

Emailed to: licensing@ofgem.gov.uk

21 January 2021

Dear Sir/Madam,

Financial Responsibility Principle Draft Guidance

I write in response to Ofgem's request for stakeholder views on the Financial Responsibility Principle Draft Guidance found in Appendix 3 of the Supplier Licensing Review: Ongoing requirements and exit arrangements - decision document.

In August 2020, we responded fully to the supplier licensing review on ongoing requirements and exit arrangements. In broad terms we supported the principle based measures that were being considered, recognising that this meant businesses could be more flexible in how they deliver for their customers and that one size does not fit all.

We also provided specific comments on the Financial Responsibility Principle. We think that the expectations on suppliers set out in Appendix 3 at paragraph 4.2 make sense. However, we do think that it is important to ensure that supplier financial obligation plans are thorough in approach, for example, by covering all industry payments including those to third parties. For example, whilst we try and minimize bad debt in relation to remedy implementation and case fees and so reduce the need for mutualization across the industry, we think it does make sense to do so within this wider financial responsibility principle obligations.

As we highlighted in our response in 2020, choosing a principles-based approach makes it key to be clear on how Ofgem will identify when a supplier is not acting in line with its principles and what actions Ofgem will take when it identifies such behaviour. Suppliers can fail for a variety of different reasons and can do so quickly, which will necessitate a robust routine of engagement with suppliers and other stakeholders in the market to gather appropriate information and to be able to intervene as quickly and effectively as possible. We agreed that Ofgem should keep this principle under review and consult on more prescriptive measures – which is the position Ofgem is taking. We think it does make sense to gather information from suppliers using the regulatory tools and procedures such as the general monitoring already in place and to make use of the milestone and dynamic assessments. As we commented last time, it is important for Ofgem to be clear on the action it will take when a supplier is not acting in line with the principles and ensure a robust routine of engagement with the supplier and other stakeholders to gather information, and intervene to minimise consumer detriment and potential cost mutualisation across the energy market.

Please do not hesitate to contact us if you would like further information regarding our response. Our response is not confidential.

Your sincerely,



Ed Dodman
Director of Regulatory Affairs



For more information regarding this consultation please contact:

David Pilling
Head of Policy and Public Affairs
Ombudsman Services
3300 Daresbury Park
Daresbury
Warrington
WA4 4HS

t: 07595 449366

e: dpilling@ombudsman-services.org