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Consultation Supplier Licensing Review – Ongoing requirements and exit arrangements– RWE Response.

Dear Vlada and James,

RWE welcomes the opportunity to respond to the Ofgem consultation on “Supplier Licensing Review – Ongoing requirements and exit arrangements” published on 22nd October 2019 (the Consultation Document).

We are responding on behalf of RWE Supply & Trading GmbH and RWE Generation plc (RWE) in relation to the potential changes to our non-domestic electricity and gas supply licences (including the electricity supply licence under RWE Supply & Trading GmbH subsidiary business Edgware Energy Limited). This is a non-confidential response.

RWE supplies electricity and gas to power stations and a limited number of non-domestic customers.

The proposals as set out in the Consultation Document (see Annex 2) place obligations for reporting and submission of information on all suppliers. These obligations are disproportionate. They will create an unnecessary administrative burden for RWE and its supply businesses.

The obligations envisaged in the Consultation Document should only apply to domestic suppliers and should not apply to non-domestic suppliers.

If Ofgem wish to introduce obligations that apply to non-domestic suppliers, then it should only apply obligations to such suppliers who supply a significant number of customers and where financial shortcomings and customer service failings are likely to have a material impact. A threshold limit of customer numbers could be applied to ensure that the application of such obligations is proportionate. The level could be set at, for example, supply to more than 1000 non-domestic customers.

If you have any comments, or wish to discuss the issues raised in this letter, then please do not hesitate to contact me.

Yours faithfully

By email

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Annex 1: RWE response to the consultation questions

Overarching question

- 1. Do you think the proposed package of reforms will help to reduce the likelihood of disorderly market exits, and the disruption caused for consumers and the wider market when suppliers fail? Are there other actions you consider we should take to help achieve these aims?***

We agree that the proposed package of reforms may help to reduce the likelihood of disorderly market exits by domestic energy suppliers, and the disruption caused for consumers and the wider market when domestic energy suppliers fail. However the package of reforms should not apply to non-domestic energy suppliers.

Questions for the impact assessment

- 2. Do you agree with the outputs of our impact assessment?***

We note the outputs of impact assessments.

- 3. What further quantitative data can industry provide to inform the costs and benefits of the impact assessment, particularly for cost mutualisation protections?***

Further work is required to identify the impacts of the proposals on different types of supplier, and in particular to assess the proportionality of the proposals for suppliers that supply a small number of non-domestic customers.

- 4. Do you agree with the assumptions used to calculate the costs and benefits in our impact assessment? If not, please provide evidence to support further refinement.***

We note the assumptions used to calculate the costs and benefits in our impact assessment

Promoting better risk management

- 5. Do you agree with our proposed option to cost mutualisation protections? Are there other methods of implementing this proposed option? Please provide an explanation and, if possible any evidence, to support your position.***

There may be merits associated with ensuring that the costs of the mutualisation process are minimised. For domestic suppliers it is essential that protections are put in place with respect to customer credit balances. However, we do not believe that the case has been made for such protections with respect to non-domestic suppliers that supply a small number of customers.

- 6. Do you agree with our proposal to introduce new milestone assessments for suppliers? Do you think the milestones we have proposed and the factors we intend to assess are the right ones? Are there additional factors we should consider to help us to identify where suppliers' may be in financial difficulty?**

We agree with the proposal to introduce milestone assessments for domestic suppliers.

More responsible governance and increased accountability

- 7. Do you agree with our proposal to introduce an ongoing fit and proper requirement? Are there additional factors, other than the ones we have outlined, that you believe suppliers should assess in conducting checks?**

We support the proposal for a “fit and proper” requirement for supply businesses. This proposal will raise standards and improve the integrity of the supply market. The supply business should be responsible for ensuring compliance with its licence obligations with regard to undertaking “fit and proper” tests and ensuring ongoing compliance.

We also support the proposal to introduce a new principles-based requirement for suppliers to be open and cooperative with Ofgem.

Increased market oversight

- 8. Do you agree with our proposal to require suppliers to produce living wills? What do you think we should include as minimum criteria for living will content?**

We agree in principle with respect to the proposal for suppliers to produce of “living wills”. However, this should only apply to domestic suppliers. If it were to apply to non-domestic suppliers then a threshold based on a de minimums level of customers (for example 1000 customers) should be introduced to ensure the proportionate application of the obligation.

- 9. Do you agree with our proposed scope for independent audits? Please provide rationale to support your view.**

We agree with the proposed scope for independent audits and note that this would only be used where Ofgem has significant concerns about a supplier's financial resilience of customer service arrangements.

Exit arrangements

- 10. Do you agree with the near terms steps we propose to take to improve consumers' experience of supplier failures? Are there other steps you think we should be taking?**

We agree with the proposed near term steps to improve consumers' experience of supplier failures.

11. Do you think there is merit in taking forward further actions in relation to portfolio splitting or trade sales? What are your views of the benefits of these steps? Are there any potential difficulties you can foresee?

We do not have any views on the merit in taking forward further actions in relation to portfolio splitting or trade sales

Appendix 1

12. Do you think our draft supply licence conditions reflect policy intent? Metering System – Roll-out, Installation and Maintenance).

We note the draft supply licence conditions. As noted in this response the obligations should only apply to domestic supply businesses. If the obligations were to apply to non-domestic supply businesses then a de minimus level in relation to customer numbers should apply to the application of the obligations.