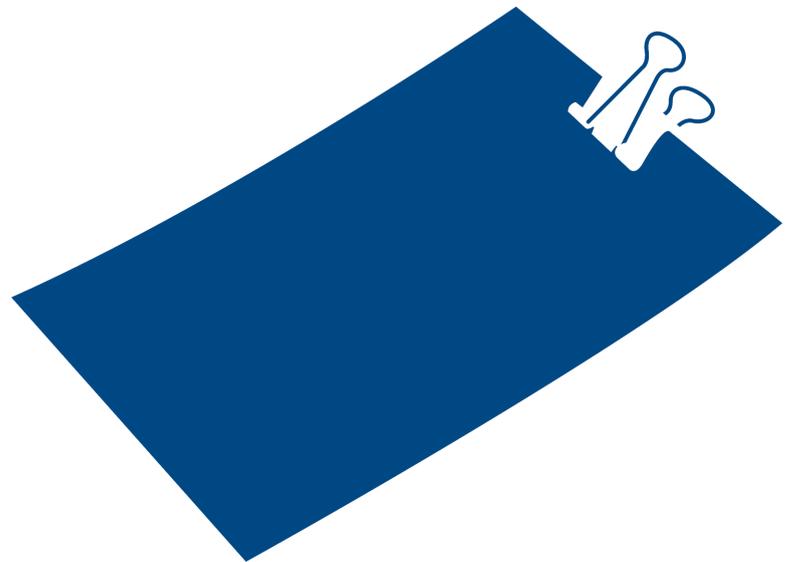


Citizens Advice response to Ofgem's Supplier Licensing Review: Ongoing requirements and exit arrangements



Summary

Although in a well-functioning market we'd expect to see some energy supplier failures, the volume and frequency of these since 2018 has been detrimental to over a million consumers whose suppliers have failed. Earlier this year we estimated that over £170m of costs left behind by these suppliers will ultimately end up on energy customers' bills. Customers who owe money to these suppliers have been hardest hit, as their debts are passed to the administrator of the failed companies and they lose vital protections that ensure they can afford repayment plans.

Citizens Advice therefore welcomes Ofgem's consultation to strengthen the supply licence, and ensure consumers have a better experience should their supplier fail. We broadly agree that the package of reforms will help reduce the likelihood of disorderly market exits, and the associated disruption and additional costs caused for consumers.

In our report, [Picking up the Pieces](#), we recommended:

- New ongoing requirements and monitoring to make sure all energy supply companies are operated responsibly and offer appropriate levels of service
- Government rules to require administrators of smaller energy companies to also consider consumer interests and to follow Ofgem rules to protect consumers from poor debt collection practices
- Reduced costs of mutualisation, including legislative changes to require the bills for the Renewables Obligation to be paid more frequently
- Steps to limit excessive customer credit balances, and ensure suppliers have processes in place to protect them

The proposals address each of these recommendations to some extent, although in some areas we think government action is also needed to ensure good outcomes for consumers. In particular, we continue to argue for legislation to ensure the Renewables Obligation to be paid more frequently, to eliminate the current risks that arise from this scheme being paid annually. We also think it is unclear that some of Ofgem's proposals on credit balance protection will produce the right incentives for suppliers to avoid excessive balances.

Consumers have also been harmed by unacceptably poor levels of service by many of the failed suppliers. Ofgem needs to ensure that customer service failures are tackled to the same extent as financial stability within the proposed assessments. And microbusiness customers should receive the same protections as domestic customers.

Ofgem should also carefully consider the impact of the proposals on its capacity for compliance and enforcement work. The proposals will create additional checks - some of which are not discretionary. It is vital that these new requirements can be properly monitored by Ofgem, whilst also ensuring the regulator is still able to take steps to address other areas of consumer harm. If necessary, more resources should be put in place to ensure these measures are effective.

Response

Q1: Do you think the proposed package of reforms will help to reduce the likelihood of disorderly market exits, and the disruption caused for consumers and the wider market when suppliers fail? Are there other actions you consider we should take to help achieve these aims?

We broadly agree that the proposed package of reforms will help reduce the likelihood of disorderly market exits, and the disruption caused for consumers and the wider market when suppliers fail.

Given that some elements of the package target the same outcome, it is difficult to assess the extent to which any single measure is more or less necessary. As a result we think Ofgem should build sufficient flexibility into its proposals, especially those that are higher risk, so that they can be used proportionately or easily adjusted once implemented. This is already evident in some parts of the package, such as requirements for independent audits and dynamic assessments.

Citizens Advice believes Ofgem should ensure that customer service and operational preparedness is also considered to the same extent as financial stability within the assessments proposed.

We also think that the package of reforms has not sufficiently addressed the needs of microbusiness consumers. Of the 16 suppliers who have failed in the past 2 years, three supplied microbusinesses, and two served only non-domestic consumers. As we highlighted in our recent research¹, Ofgem's consumer credit balance protection does not extend to microbusinesses, although voluntary protection has been applied in some cases.

¹ Citizens Advice. [Closing the protection gap](#). 2019

Supplier failures can leave microbusinesses thousands of pounds out of pocket with their only option being to claim back their credit as a non-priority creditor. This process can take upwards of 12 months and on average leads to non-priority creditors (such as microbusinesses) only receiving 10p for every £1 they are owed².

Many microbusinesses have no option to switch away from a supplier, even if they know they might be in trouble. This is because three quarters of microbusinesses are on contracts which they cannot easily leave. Also, suppliers are not obligated to return a credit balance if the microbusiness requests it, and there is no easy way for a microbusiness to have their security deposit returned.

Recent failures affecting non-domestic consumers included:

- October 2019 - Rutherford trading as Uttily 280 non-domestic customers
- September 2019 - Eversmart 10 non-domestic customers, voluntary credit protection agreed
- August 2019 - Solarplicity 500 non-domestic customers affected, no credit protection in place
- November 2018 - Extra Energy 21,000 non-domestic customers affected, voluntary credit protection agreed

We've called for Ofgem's supplier licensing review to introduce a safety net for microbusiness customers' credit balances. This protection should be paid for by other non-domestic consumers, rather than domestic consumers.

Ofgem should also:

- take action to reduce the size of microbusiness credit balances, so that less money is put at risk if a supplier fails. This could include credit protection measures like those discussed in the consultation.
- extend requirements for suppliers to refund domestic customers on request to microbusiness customers.

Impact assessment

Q2: Do you agree with the outputs of our impact assessment?

We have commented in our responses to the consultation questions where we believe the Impact Assessment could be more robust.

² Taken from the average amount estimated in administration reports. Full details are in our report [Picking up the Pieces](#), 2019

Q3: What further quantitative data can industry provide to inform the costs and benefits of the impact assessment, particularly for cost mutualisation protections?

When setting the size of credit balances to be protected, Ofgem should consider that depending on the time of year, balance values may vary. Our analysis shows that most suppliers failed shortly before or during winter, when customer credit balances are likely to be the highest.

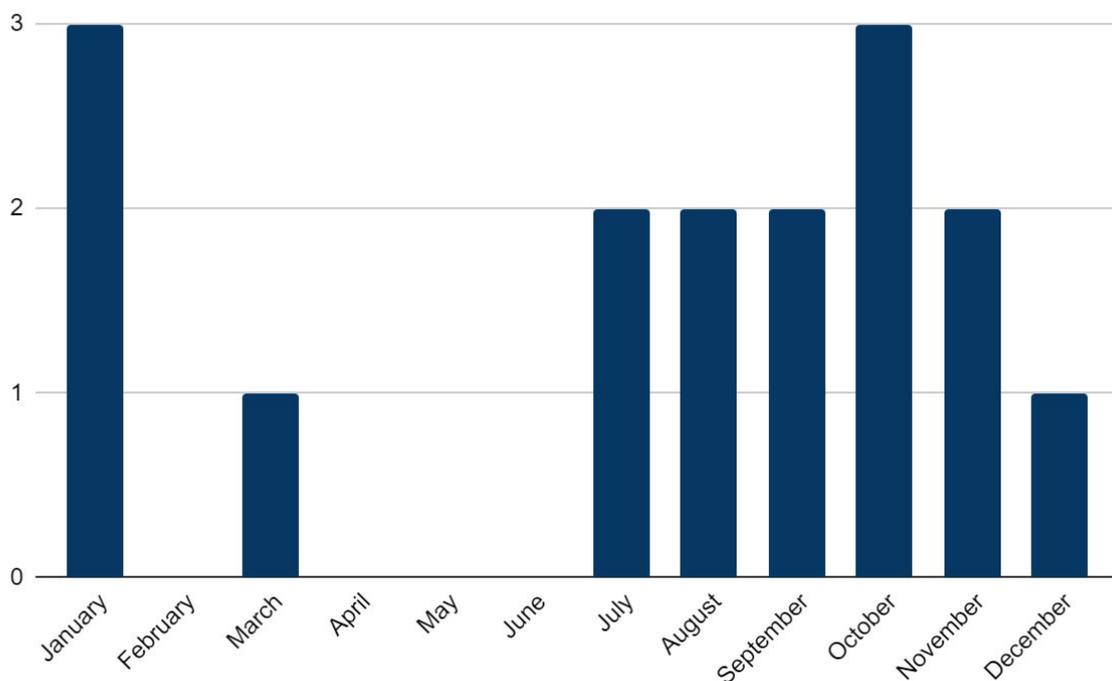


Figure 1: Supplier failures by month of year January 2018 - November 2019

Q4: Do you agree with the assumptions used to calculate the costs and benefits in our impact assessment? If not, please provide evidence to support further refinement.

The Impact Assessment bases the assumption of the cost of supplier failures in the future on average costs incurred by the 12 suppliers who failed from November 2016 to July 2019. These costs may differ depending on company size and business approach. For example, the companies ranged in size from under 500 to 290,000 customers. The size of the business is likely to have a high impact on the cost of the SoLR which Ofgem should make some effort to calculate. This will enable Ofgem to model the impact of larger suppliers failing and take account of this risk. As part of this assessment Ofgem should set out an

assessment of any reasons why the failure of a larger supplier may be less likely, and the size at which it would expect the special administration regime to be used.

For the assessment of mutualisation costs, if the Renewable Obligation (RO) is paid more frequently (noting that Ofgem have called for monthly payments³) this may change the amount of industry costs to be protected and eventually reduce the benefits of any protection.

The impact assessment assumes an indicative fee of 0.5% as the cost of a third party guarantee against mutualisation. It might also be beneficial to present a range of possible percentage costs for protecting the balances, since smaller or new entrants may not be able to find an arrangement at the 0.5% fee.

Promoting better risk management

Q5: Do you agree with our proposed option to cost mutualisation protections? Are there other methods of implementing this proposed option? Please provide an explanation and, if possible, any evidence, to support your position.

Citizens Advice broadly support the option to protect customer credit and industry costs. We estimate that over £150mn⁴ has been mutualised since January 2018 for both credit and industry costs due to supplier failures.

Menu of options and implementation

Citizens Advice agree that suppliers should be able to choose which method of protection they want to use. We recognise that in practice some suppliers will have fewer choices than others. For example, suppliers who have less trading history may struggle to get a guarantee, or face very high costs to do so. If suppliers are unable to access a method of protection at reasonable cost, industry or Ofgem may want to consider whether a centralised escrow account or guarantee scheme can be established. Depending on the approach to implementation (ie level of protection required, lead-in time and whether a phased approach is taken) there may be more opportunity for third parties to develop guarantee options.

We think it is vital that these rules apply to all companies, and that smaller firms are not exempt. We recognise that costs for some protection options may be higher for smaller suppliers - although this is commensurate with the fact that

³ Utility Week, [Regulator calls for BEIS to introduce monthly RO payments](#), 2019

⁴ £129mn from Renewable Obligation, £21mn claimed through the Last Resort Supplier Payment levy, and £6mn for the Capacity Market.

newer entrants have been more likely to fail than established suppliers. Looking at the bigger picture, Ofgem and BEIS have identified market distortions arising from schemes like the Warm Home Discount and ECO, from which smaller suppliers are exempt.⁵ The costs of protecting against excessive mutualisation may act in the opposite direction to some extent, and this could be considered as part of any future reforms to create a more level playing field in the market.

Regardless of mitigating steps in relation to implementation, there is a risk that some suppliers are unable to put in place the required protections and remain solvent. This is likely to be a reflection of the fundamentals of these businesses, and should not be a reason to avoid putting reasonable measures in place that protect consumers and the wider market.

Proposals in relation to credit balances

Based on the Last Resort Supply Payment (LRSP) claims to date, on average £87.50 worth of credit has been claimed per consumer. We are concerned by Ofgem's observation that failed suppliers have generally had higher than average credit balances, suggesting that they have used customers' money to finance risky operations. Any new rules on credit balances must act to limit the costs when suppliers fail *and* incentivise suppliers to improve risk management.

We are keen to limit the cost of failures as much as possible, but recognise that requirements to protect all credit balances could have significant impacts on suppliers, in terms of higher protection costs and need for alternative sources of working capital. Based on current evidence, we think a protection level of 50% represents a fair initial balance between these concerns. However, Ofgem should consider setting the portion of credit balances to be protected as a flexible amount set by direction of the Authority. This would allow Ofgem to adjust the amount to ensure the desired outcomes are being achieved, based on evidence of the effects of the implementation.

We also think that Ofgem should set out clearly how it thinks each option will incentivise suppliers to act in an appropriate manner in relation to credit balances. We would expect that both parent company guarantees and third party guarantees would incentivise both suppliers and guarantors to prevent excessive credit balances. Ofgem highlights the risk that in extremis this could lead to suppliers reducing credit balances and preventing consumers from using them to smooth their payments across the year.

The escrow account option could carry the opposite risk. The escrow account manager would have no oversight of the proportion of balances that have

⁵ BEIS & Ofgem, [Flexible and responsive energy retail markets](#), 2019

actually been transferred, leaving this open to supplier abuse by retaining more than 50% of balances. Even if suppliers do transfer the required 50% of balances, given Ofgem's impact assessment assumes a low marginal cost in relation to the size of the account, they may still be incentivised to increase credit balance levels to increase the working capital. Ofgem may need to more actively check suppliers using an escrow option to ensure they are managing credit balances appropriately.

Ofgem also needs to set out clearly for each option how the protected credit is returned to customers in the event of a supplier failure, and whether there is any risk with each option that it can be used by the administrator to pay creditors. It is important that the customer journey for claiming any outstanding credit should be the same regardless of what protection mechanism is used. This should include a single point of contact for reclaiming the full amount in a prompt manner.

Complications could also ensue where energy supply becomes "bundled" with other services and physical products like smart appliances. Ascertaining what constitutes a credit balance, and what is more properly defined as a deposit for services outside of Ofgem's current sectoral remit may become a growing issue.

The requirement may also see other benefits that are not quantified in Ofgem's impact assessment, particularly related to the competitiveness of the SoLR process. For instance, customers going through a SoLR event are likely to be put on a better deal with the new supplier as they will only need to support half of the credit balances. Similarly the new supplier may be less likely to draw on the LRSP for other costs like emergency energy purchases or IT resource to transfer customers.

Proposals related to scheme costs

The largest allocation of the costs of supplier failures have arisen from unpaid scheme costs (we estimate as 45% of the total costs to the energy industry "Industry Levies" in Figure 2). These scheme cost bills have directly prompted a number of supplier failures.

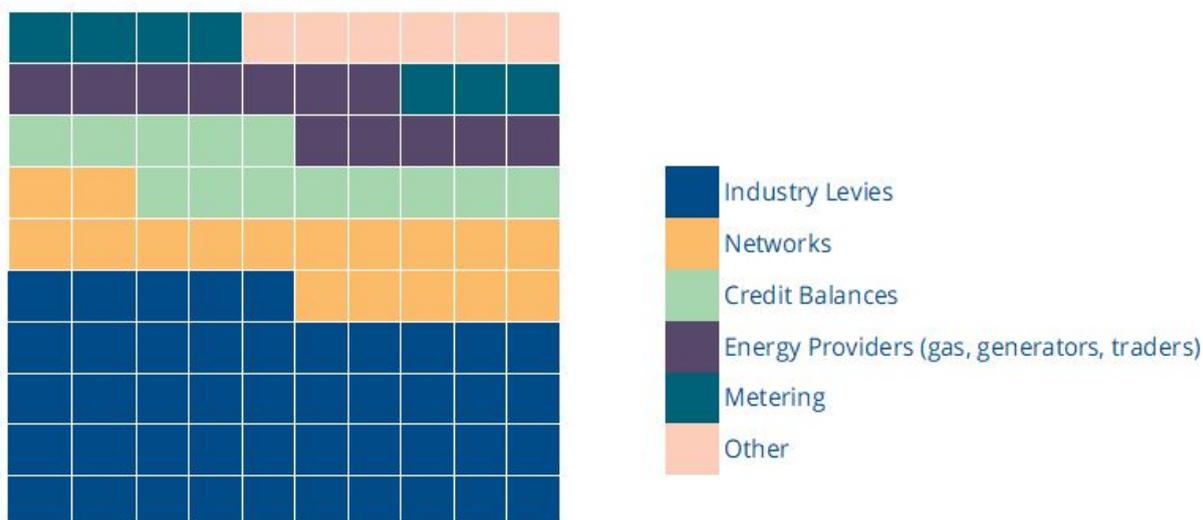


Figure 2: The distribution of costs to the energy sector from administrator creditor lists January 2018 - August 2019⁶.

This risk arises from suppliers building up large annual bills, which they may not be able to pay if they don't manage their finances appropriately. In contrast, more recent schemes like the Capacity Market and Contracts for Difference are paid monthly by suppliers, limiting the risk if bills are unpaid. Fundamentally we think that the Renewable Obligation should be paid more frequently to reduce this risk. However, we recognise that this is beyond the scope of Ofgem's powers and requires legislative change. We think this is warranted, given the scale of the costs and the remaining lifespan of the schemes (for example, the Renewables Obligation will not close until 2037).

In the absence of legislative changes, Ofgem's proposal that a proportion of scheme costs should also be protected as an interim measure. Unlike credit balances, which need to be managed dynamically in accordance with factors like consumption levels and consumer choices, scheme costs are bills which ultimately must be paid by suppliers. As such we think a larger proportion of these costs should be protected, and that suppliers should assess the level that needs to be protected on an ongoing basis to ensure this is achieved. This would best mimic the effect of a more frequent payment schedule.

We recognise that these costs may depend on a variety of factors, for example the Renewables Obligation is dependent on supply volumes and the number of ROCs that a supplier purchases or intends to purchase towards their obligation. Any protection would need to take account of these factors, and the proportion

⁶ Calculated from public administrator reports published to Companies House for suppliers who failed between January 2018 - August 2019.

of protection required could account for any uncertainty in the final bill. As we suggest with credit balances, Ofgem could adopt a flexible approach to the proportion that needs to be protected, to take account of issues that are identified after implementation.

Ofgem may need to provide more guidance and support for suppliers in relation to forecasting their obligation levels in order for them to protect the right amount towards the final bill. More work is required by Ofgem in order for stakeholders to understand how the proposal in relation to scheme costs could work in practice.

Non-domestic suppliers

Given the risk of mutualised scheme costs arises from both domestic and non-domestic suppliers, we think these protections should apply to both types of supplier.

We also think that microbusinesses should have their credit protected through Ofgem's Safety Net, and that the new protection requirements should extend to microbusiness credit balances. To date, since January 2018, there have been 5 suppliers who have had some non-domestic customers when they failed. If a supplier does not voluntarily protect the credit of the business, the business needs to go through the credit reclaim route with the administrator, where they may not get anything returned depending on the value of assets of the failed supplier.

Many suppliers serve both domestic and non-domestic customers. If the credit balances need to be protected for domestic customers, suppliers may be incentivised to mis-use non-domestic credit balance.

Microbusinesses currently have no formal protection of their credit balances or security deposits if their supplier fails. Companies have little scope to protect themselves by switching supplier or asking for a credit refund. This can lead to microbusinesses losing thousands of pounds through no fault of their own. Ofgem should establish a protection scheme for microbusiness customer credit balances and security deposits.

Ofgem should also act to prevent excessively high credit balances and extend domestic protections that require credit balance refunds on request to microbusinesses.

Q6: Do you agree with our proposal to introduce new milestone assessments for suppliers? Do you think the milestones we have

proposed and the factors we intend to assess are the right ones? Are there additional factors we should consider to help us to identify where suppliers' may be in financial difficulty?

Citizens Advice agrees with the proposal to introduce milestone assessments for suppliers. We agree with the thresholds of 50,000, 150,000, and 250,000 accounts as key milestones where additional reporting and operational requirements should take effect. We additionally agree there needs to be a higher threshold to ensure suppliers are prepared to serve a large customer base. Ofgem should carry out assessments to determine what the higher threshold should be and whether it should be influenced by the supplier's business model.

We would strongly argue that financial difficulty shouldn't be the only factor to consider in these milestone assessments, or further 'dynamic assessments'. Suppliers should be assessed on their ability to operationally handle any changes (for instance, servicing prepayment customers at 50,000 accounts, or offering ECO at 250,000 accounts). This should take into consideration key systems and processes such as the ability to bill accurately and promptly, variety of contact methods offered, complaints handling performance and procedures, and the support they provide to vulnerable consumers.

Ofgem should consider the thresholds as a requirement for suppliers to be authorised to serve a number of customers above each threshold before meeting it. Suppliers should be able to get pre-approval to cross one or multiple thresholds provided they are able to pass the assessment and remain subject to ongoing monitoring.

Ofgem also need to ensure that the thresholds do not become an unenforced tick-box requirement. For instance, at present there are suppliers who are not offering prepayment or cash payments, despite these being a requirement once they have over 50,000 customers⁷. Ofgem has been historically slow at enforcing this requirement, allowing suppliers to grow significantly above the threshold before offering prepay as an alternative payment method⁸. In future suppliers must be held to account to the requirements at different thresholds in order to ensure a level playing field and wide range of choice for consumers.

Ofgem needs to consider how quickly it can process assessments, and if they are considering any tolerance for suppliers crossing the thresholds. For instance, we have heard from suppliers of auto-switching companies switching a large number of consumers over to them unexpectedly. It is essential that suppliers

⁷ Citizens Advice, [Paying for energy with a prepayment meter still isn't working well enough](#), 2019

⁸ Ofgem, [Decision to close compliance engagement with Bulb on SLC 27](#), 2018

know how long the assessment will take Ofgem to complete, and what Ofgem will be assessing, in order for their business to continue smoothly. In particular, Ofgem should ensure that the rules are clear around how customers will be treated if a supplier exceeds its threshold, and whether any customers will experience failed transfers. It is essential that while the new rules protect consumers from underprepared suppliers, they don't cause negative consumer experiences or confusion.

It would be useful to understand how Ofgem sees the 'dynamic assessments' working alongside its use of Provisional Orders. A number of companies have been subject to orders preventing them taking on new customers in recent years, due to customer service failures. There is a strong correlation between poor customer service and supplier failure, with all the failed suppliers since January 2018 scoring under 3 stars on our star rating⁹ before failing. Often these customer service failings are the first sign a company is in difficulty or being poorly managed.

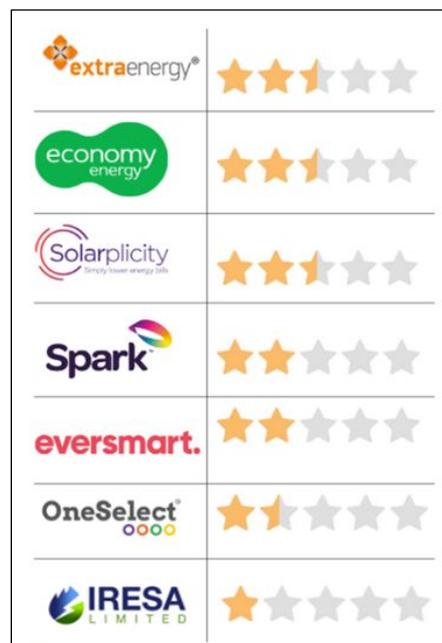


Figure 3: Last rating on Citizens Advice comparison website before suppliers failed¹⁰

Provisional Orders have generally been only used in cases of extremely poor service, and with relatively blunt restrictions (eg total ban on sales). We think that dynamic assessments could be used earlier, and more flexibly (eg by restricting acquisitions, rather than preventing them entirely).

⁹Citizens Advice, [Compare domestic energy suppliers customer service](#), 2019

¹⁰Citizens Advice, [Tougher rules for a tougher market](#), 2019

More responsible governance and increased accountability

Q7: Do you agree with our proposal to introduce an ongoing fit and proper requirement? Are there additional factors, other than the ones we have outlined, that you believe suppliers should assess in conducting checks?

Citizens Advice agrees with the proposal to introduce an ongoing fit and proper requirement. Whilst there are ways an unscrupulous company may be able to get around these checks, the onus on the supplier to ensure that people in a position of power are fit and proper to undertake their roles should encourage better practice.

We believe that the supplier should provide Ofgem with an outline of their company structure. Seniority and significant decision making ability should be considered in determining which roles must pass the fit and proper test.

Citizens Advice agrees that a regular self-certification should be sufficient to incentivise the required outcome. And that a re-assessment should be triggered for any significant change in roles or responsibilities.

Increased market oversight:

Q8: Do you agree with our proposal to require suppliers to produce living wills? What do you think we should include as minimum criteria for living will content?

Citizens Advice strongly agrees with the intent behind this proposal. We have seen examples of severe detriment arising from issues during the handover to the new supplier during the SoLR process. These must be addressed as part of the Supplier Licensing Review. A living will should make suppliers consider some of the practical measures that may be needed in the case of failure, and to set up their systems accordingly.

However there are some practicalities behind the proposal that we believe need to be considered.

It is not clear how the quality of the living wills will be assessed. We think the living wills should be scrutinised by Ofgem as part of its entry requirements and threshold assessments. Ofgem should also set out whether it thinks there are benefits to scrutinising all living wills when the requirement is first introduced, or

requiring them to be audited. In banking, where a similar requirement will be introduced from 2021, all living wills will be assessed by the Bank of England. The frequency with which the living will should be updated isn't outlined. This would have implications for both the accuracy and relevance of a living will if a supplier were to fail, and for the cost that would be incurred as a result of the will being updated. However, the impact assessment refers only to a one-time cost for producing the living will. Ofgem should set out how often it thinks the will would need to be reviewed.

In terms of the information that a supplier should provide to mitigate risks of failure, the key information we think suppliers should provide is:

- A plan for ensuring continuation of key services between when the supplier fails and when the supplier of last resort (SoLR) is appointed
- A methodology for handing over information, including all key consumer data in an easily portable format

A key requirement for ensuring service continuity and enabling the SoLR to offer a high level of service is that data from the failed supplier should be portable onto new systems. This is particularly important for the systems recording customer bill information, account status, and meter readings.

In recent cases, we have seen a particular problem when a supplier was based out of the UK, and their billing system was difficult to access by the administrators and SoLR. In this case, some consumers have been left to wait over a year for a final account statement, and our consumer service received a high number of contacts from consumers who were sent a bill that they felt grossly misrepresented their actual account status. In addition, because the SoLR cannot access the billing system, they have had to pay the administrators for each bill produced. This has ultimately increased the cost of the SoLR. If the billing data had been transparent and portable, these issues may have been mitigated. As a result of these issues, we propose that all suppliers should operate with a data set that would be easy to share with Ofgem and a new supplier if they fail.

We also strongly agree that contracts should also be in place with key service providers to ensure that consumers will not be at risk of disconnection if their supplier fails. We have seen supplier failures lead to disconnections, particularly for consumers on prepayment meters, because of issues with accessing their usual top up method.

Regarding the proposal to include plans for engaging with Ofgem and industry central bodies during the wind down process, we believe that there is already an obligation to do so through the proposed principle to be open and cooperative

with the regulator. Ofgem should also consider how the wind down plans of a failing supplier would be implemented, given that there has sometimes been limited engagement from the failing supplier in the past.

We also agree that there may be some benefit for suppliers in outlining the risks of consumers incurring costs and risks of service disruption for its customers, although the former partly depends on the extent of the protections against mutualisation that are put in place. We think it is important for this statement to be updated, tailored to the supplier's circumstances and should be able to be operationalised. We think Ofgem should ensure that the risks and mitigations outlined by suppliers are practical and not simply standardised descriptions.

It may be the case that there are some benefits to having a living will published, through greater confidence for customers and market participants. However it could also carry risks, for example if other suppliers or other services use information from a living will to persuade customers to change supplier. This could risk customers leaving their supplier unnecessarily, potentially at a personal cost if they pay an exit fee to do so. Ofgem should carefully test which information should be published by the supplier and whether a public Ofgem assessment alongside this would make it less likely to result in misinformation. Regardless of whether the wills are published, we would expect the Citizens Advice would have access to them through our information request powers as the statutory consumer advocate.

Q9: Do you agree with our proposed scope for independent audits? Please provide rationale to support your view

Citizens Advice agrees with the scope of independent audits and that these can be a useful tool where suppliers fail to give sufficient assurance via other means. We agree that Ofgem should ensure that their use is proportionate.

Exit arrangements

Q10: Do you agree with the near terms steps we propose to take to improve consumers' experience of supplier failures? Are there other steps you think we should be taking?

Citizens Advice supports Ofgem's decision to include references to debt collection in suppliers Terms & Conditions. A significant number of the contacts we receive after a SoLR has occurred are in relation to the debt collection activities of administrators. Consumers have seen agreed repayment plans ripped up, and administrators demanding payment with no consideration of

their ability to pay. In some cases consumers weren't aware they owed money to the failed supplier, as a result of poor billing practices.

However Citizens Advice remains concerned about how administrators will take into consideration these terms, and the ability for a consumer or Ofgem to challenge the administrator. At present if an administrator undertakes the debt collection after a SoLR there is no Alternative Dispute Resolution (ADR) service a consumer can use (although there is the ability to escalate a complaint to The Insolvency Service¹¹, consumers are only able to refer issues arising from administrator behaviour, not dispute the amount they are being charged). It is our understanding that if a consumer has a dispute about the accuracy of the debt being collected, after undergoing the complaints pathway with the administrator the next step is legal action, which can be a significant financial burden and barrier to pursuing a dispute for a consumer. In contrast, if the debt were to be collected by a supplier the consumer would have access to a free ADR via the Ombudsman Services: Energy.

Issues consumers face due to the administration process also fall outside of the requirement of support from the Extra Help Unit¹². Administrators additionally do not have offer alternative methods of repaying debts such as via a prepayment meter. We welcome Ofgem's open letter to administrators¹³, and encourage them to continue to engage closely with the administrators of failed suppliers. Citizens Advice are continuing to advocate for greater protections for consumers of failed energy supplier¹⁴, and feel the best outcome for consumers is when a supplier undertakes debt collection after a supplier failure.

Q11: Do you think there is merit in taking forward further actions in relation to portfolio splitting or trade sales? What are your views of the benefits of these steps? Are there any potential difficulties you can foresee?

We can see the benefits that could arise from portfolio splitting, in terms of increased competition for SoLR customers, and increasing the chance they transfer to a supplier that will offer them good service. However, it is essential that the process ensures that consumers will remain on supply and will not be moved to the wrong supplier. Following recent failures, there have been cases of consumers being moved to the SoLR in the wrong payment mode. There are

¹¹ <https://www.gov.uk/government/organisations/insolvency-service>

¹² [Consumers, Estate Agents and Redress Act 2007](#)

¹³ [Ofgem, Open letter to insolvency practitioners appointed to failed Energy Supply companies, 2019](#)

¹⁴ E.g. [Tougher Rules for a Tougher Market, 2019](#)

also reports of multiple failed suppliers leaving behind poor quality data. To avoid exacerbated risks from portfolio splitting, there would need to be significant changes in minimum data standards.

With regards to trade sales, while we agree that Ofgem should be able to scrutinize such proposals, it would be useful to understand what level of intervention Ofgem are considering. For instance, will this include only sales or transfers of white labels? How public and transparent will the assessment by Ofgem be? We think it is important to consider these questions to avoid leading to a public perception that the supplier is 'risky' because it is being publicly scrutinized by Ofgem. This might lead to reduced investment, or customers switching away from the supplier and might cause further financial burdens.

Citizens Advice supports these assessments in principle. Poorly executed trade sales have caused increased contact to the Consumer Service in the past. Having an approval process can ensure that the suppliers involved are prepared for the increased customer contact, and have contacted all the appropriate Third Parties in advance of the sale.

Appendix 1

Q12: Do you think our draft supply licence conditions reflect policy intent?

Not answered.

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