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06 August 2016

SmartestEnergy Response to Consultation on Ofgem E-serve Supplier Performance Report

Dear Sirs,

SmartestEnergy welcomes the opportunity to respond to the Consultation on the potential Ofgem E-serve Supplier Performance Report.

SmartestEnergy is an aggregator of embedded generation and a supplier in the non-domestic electricity retail market serving large corporate and group organisations.

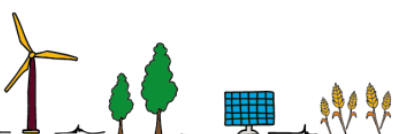
Please note that our response **is not** confidential.

Overview

SmartestEnergy agrees that a Supplier Performance Report (SPR) could potentially provide greater transparency over supplier's compliance with individual schemes as administered by E-Serve. However, we do not agree that the proposed information contained within the SPR is likely to increase consumer engagement or is in the public interest, as it is too far removed from the key priorities of most consumers when selecting an energy supplier. The concept of non-compliance pushing up bills is unlikely to be seen as a sufficiently important factor (when considered against the energy trilemma) to further consumer engagement.

The proposal to publish the SPR on the Ofgem E-serve website potentially weakens the proposal, as consumers are highly unlikely to use that website to further their knowledge of which supplier can offer them the best deal.

We have concerns over the proposed system, matrix and ability of this SPR to further damage confidence in the energy industry. Above all the SPR could only be a useful asset in a market which is fully engaged and understands the implications of non-compliance with E-serve's schemes. Whilst we consider the SPR a useful internal tool for Ofgem, the proposed publication of the SPR will not achieve the stated aims and



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objectives as the information is not useable for consumers.

However, we can well imagine that suppliers themselves will analyse such information to see how they are faring in comparison with other suppliers. To that extent it may be useful and could potentially lead to an improvement in overall performance. Ofgem need to consider if this goal can be achieved without publishing the SPR publically.

Answers to Specific Questions

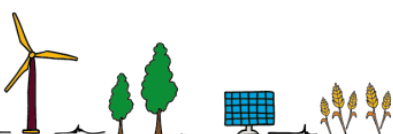
Question 1: Do you agree with our analysis that shows that publishing the SPR will promote the interests of consumers? Please support your answer.

Whilst we agree that the publishing of the SPR could provide greater transparency for consumers over suppliers compliance levels in relation to the relevant scheme(s), we would question how useful this is for consumers. Consumers' prominent concerns relating to their supplier's performance are: affordability; reliability of supply; and for those who are concerned with environmental impact- the choice of renewable energy products. Consumers are unlikely to be more concerned about a supplier's compliance with renewable energy schemes than any of the three aspects previously mentioned. Given that vast numbers of consumers are not engaged enough to switch, it is doubtful that they would be engaged enough to seek statistics from Ofgem's website. This lack of involvement in the industry further means that it is improbable consumers will understand the impacts of non-compliance on their bills. For a report such as this to be justified on the grounds of consumer engagement, more work needs to be done on engaging consumers first.

Whilst we agree this is a very useful tool for the regulator's internal use, especially in the move to a principles based regulatory environment, there is no need or benefit to consumers in publishing this information. The SPR as it currently stands is helping to create the 'compliance culture' Ofgem desires. Whilst it is important for Ofgem to consider the interests of customers, we see greater advantages to Ofgem and to suppliers of SPR. Ofgem should not be afraid to use this as justification for keeping the SPR between those parties.

Question 2: Do you agree with this method of scoring and the definitions we are proposing? If not, what alternatives do you suggest?

Using a numbered system to measure compliance could leave the system open to interpretation. Where one consumer considers '2 out of 4' to be a significant compliance issue, another will consider the same mark to be a relatively small issue.



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Ofgem might be better served using qualitative labels so as to give a genuine feel for the impact level of a non-compliance event e.g. low/medium/high/enforcement action.

Whilst publishing the maximum score is more reflective of a supplier's performance than a cumulative score, there is no need to total up the non-compliance scores (particularly if considered alongside the idea of qualitative categorisation). An overall number will distort the realities however it is calculated, meaning there is no requirement for a 'total' rating. SmartestEnergy agrees with Ofgem that it would be 'fairer to record the number of non-compliance and administrative incidents', as leaving the individual ratings in their original form gives the consumer a better range of information for comparison. This point also holds true for the creation of graphs for comparison. Ofgem themselves have stated that no matter how the data is presented, it creates artificial distortions meaning comparison is not transparent for consumers- undermining the reasoning behind this proposal.

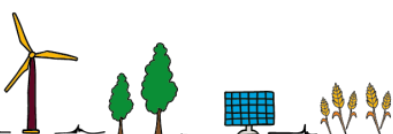
Question 3: Do you agree with the data we plan to publish?

We consider that the data Ofgem plan to publish provides no discernible benefit for consumers. It is improbable that it will create further engagement with the industry, or significantly increase switching numbers.

Whilst we believe that this would be the most useful aspect since it is more likely suppliers who will analyse the results and improve their performance, it is concerning that even when Ofgem have previously agreed with EnergyUK that this proposal could be harmful to the perception of the energy industry, the regulator insists that relatively minor information remains in the public interest. If engagement is the driver behind releasing the information, the regulator should not ignore that the publication of the SPR will quite possibly have the reverse effect.

Ofgem state in the consultation document that 'a far more common problem is supplier's failure to comply with many of the individual sub-obligations, like meeting deadlines or providing us with accurate information'. This suggests that the issues that the SPR seeks to address are lower level issues, leading to a danger that the SPR would just become another exercise in bad public relations for the industry, without realising the alleged benefits.

Question 4: Do you agree with our proposed timings of publication?



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Yes

Question 5: Do you have any comments on the SPR webpage we propose?

Given low levels of consumer engagement in the electricity industry, it is unlikely to be widely visited. This undermines the idea of an SPR providing useful consumer information.

Should you wish to discuss any aspect of this matter, please do not hesitate to contact me.

Yours sincerely,

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