



Lowri Beck Services Ltd

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Industry Codes & Licensing
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

FAO: Lisa Charlesworth or Jeremy Adams-Strump

Dear Sirs,

Re: Supplier Licensing Review Consultation

Lowri Beck is a leading independent provider of metering systems, data capture, data management and field management service working with the majority of gas and electricity suppliers. We see ourselves as a key stakeholder within this market due to our role in implementing the SMART metering rollout on behalf of supply companies including the smaller independents, as well as continuing to provide on-site reading services.

Despite our commercial management and governance activities we have been adversely affected by recent supplier failures and welcome intervention to address this issue with this review of Ofgem's approach to licensing and regulating suppliers, and are supportive of its aims to provide enhanced protection to consumers and the industry as a whole.

We note that part of the proposal is to ensure that there are stronger checks on entry into the market through requirements to provide more data during initial assessment and the application of additional qualitative criteria. We are encouraged by this approach and believe that additional scrutiny of the new entrant's service delivery model would be helpful.

In relation to on-going licence requirements, we are particularly keen to see some continued review or oversight by Ofgem. Our experience shows that suppliers start experiencing financial and service issues when a reasonable customer base is reached, typically after the first couple of years of trading, when initial manual processes appropriate in start-up are not efficient enough to support the on-going activity. Other suppliers struggle at the 250,000 customer volume where additional regulatory obligations kick-in.

Clearly the consultation document recognises that companies will fail within a competitive market. An annual report on financial and operational adequacy would be helpful to companies such as ourselves that provide vital support services to the supply market. Interim market bulletins



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confirming the trading position would also be of assistance. Such reports are, however, only of value if they take into account service providers as well as suppliers and customers for the reasons set out below:

- Regular consumption data, installation of meter assets and consumer support for on-site activities such meter maintenance and emergency credit for prepayment customers are essential services that are typically contracted out by the new suppliers. Under contract/commercial terms these services could be suspended as soon as the suppliers fail to pay invoices on time. Currently Lowri Beck does not consider this appropriate given the risk to consumers, particularly the vulnerable, with potential lack of supply. However, this increases the debt which is unlikely to be repaid in the event of a supplier failure. Insurance cover does mitigate some of this loss but it is at a cost.
- With the increasing number of supplier failures, Lowri Beck may have to consider ceasing services on non-payment of debt, thus further impacting service to consumers.
- Also charging for our services to future new suppliers would need to reflect the cost of insurance and increased risk of debt and could be higher than for more established suppliers – potentially a barrier to entry.

We are pleased to see Ofgem recognises the need for a managed exit process that protects other supplier and customers, but feel that this needs to be extended to other stakeholders. We would encourage that some on-going review is put in place and, as noted, support the requirement for regular reports and more targeted review as necessary. We would suggest in the regular reporting that suppliers are requested to report on their ability to fund the essential services (energy supply, distribution, metering etc) and their debt position. The Supplier of Last Resorts (SoLR) process provides the consumer protection for continued supply and believe that this could be extended to include all essential services. We note this will be covered in further consultations.

Yours faithfully,

Simon Rogers
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