

Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

11 September 2018

Dear Lesley,

RE: Statutory Consultation on modifications to SoLR supply license conditions

Thank you for the consultation document dated 7 September 2018 and the opportunity to respond.

Green Energy UK is a utility supplier that has operated in the UK market since 2001, offering green and renewable electricity and green gas to both domestic and commercial customers. We have been in operation throughout numerous periods of stress within the utility market, and have watched frequent entries and exits from the market over that time. Therefore we believe that we are well placed to comment on the latest SoLR modifications.

We would start by confirming that we fully support the need to protect consumers. Fear of supplier failure should not be a consumer consideration when deciding to switch supplier, therefore the consumer must be protected in order to ensure that the most established suppliers do not win customers by virtue to being viewed as 'a safe bet'.

We have no objections to the modifications proposed in the consultation document, but we would ask that you properly consider the concerns itemised below.

In the event of supplier failure Ofgem already request all suppliers who tender through the SoLR process, to make clear if there are costs which they intend to recover through a LRSP process. Clearly the LRSP has an impact on all suppliers and is recovered through all grid connected consumers. In some cases we have been unaware of the total sum which will be recovered through the LRSP until well after the event. An early best estimate would allow all suppliers to plan longer term and could be included in your own calculations for the price cap tariff.

There are widespread activities in the market today which exacerbate the cost of the SoLR process, so we would urge Ofgem to not look purely to protect the consumers of a failing supplier to the detriment of all other consumers. We feel it is vital that Ofgem implement rigorous and meaningful financial stress testing of new market entrants (perhaps as a one-off exercise, they could also be applied to existing suppliers to give Ofgem a picture of the market).

We operate in a 'cash hungry' market and therefore it is essential that new entrants are properly financed to the satisfaction of the regulator before a license is granted. Given that Ofgem have recently released documentation to show that a responsible supplier should be charging £1136 to a single rate, dual fuel, domestic customer, suppliers selling power for £300 cheaper than this should have to show significant cash reserves to cover these loss-leading tariffs.

We are also uneasy about the now well-established practice of taking customer money up-front before any service is provided. In the event of commercial failure that supplier is holding a considerable amount of customer cash, which either the SoLR has to repay, or is recovered through the LRSP process.

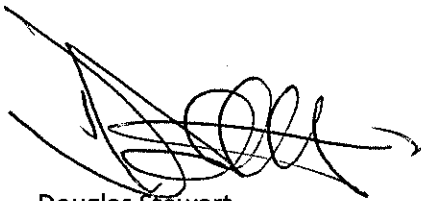
We have responded to previous Ofgem consultations and indicated it is our belief that such practices should be banned; however we believe there is little appetite within Ofgem to pursue this option. We would therefore propose that if customer cash is collected in advance of a service being provided, then all such money should be held in an Escrow account. There is precedent for this within the private property rental sector in regard to deposits, and would mean suppliers are protected from unpaid consumer bills but would ensure that suppliers cannot fail owing their customers vast amounts of money. A properly run, competent, well financed supplier should have no need to use customer cash to finance their working capital and business growth.

We have seen numerous examples of supplier failure over the past 24 months where suppliers had been using customer money to finance business activities, and these have led to unprecedented levels of payments needing to be made to consumers, whether they have gone through the LRSP process or not. The £14 million payment to Co-op as an LRSP for the failure of GB Energy is an example of this, £14 million across 160,000 customers is an extraordinary loss, and many reports put this at only a proportion of the costs.

As stated at the outset we support the protection of customers, but we feel that Ofgem could go further than protecting the few to the detriment of the many. The current situation is hurting all consumers to pay for poorly managed failed businesses. This is a risk business and where recklessness leads to failure there appears to be no investigation as to where the money went.

We believe that the above additions to the proposed protections would actually make the marketplace a safer place for all consumers. We would welcome the opportunity to discuss some or all of the above with you.

Kind Regards,

A handwritten signature in black ink, appearing to read 'Douglas Stewart', with a long horizontal stroke extending to the right.

Douglas Stewart,

CEO