

Sent by email to licensing@ofgem.gov.uk

Supplier Licensing Review Consultation (22 October 2019)

Vlada Petuchaite and James Proudfoot

Industry Codes and Licensing

Ofgem

10 South Colonnade

Canary Wharf

London E14 4PU

3 December 2019

Dear Sir / Madam,

Re: Supplier Licensing Review: Ongoing requirements and exit arrangements

SECAS welcomes the opportunity to respond to this consultation on the supplier licensing review.

Our response draws heavily from our unique insights and experience gained from delivering technical governance services to support the Smart Energy Code (SEC).

This response solely relates to question 8 in our role as the SEC administrator and secretariat. We have worked with Ofgem, BEIS & industry through SEC forums to consider risks where a Supplier exits the market without making provisions to ensure consumers' continuity of supply - a disorderly exit.

Gemserv is providing a separate response on wider aspects of the consultation.

There is a risk during a disorderly exit that no energy supplier is able or willing to take actions to ensure continuity of supply for consumers with smart meters in prepayment mode¹. This risk arises as a consumer will continue to run down credit during the SoLR competition whilst the failed supplier is unwilling or unable to take action. The risk continues until the SoLR is able to service each consumer; this is an indefinite period owing to data integrity issues typically inherited by the SoLR.

We have identified, shared and assessed a variety of technical solutions that could mitigate the risk. Any technical solution must be allowable and enforceable and therefore it needs to be supported via complementary regulation. In discussion with BEIS and lawyers we conclude that the supply licences

¹ Actions could include: switching meters to credit mode; setting a non-disconnect calendar; continuing to vend; and setting a large emergency credit limit.

are the appropriate vehicle for provisions such as these. We now consider that Ofgem must own these risks and ensure mitigating actions are in place.

The review of the supply licences is an appropriate mechanism for Ofgem to introduce necessary changes, potentially through the Living Will arrangement.

A supply licence condition should exist to ensure that consumers with smart meters in prepayment mode should be 'made safe' prior to the exit. Ofgem should require each supplier to demonstrate, in the event that they were subject to a SoLR process, how they would reliably ensure this will happen.

Relying on the failed supplier to take direct action will not address the risk in a disorderly event.

The majority of, if not all, suppliers who could be subject to the SoLR process² use Shared Resource Providers (SRPs), sometimes known as Managed Service Providers. Our work has confirmed that SRPs would be capable of taking the necessary actions to make consumers safe, given the right regulatory conditions.

Additionally, Payment Services Providers have confirmed that they would continue to serve consumers in the event of a SoLR. This means that continuing to vend remains an option.

A potential mechanism would be to mandate contractual arrangements between the supplier and its SRP(s) that pre-authorise the SRP to take the necessary actions to make consumers safe. At the point Ofgem initiates the SoLR competition, and if Ofgem has concerns that the supplier will not take the necessary actions themselves, Ofgem would instruct the SRP to take the necessary actions. This could be achieved through third party rights.

Please contact me if you would like to discuss any of the points raised in this response in more detail.

Yours sincerely,

² Existing guidance and discussion with Ofgem has confirmed that Energy Supply Company Administration would be implemented rather than SoLR for the largest suppliers and where there is a risk of significant market disruption.



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