

Phil Sumner
Senior Manager, Consumer Policy
Ofgem, 9 Millbank, London
SW1P 3GE

April 28 2017

Dear Phil,

The Industrial and Commercial Shippers and Suppliers (ICoSS) group is the trade body representing non-domestic industrial and commercial (I&C) suppliers in the GB energy market. Members collectively supply three-quarters of the gas needs of the non-domestic sector as well as half of the electricity provided by non-domestic independent suppliers¹.

I am writing to you in relation to the open letter issued by Ofgem on April 3, 2017 with regard to its proposed back-billing project.

Ofgem states in the open letter that it is not confident that the current back-billing principles are being consistently applied across the market and that not all suppliers may have appropriate back-billing arrangements in place. We concur with Ofgem that the background of this concern is the significant changes that has occurred in the domestic retail market in the ten years since the introduction of the self-governance principles back-billing, namely the increase in the number of new entrants.

This issue does not exist in the non-domestic market. As competition levels in the non-domestic market have always been much higher, there has been comparatively little change in the non-domestic sphere with the numbers and identities of market participants in this sector remaining relatively static. In addition, as by-product of this competition, we have seen a move by most market participants to the 12-month back-billing limit for microbusiness customers, which





suppliers must annually self-certify compliance with². The number of suppliers who have chosen to apply this voluntary limit has increased over time, with many suppliers reducing the number of time limit in response to commercial pressures.

Whilst the market has reached a point where most suppliers apply a voluntary limit, we would be opposed to a blanket ban. There are considerable differences between domestic and non-domestic supply, both in the manner in which the customer's energy requirements are priced and hedged and the rights non-domestic suppliers have in choosing whether or not to agree to supply a customer. Forcing non-domestic suppliers to adhere to the 12-month back-billing limit through a modification to the supply licence will generate little positive benefit, given that a significant number of these already do so. There is, however, a potential risk that imposing a mandatory back-billing limitation period in the non-domestic market may result in greater reluctance to engage in microbusiness supply due to a perceived increase in risk that monies owed by these customers may not be fully recoverable. This might then have the effect of discouraging new entry to the non-domestic market and also removing a point of competitive differentiation between suppliers which may affect customer switching decisions as all non-domestic suppliers will be required to adhere to the same back-billing limitation periods. It should also be noted that ICoSS has expressed concern regarding the CMA's remedies (in particular with regard to price transparency and rollover contracts) which will have a detrimental impact on competition in this sector. Additional restriction will further reduce the attractiveness of selling to microbusiness customers and will further reduce competition.

In summary, while we agree that it is important that customers receive an appropriate level of protection from bill shocks deriving from supplier back-billing, we are of the view that the issue currently exists in the domestic market only and any legislative changes should focus on that market exclusively.

I look forward to discussing these points further.

Yours sincerely

A handwritten signature in black ink, appearing to read 'G. Evans', is positioned above the printed name.

Gareth Evans
Chief Executive, ICoSS

² Voluntary Standards for backbilling of microbusiness energy customers May 2016