130 Old Street
London
EC1V 9BD

Jonathan Blagrove
Ofgem
10 South Colonnade
London, E14 4PU

23 October 2020

Dear Jonathan

Microbusiness Strategy Review: Policy Consultation

Thank you for the opportunity to respond to your consultation.

The Retail Energy Code Company Ltd (RECCo) was established to ensure the proper, effective, and efficient implementation and ongoing management of the Retail Energy Code (REC). The REC itself will facilitate the efficient and effective running of the retail energy market, including its systems and processes, in order to promote innovation, competition and positive customer outcomes.

We are generally supportive of measures that will improve the operation of the retail energy market and benefit consumers. We further consider that it is more appropriately a matter for suppliers, brokers and other stakeholders to comment on whether each of the proposals outlined in this consultation would further those objectives. For the purpose of this non-confidential response, we have therefore focused on the proposed **broker conduct principle** and the challenges that supplies and brokers may face in implementing and subsequently governing these proposals**.**

Question: What challenges do you think suppliers and brokers may face implementing these proposals?

We recognise that energy suppliers must be suitably accountable for the conduct of the third party intermediaries with whom they do business. However, we also recognise that their individual capabilities to develop, monitor and enforce any scheme will vary greatly, as will their relative costs in doing so. This would potentially risk there being an asymmetric regime that could have an impact upon competition between suppliers.

Even if the stipulated standards were common at the time of implementation (and it is not clear from the proposals that this would be

130 Old Street
London
EC1V 9BD

the case), their efficacy would depend on each suppliers' ability and willingness to assure broker compliance. This, together with potential differences in each suppliers' treatment of associated cost, may skew the brokers' incentives. Appointments may gravitate towards suppliers which offer the least friction to the broker, rather than necessarily those offering the best terms to the consumer.

An alternative to individual supplier responsibility for broker conduct would be to require all suppliers and brokers to adhere to a common standard. This could be facilitated through a mandatory code of practice. In a similar way, suppliers have for many years been required under the conditions of their licence to only appoint metering agents that are accredited as being compliant with a relevant code of practice.[1]

Although such a code of practice could be developed as a standalone document, as noted in your consultation document, the REC has been developed with the intention that it will in time govern all energy retail processes and rules, consolidating and simplifying the current code landscape. For example, the metering codes of practice mentioned above will transition to REC governance with effect September 2021. The REC will also govern the gas and electricity enquiry services. Many Third-Party Intermediaries (TPIs) already access these services and will in due course be required to accede to a REC data access agreement if they wish to continue. These, and all other aspects of the REC, will be subject to a robust performance assurance framework. We therefore consider that it would be within both the scope and capabilities of the REC to govern TPI/broker conduct.

If Ofgem would like to further explore this option as an alternative to its current proposals, we would be happy to develop and provide a detailed project proposal to include the likely cost and timescale for introducing such a scheme. We look forward to hearing from you.

Yours sincerely

Jonathan Dixon
REC Development Manager

[1] For example see: Gas Supply Licence Standard Condition 12.18 – Use of approved Meter Asset Manager