

Lisa Charlesworth
Industry Codes & Licensing
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

23rd January 2019

By email: licensing@ofgem.gov.uk

Dear Ms Charlesworth,

Re: Consultation Response – Supplier Licensing Review

Thank you for the invitation to respond to the above consultation. The failure of several suppliers over the last 12 months has placed the industry under renewed scrutiny. As such, Verastar Limited (“Verastar”) supports Ofgem’s intention to raise standards for new and existing suppliers. We have provided our comments below.

Entry criteria reform

The unbudgeted costs arising from supplier failure have a significant impact upon profitability and cash resources for remaining suppliers: the mutualisation process triggered for Renewable Obligations for the period 2017-18 will cost Sinq Power £15,506 in addition to the daily default imbalance charges imposed by Elexon. Inevitably, these costs will somehow be passed on to existing and future customers as suppliers will start to budget for the cost of other supplier failures when determining their customer pricing.

Further, c.778,500 consumers transferred to an alternative supplier under SoLR processes in the last 12 months. When a smaller supplier fails, consumer confidence reduces and they may decide to switch to a seemingly more reliable, ‘Big 6’ company. This reduces competition and a lack of choice in the market results in less switching and stagnation in the industry.

We agree option 2 (para 4.7) is an encouraging change in ensuring longevity in the industry without impeding barrier to entry which would be a considerable risk if option 3 (para 4.11) was implemented.

Ongoing requirements

Verastar’s preference would be for suppliers to submit a cyclical certificate of adequacy (para 7.9) as opposed to an annual viability statement (para 7.9).

We hope you find this response useful. If you have any questions, please do not hesitate to contact me.

Yours Sincerely,

Laura Jayne Owen
Compliance Officer