG Energy Group undertakes on behalf of its clients.

Consultation Question.

Q4. How big an issue is it that we do not currently regulate intermediaries in the energy market? Is there a case for doing so? If so, how would we best do it? We are especially interested in frameworks that enable a wider variety and increased number of market participants to provide supply.

In common with many other markets, the energy market has its share of unscrupulous operatives who conduct their business at the detriment of their clients, however LG Energy Group believes that this group forms the minority of Third Party Intermediaries, with the majority operating in a fair and transparent manner. It is important to recognise this balance between the reputable and the disreputable TPIs when designing and implementing any form of regulation.

LG Energy Group would favour a form of self-regulation, rather than increase the scope of supplier licences, to regulate TPIs. In the main this is due to the fact that the spheres of operation of suppliers and TPIs have over recent years, merged in some areas of the market. Therefore, it would present suppliers with a conflict of interest if they were asked to regulate TPIs.

Self-regulation could be achieved through a code of conduct administered by a recognised industry body or association. The regulating body, would develop the code alongside government agencies and other stakeholders to ensure fitness for purpose. Once the code was implemented, the body would then be responsible for policing the activities of its membership and where necessary implement sanctions where members conduct fails to meet the requirements of the code. The requirement to be a signatory to the code could be voluntary for organisations, however as the code is promoted within the industry it should gain the necessary gravitas, such that customers are more likely to contract with TPI that is a member of the code than one who isn't.

Looking further to the future, a review of the supply licence and related services traditionally assigned to the supplier and the division of the licence into more specific roles. Licences for these separated services would have less severe regulatory conditions and could allow intermediaries, or other organisations, to assume some of these roles, shifting the nexus of services away from the suppliers and introducing more competition into the market. Continuing developments in technology and the decentralisation of generation should help facilitate this.