

12 November 2018

Anna Stacey,
Ofgem
10 South Colonnade, Canary Wharf,
London, E14 EPU

Email: alisonrussell@utilita.co.uk

By email only

Dear Anna,

Re: Supplier agent functions – proposed approach

Thank you for the opportunity to provide our comments to Ofgem’s consultation on the proposed approach for centralising Supplier agent functions as part of the market-wide settlement reform. We strongly support Ofgem’s proposed position to not include a centralised agent function within the scope of the reform. We believe competition within the market is a critical driver for innovation, better market performance and lower industry costs.

Utilita is a smart meter Supplier with a predominantly prepay client base and we have been operating in the market successfully since 2008.

Since Ofgem began its engagement with industry in 2015 on the subject of settlement reform, Utilita have advocated competition as part of the Supplier-hub model. We strongly believe that the current market place drives better outcomes for Suppliers and consumers. We also believe costs for Suppliers and consumers will be much more cost efficient than in a market place built on monopoly service providers.

Although we recognise the broadly homogenous services provided by agents, expertise in this space has been developed over many years with the knowledge of “real world” scenarios. This would be extremely difficult to centralise and the market would suffer as a result in the medium to long term. By not creating a centralised agent function the market can continue to focus on driving costs down and innovating.

Consumers must also retain the ability to exercise their right to appoint their own agents as currently undertaken predominately in the advanced metering sector. Taking away this choice for consumers would be a backwards step and could lead to increased costs for a consumer, for a service appears unchanged.

We hope these comments have been helpful, and would be happy to discuss any points in more detail.

Yours sincerely,

By email
Alison Russell
Director of Policy and Regulatory Affairs

Appendix A – Utilita’s consultation response

Question 1: Do you have any comments on our updated analysis and thinking?

Utilita have reviewed Ofgem’s updated thinking and strongly support Ofgem’s view that a centralised agent function should not be included within the market-wide settlement reform. We continue to believe that a competitive market must be maintained within the supplier hub model to ensure agent services continue to innovate, are provided to a high standard and costs of services remain competitive.

We have one observation which we believe has been omitted from Ofgem’s analysis into whether agent functions should be centralised. Since competition was introduced into the metering and agent market, years of expertise have developed across multiple organisations. This would be extremely challenging to replicate into a centralised function and would be detrimental to market practices whilst any procured service provider develops the necessary market-wide experience. Instead, we believe removing the regulatory uncertainty around whether agent functions will or will not be centralised, the market can continue to focus on new innovations, improving performance standards and driving down costs.

Question 2: Do you agree with our proposed position? If not, please explain why.

Yes, we strongly agree with the proposed position and welcome Ofgem’s recognition of industry reasoning to why competition within the market places must be maintained for agent services.

Question 3: Do you consider that settlement data will still need to be aggregated for submission into central settlement systems in future? In light of this, do you consider that a data aggregation role is required?

We believe this question is better examined as part of the second stage of the Target Operating Model work.

Our only comment at this stage is ensuring the detailed design work of the TOM options carefully consider the future direction of the market. Any new arrangements must not inhibit innovation in the market place. We recommend all traditional market roles and processes be carefully considered assessed as to whether there remains a convincing benefits case to remain following reform.

Question 4: Do you agree with our consideration of our proposed position against our assessment principles?

Yes, we agree with the assessment criteria outlined by Ofgem. We would have also like to have seen a cost efficiency/ savings assessment principle being included. The cost benefits of implementing new arrangements should always be a primary consideration into how necessary proposed changes are for industry participants and consumers.