



# Ofgem - Supplier Licensing Review: Ongoing requirements and exit arrangements: Response by Bulb

## Executive summary

Bulb welcomes Ofgem's decision to review energy supplier licensing arrangements to ensure appropriate protections are in place against financial instability and poor customer service. We however believe that these checks and requirements should be put in place to monitor at risk suppliers, who have raised concerns by way of missed payments (e.g. RO, capacity market) rather than all suppliers, including those who have shown to be growing sustainably.

We think that there should be a regular, monthly test on at risk suppliers that their available liquidity is greater than 50% of customer credit balances. This way, we believe that Ofgem's ambition to ensure that 50% of customer credit balances are protected is achieved, without putting overly prescriptive requirements such as a parent company guarantee or escrow account on suppliers which place a disproportionate burden on independent suppliers who do not have access to a parent company balance sheet or guarantees in the same manner as the incumbents.

Bulb also agrees Ofgem's other proposals included including:

- The requirement that suppliers demonstrate their capability to effectively serve customers and comply with regulatory obligations;
- Milestone assessments to ensure sustainable and responsible growth;
- The 'fit and proper' requirement;
- The requirement to be 'open and cooperative';
- The 'living will' requirement; and
- The terms and conditions references to debt recovery.

On Ofgem's proposal to compel suppliers to undertake an independent audit, Bulb would like more information on the specifics of how this would work.

We may follow up this consultation response with suggestions on the proposed drafting of the licence conditions.

This response does not contain commercially sensitive information and can be published in full on the Ofgem website.

## About Bulb

Bulb is the UK's fastest growing energy supplier with over 1.6 million members. Bulb provides 100% renewable electricity and 100% carbon-neutral gas to homes across the UK. Through investing in technology to reduce costs, Bulb is able to supply renewables at prices between 15% and 20% lower than standard Big Six plans, making Bulb one of the cheapest suppliers in the market - renewable or not.

## **Consultation response**

### **1. Putting in place measures to protect 50% of customer credit balances**

Energy suppliers should have robust financial plans for the future in order to protect consumers in any event. To this end, Bulb supports Ofgem's plan to put in place measures to protect 50% of customer credit balances. However, we believe that this is best achieved through a regular, monthly test that ensures that suppliers' available liquidity is greater than 50% of customer credit balances.

To ensure suppliers are ready for next winter, we think Ofgem should aim for the new rules to be in place by the autumn of 2020. We also think Ofgem should focus on at risk suppliers who have raised flags as a result of missed industry payments, rather than all suppliers.

### **2. Requirement for suppliers to demonstrate the capability to effectively serve all their customers and comply with regulatory obligations**

Bulb supports this proposal. We support Ofgem's principles-based approach to risk management and operational capability. We think that suppliers producing a clear plan for how they can deliver good service for their customers, and fulfil regulatory obligations like the Warm Home Discount or ECO, is a good idea. It would increase confidence in energy suppliers for regulators and policymakers, and assure the customers of these suppliers that the business operates sustainably and responsibly.

### **3. Milestone assessments to ensure suppliers are adequately prepared and resourced for growth**

Bulb agrees with this proposal. Introducing these assessments at the thresholds proposed by Ofgem will ensure that suppliers grow responsibly and do not run a risk of letting the market or customers down.

### **4. A new ongoing 'fit and proper' requirement**

Bulb agrees with this, and we think that proposal has the potential to raise overall standards and ensures appropriate and proportionate scrutiny of senior management in companies offering an essential service.

### **5. Principles-based requirement to be 'open and cooperative' with the regulator**

We agree with this proposal. A requirement to be open and cooperative will encourage suppliers to communicate better, especially in the case of difficulties or compliance issues. This will speed up the process to set things right in many cases, and will ensure that no issues go unreported for an extended period of time while they could already be addressed. Bulb will continue to engage constructively, openly and cooperatively with Ofgem, as we have done since we entered the market.

### **6. Maintaining a 'living will'**

Bulb agrees with this proposal. It is important that any supplier exiting the market does so in an orderly way that minimises disruption to customers, and we think that this proposal will help energy companies to do that. We further agree with Ofgem that companies maintaining a 'living will' (and publishing non-commercially sensitive elements) will increase customer confidence, and make it easier for the Supplier of Last Resort (SoLR) to take on the new customers, specifically around the transfer of information and operations (billing for example).

## **7. Enabling Ofgem to compel suppliers to undertake an independent audit**

We think that the role of the regulator to scrutinise and ensure the propriety of energy companies is vital. Within this context, we believe it is worth considering independent audits. However, Bulb cannot agree with the proposal as it stands, as we require more information about the circumstances in which an independent audit can be requested. We therefore ask Ofgem to set out in detail, as part of the next phase of work and before the statutory consultation, how the system to require suppliers to undertake an independent audit would work, what it would measure, and how the audits would be enforced, including timescales. We would expect any approach to independent audits to be transferable to other participants in the energy sector, for instance if or when Ofgem takes on responsibility for regulating third party intermediaries.

## **8. Requiring suppliers to set out in terms and conditions that activities relating to debt recovery will be executed as outlined in relevant licence conditions**

Bulb agrees with this proposal.