



Ofgem Supplier Licensing Review: Ongoing requirements and exit arrangements

Consultation Response by ENGIE

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Summary Points

Thank you for the opportunity to respond to the consultation, please find our main points set out below:

- We are pleased that Ofgem has recognised the issue of supplier failure and the consequential impacts for remaining suppliers and consumers and we agree that something should be done. Last year saw significant mutualisation triggered on policy costs for the first time for both the Renewables Obligation and Feed-in Tariff, plus additional costs into network charges resulting from Supplier of Last Resort claims. These socialised costs were in excess of £100M for 2017/18 and are likely to be even higher this year due to the addition of unpaid Capacity Market (CM) costs.
- Such costs are unexpected to both suppliers and to consumers who may ultimately face them, and it is essential that efforts are made to reduce the potential sums arising from future supplier failures. Additionally, in any solution it is important to consider proper cost attribution between market sectors, for example; all recent failures have been a consequence of supplier failures in the domestic market, yet

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the costs are mostly faced by non-domestic consumers as mutualised costs are currently allocated on a commodity basis unilaterally across demand. We feel these costs present a cross subsidy and should be better targeted to the relevant market sector, the current process for cost attribution under the network charges for SoLR claims works well in this regard. Better cost targeting would help to prevent the unexpected cost reconciliations recently faced by non-domestic consumers as a result of supplier failures in the domestic space.

- Similarly, in terms of targeting, any of Ofgem's proposed solutions should be risk based and targeted only at who are at risk or are more likely to be at risk of failure. Additional restrictions should not interfere or cause additional administrative requirements for financially robust businesses with a proven track record of operational competence and sustainability.

Yours sincerely,

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