# Inspired response to Ofgem Third-Party Intermediaries (TPIs) market review call for input

## Executive summary

Inspired is the leading TPI operating in the UK markets. (Source: Cornwall TPI report 2018 to 2025.)

With over 700 utilities experts in house, we serve over 3,500 diverse clients across private and public sectors, from mid-market organisations through to major manufacturers, leading retailers and local authorities – managing over 275,000 meters across the country.

Inspired offers practical solutions to help our clients control their costs, reduce their energy consumption and carbon emissions and remain compliant in the surrounding regulatory landscape. We call these challenges the "4Cs" and tackle them through our four service divisions: Assurance, Optimisation, ESG and Software.

Besides strategic energy procurement, we offer numerous interconnected energy services, including:

- Cost control services, including bill validation, energy accounting, levy exemption schemes support and forensic energy cost audits.
- Energy consumption management services, such as building controls, on-site generation and circuit-level monitoring.
- Estate management services, including metering solutions.
- Compliance and reporting services, including building energy performance certification compliance.
- On-site generation solutions and associated services, such as solar PV, air and ground source heat pumps and Corporate Power Purchase Agreements.
- Software services, including energy management and budget software.

Although Inspired does not operate within all customer segments this market review covers, our experts and leadership teams have extensive experience working across suppliers, customers and other TPIs and are therefore able to offer our views on the whole market.

As an established industry presence, Inspired has the diverse service offering and robust track-record of supporting some of the UK's largest and most complex energy consumers – making us well-placed to make a meaningful contribution to the crucial dialogue around regulating the TPI landscape.

## Overview

Inspired recognises the need for regulation within the TPI landscape. Regrettably, the sector includes some alleged bad actors whose activities have resulted in customer harm, primarily through underhand selling practices and excessive hidden commission or fees.

Previous attempts to establish codes of conduct and operating parameters within the TPI sector have lacked consequences and enforceability.

Most critically, universal supplier endorsement has been absent. Therefore, we welcome the government intention to appoint Ofgem as the regulator of TPIs.

TPIs act as an invaluable conduit between suppliers and end-consumers in a complex and volatile market. However, an intermediary cannot be regulated effectively without balanced consideration of the entities on either side.

For instance, regulation should not create a contradiction to a bilateral arrangement covered by contract law two parties have freely entered, as this can lead to a perverse incentive for customers to abuse the regulations for commercial gain.

Furthermore, most poor TPI conduct has at some point been enabled by a supplier – reinforcing the need for comprehensive regulation.

As the governing body of energy markets in Great Britain and the rule-making body for suppliers, Ofgem is in a pivotal position to ensure TPI representation in supplier forums and place reciprocal obligations on suppliers to ensure an effective regulatory regimen.

We welcome Ofgem's intention toward sector segmentation outlined in this call for input, subject to the publication of further detail, following the blanket approach outlined in the 2024 government consultation.

However, the segmentation approach must be founded in the differing requirements of the customer segments – rather than customer size or the TPI type.

A single regulatory framework cannot serve all customer segments effectively; the energy needs of a domestic consumer differ fundamentally from those of a business with complex energy requirements.

For instance, genuine market volatility could be construed as a high-pressure sales tactic for a smaller user but is vital information for larger consumers. Regulation to protect the smaller user should not restrict operation in the wholesale market for customers who require more sophisticated products and services to meet their energy needs.

These needs, along with commercial objectives, determine the products and services a customer requires. This is reflected in the distinct ways TPIs, suppliers and customers interact across segments. The complexity of products and services differs across these segments, as do the applicable regulatory requirements.

As part of Inspired's response to the 2024 Department for Energy Security and Net Zero (DESNZ) consultation, we outlined our view that the TPI market can be segmented into three distinct parts:

1. **Domestic.**
2. **Small customers;** Micro and small businesses.
3. **Large non-domestic customers;** Medium and Large energy consumers, portfolios, and the Public Sector.

Inspired operates in the last segment, containing the larger and more complex customers.

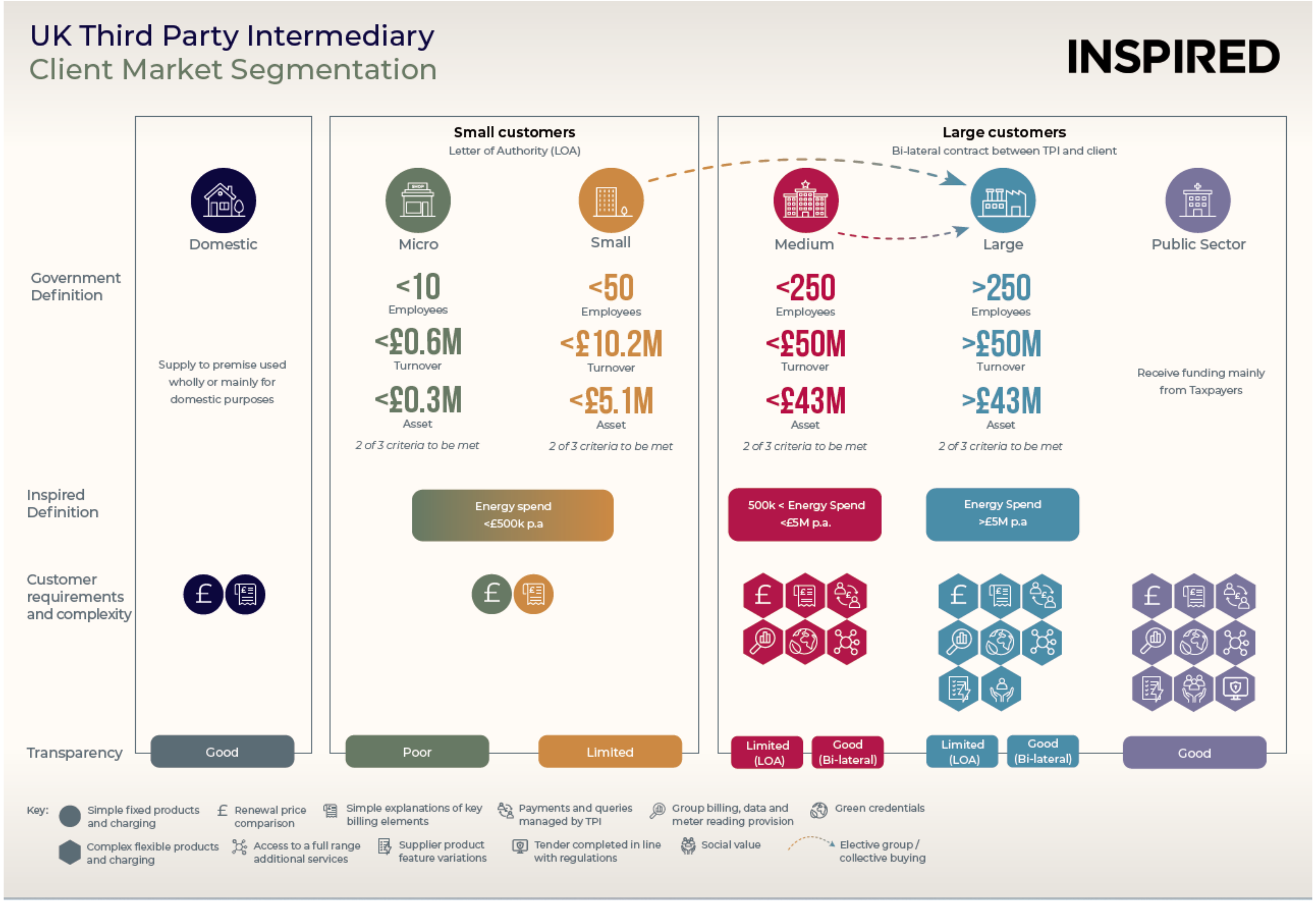


*Figure 1: Differing regulation needs by client market and differing products and services to meet their needs. PDF version available here.*

To help further illustrate the breadth of customer needs and the differing regulatory questions these present, our view of the market was illustrated in our **Segmentation Matrix** (attached in appendix one), outlining:

a) Our definition of these market segments.

b) Their typical electricity and gas spend.

c) Their objectives as a customer when working with a TPI.

d) How the customers within these segments find a TPI.

e) Contracting mechanism between the customer and TPI within each segment.

f) Market penetration within these segments by TPIs.

g) Barriers to entry for new TPIs within each segment.

h) Size of the TPIs operating within each segment.

i) Market transparency within each segment.

j) Supplier participation within each segment.

k) Price transparency within this segment.

l) Dispute resolution within this segment.

m) Complexity of processes within this segment.

Our Segmentation Matrix then goes on to map the stated areas of potential harm and their relevant impact in each sector.

Inspired's responses are framed with reference to this model throughout.

TPIs are selected and contracted in the medium and large market segments through an open and competitive market, with terms bilaterally negotiated. Inspired routinely operates under bilateral agreements and considers these to be broadly self-regulating.

Extending from this point, regulation should recognise the distinction between contracting types. The potential for consumer harm is heightened where transparency is lacking, or service expectations are unclear.

This issue is more pronounced where no bilateral agreement exists. Where one does, regulation, however well-intentioned, should not displace contractual principles.

Inspired welcomes the opportunity to contribute to a proportionate regulatory framework, targeted by consumer type and contracting method.

Our detailed responses to the individual call for input questions are presented in the next section.

## 1. What barriers to entry are there for new TPIs to enter the sector?

**a) How do they vary by TPI type?**

**b) What effect do you think these have on the sector and consumers?**

The current TPI market landscape is multifaceted, with generally low barriers for entry. However, the barriers are dependent on the customer segments the TPI serves.

As outlined in our Market Segmentation Matrix, these barriers include:

- **Domestic:** Barriers are very high due to market saturation by large multi-product comparison websites, along with high set up costs due to high expectations for an excellent online user experience.
- **Micro and small:** Barriers are lower due to relationship-based nature of SME interactions and highly fragmented market. Supplier relationships can be challenging for smaller TPIs, which can force them to use aggregator services as route to market.
- **Medium:** Low barriers given the more simplistic approach. Working with major suppliers is probably the most difficult piece of work for any start-up.
- **Large & Public sector:** High barriers due to lack of reputation or track record or difficulties setting up with suppliers and metering providers.

As market entry barriers differ across customer segments, so do the resource requirements placed on the TPIs seeking to enter a certain market. This reinforces the case for segment-specific regulatory assessment to ensure TPIs continue to deliver value for their customers.

Across all segments, the TPI market is perceived through the lens of consumer experience. A poor experience with one operator can colour perceptions of the sector, which regulation will go some way toward addressing.

If proportional and reasonable, regulation should not have a stifling effect on the TPI market. Instead, it will change the landscape by removing bad actors and encouraging new entrants.

## 2. What features of the TPI sector do you think help support effective competition and good outcomes in the sector?

**a) What areas of the TPI sector do you think could be improved?**

As established, the TPI market is diverse and generally characterised by low barriers for entry. While this accessibility has allowed alleged bad actors to enter, the same openness has driven specialisation and a breadth of provision across the sector.

Moreover, this setting has created a premise of provision for consumer choice. Customers should be able to select a specific service to meet their energy needs, such as procurement or energy accounting, should they wish to do so.

Therefore, regulation should be balanced; rigorous enough to raise standards without imposing disproportionate strain on those TPIs already operating responsibly.

Regulation will help foster further market trust, underpinned by the assurance that TPIs operate within Ofgem's oversight.

Accordingly, regulatory oversight should initially focus on areas of the sector where regulatory intervention is most warranted.

### Areas of improvement

#### LoA activity

One of the specific areas where potential harm (either real or perceived) occurs is where expectations between a customer, TPI and supplier are not clearly defined.

A Letter of Authority (“LoA”) approach, where a TPI undertakes speculative work to secure prices for a customer based on authorisation granted by the consumer has the highest propensity for potential harm due to its more ambiguous service expectations and lack of commercial terms.

Inspired recognises this as an area of potential harm in the industry and has proactively changed its approach to improve transparency in business areas operating under a LoA.

When carried out transparently, LoAs serve as an effective route to market. Therefore, regulatory focus should concentrate on occasions where a LoA is not linked to clearly defined and communicated service delivery.

As part of a LoA contracting arrangement, a TPI conducts an activity (often but not exclusively procurement-based) where they are acting on temporarily granted authority from the consumer. Level 1 letter of authority allows the TPI to gather information to tender and present market prices back to a consumer.

At this stage, the consumer can choose to accept or potentially decline and seek alternative arrangements. Assuming the consumer accepts, a contract is formed between the consumer and the supplier. The TPI has an umbrella contract with the Supplier for the payment of commission added to the consumer monthly invoice.

When operated well, this service suits the supplier by offering an effective route to market and a non-binding call-off of expertise in a niche market to the consumer.

Potential harm arises when the consumer is not fully informed before making decisions, such as:

- Which suppliers were approached?
- What non-financial consideration have been taken into account?
- How have the offers been evaluated when comparing different fixed and floating elements?
- Have commissions been fully disclosed at point of signature?

Furthermore, the consumer's expectations around post-contract services have not been established. The consumer may anticipate further services that the TPI has neither planned nor committed to provide, leading to service disputes and potential issues.

This is compounded further in the case of Level 2 LoAs, which grant the recipient authority to enter a binding contract on the customer's behalf. Level 2 LoAs have a place in the market for consumers choosing more sophisticated products and services to meet their energy needs.

However, Level 2 LoAs should only ever be permitted with the backing of a specific Bilateral agreement between the Customer and the TPI, which stipulates under what circumstances the LoA can be used and the contractual consequences if it is not used correctly.

For example, a consumer that has appointed a TPI under a lateral agreement to manage a complex, frequently changing estate of meters may wish to streamline operations by authorising the TPI to place contracts on its behalf.

This type of Level 2 authority could be easily validated and the consumer’s wishes subsequently followed. This is quite a different practice from a Level 2 LoA being used to bind a single site into a contract the consumer has never seen.

Any new regulation should focus on where only a LoA exists. For instance, LoA procurement is prevalent among SME TPIs and should be a focal point in any upcoming regulation. These TPIs do not have clear Bilateral contracts with their customers, which is the area of highest potential harm.

Regulation should focus on LoA-type arrangements, with contract law prevailing in the bilateral market – preventing perverse incentives to circumvent agreements and avoiding unintended barriers to innovation or customer benefit.

Yet regulation in this area needs to focus on TPI and Supplier behaviour alike, as most of the alleged harm under this contracting arrangement has been caused by both parties.

## Informational imbalance and TPI representation

TPIs have lacked representation in Ofgem and supplier forums to date. This absence has contributed to a culture in which industry issues have been attributed to TPIs, rather than examined in full.

Most poor TPI conduct involves a supplier dimension at some stage. Regulation must therefore be broad in scope, rather than focused solely on the TPI.

Resultingly, TPI representation on regulatory modification panels is essential to counter the asymmetry of information that suppliers might otherwise present.

While Ofgem’s vision of building an effective and proportionate regime that protects consumers while keeping the regulatory burden as low as possible is welcomed, the call for input process itself ostensibly reflects this information asymmetry.

Most documentation is publicly available, yet an overview of Ofgem's specific information requests to suppliers and a supporting TPI survey are not equally accessible.

Ofgem's intention to use this review to inform a TPI regulatory scheme draws particular attention to the availability of the specific information request to suppliers.

While individual contributions would not be expected to be shared, a summary overview would allow for a more informed assessment of whether the quantitative or qualitative information sought constitutes a basic informational exercise such as establishing the number of TPIs a supplier engages with or a broader examination of supplier practices aimed at standardising TPI collaboration.

Furthermore, making the information sought more widely available can assist TPIs in providing data that usefully informs Ofgem's wider objectives.

Moreover, the call for input document references the scope of TPIs approached – those on Ofgem's contact list – but provides no equivalent information on the suppliers approached.

What individual suppliers contribute is not in question; what is less clear is whether the request has been directed to all suppliers or a subset. Without this, the extent to which the evidence gathered provides a reasonable scope of TPI sector collaboration in view of supporting any regulatory changes required cannot be determined.

As previously noted, an intermediary cannot be regulated effectively without consideration of the entities on either side. Wider availability of such information is fundamental to the transparent development of an effective regulatory framework.

## 3. On what basis do TPIs typically compete? (e.g. price, customer service, access to suppliers, trust).

**a) Please explain how important each factor is relative to one another.**

The TPI market is characterised by diversity, with some operators competing on price and others setting themselves apart on service quality.

Price is not the only measure, however. Where cost becomes the primary driver, service quality can suffer accordingly.

The balance between service quality, pricing and resource requirements underpins competitive drive in the market.

Further nuance emerges when striking this balance against a diverse service offering. TPI services range from largely automated processes to more sophisticated products requiring significant industry expertise, time and broader operational resource.

While factors such as supplier target markets or the number of bids received through public tendering processes can limit the available supplier pool, a TPI should ensure access to the widest possible market.

Conversely, the measure of a TPI lies not in volume of suppliers accessed, but in the relevance of those supplier relationships to the customers served.

For instance, at Inspired, all suppliers are screened and held to task on specific Key Performance Indicators (KPIs) and Service Level Agreements (SLAs) to ensure clients receive a best-in-class service.

The weight of the elements outlined in the question shift across customer segments, reflecting the different ways each engages with a TPI. In segments characterised by limited customer interaction, such as the domestic segment, ongoing account management is immaterial.

Meanwhile for large consumers, a long-standing rapport with a dedicated account manager can be invaluable, with the account manager's knowledge of the organisation’s operations and requirements enabling greater value to be derived from the product.

Scale is also a factor. Where many TPIs operate on shared portals and software, single operators can benefit from reduced overhead costs and command premium pricing through the strength of specific client relationships, but capacity constraints can limit their ability to scale.

A TPI of Inspired's scale, delivers value through a comprehensive service offering, such as risk mitigation, operational cost reduction and regulatory guidance, underpinned by the depth of resource and expertise this demands.

## 4. Why would a TPI exit the industry?

**Please share any recent examples you want to highlight and what happens to consumers/suppliers/data and payments when an exit does occur. We are interested in voluntary exits, exits due to insolvency and acquisitions.**

There is no inherent reason for a TPI operating profitably to voluntarily exit the market, save for circumstances such as acquisition by a larger operator.

In cases of non-voluntary market exit, specialisation is the foundation of a dynamic TPI market. What sets a TPI apart from others using the same portals and software is depth of expertise, and the established client base that follows.

Amber Energy's exit from the market in February 2026 serves as a recent example of a prominent TPI departure that regulation would not have prevented, unless Ofgem was to impose resource-intensive and potentially operationally prohibitive reporting requirements.

Where the primary cause of market exit is business development rather than commercial difficulty, any regulatory framework must be carefully calibrated to avoid imposing disproportionate burden or cost on TPI activity.

## 5. How do customers currently assess the quality and trustworthiness of a TPI before engaging with them?

### a) Is there any information that would better help consumers identify good quality TPIs?

Energy needs vary between organisations and market segments. The quality and trustworthiness of a TPI in meeting a customer's specific energy needs can be difficult to assess, with the nature of that challenge varying across customer segments.

A thorough understanding of the relevant sector and its regulatory landscape is a prerequisite for any expert energy partner.

Publicly available case studies and strong references, such as experience with complex portfolios, public sector organisations or large energy users, provide further evidence of capability. Within some consumer segments, external validation may also be drawn from industry publications such as Cornwall Insight.

A TPI should also be able to provide information on client retention rates. While some degree of provider change is characteristic of any market, retention rates can offer meaningful insight into service quality and the value of the broader offering.

Yet, TPI engagement varies considerably across customer segments from individual approaches to public sector frameworks. This diversity of engagement can limit a consumer's opportunities to assess the quality and trustworthiness of a TPI.

Inspired’s Market Segmentation Matrix outlines how different consumer segments find a TPI:

- **Domestic:** Word of mouth, mass advertising.
- **Micro:** Direct outreach via telesales, regional market advertising and trade associations.
- **Small**: Local regional advertising, direct outreach via email and telesales.
- **Medium:** Most contacted by TPI offering services or some customers would make their own approach by using Google and other search engines. This

creates opportunities to engage with publicly available materials demonstrating service quality, such as case studies.

- **Large:** Most customers would issue a tender directly or indirectly to the TPI, some would approach directly based on recommendation.
- **Public sector:** Customers advertise tender on government tender portals. The tender process provides TPIs with an opportunity to demonstrate their quality by responding to the questions defined by the relevant body.

Subject to further detail, regulation will bring greater consistency of conduct across the TPI landscape, which should help build trust in the sector.

For instance, a regulatory framework might address whether Ofgem intends to establish a recognised standard that distinguishes TPIs demonstrating good conduct such as a kite mark system.

Documentation should also be a part of the framework requirements, such as written policies addressing conflict management to ensure full transparency for interested parties. This could be supported by existing schemes such as ISO accreditation, along with the introduction of a TPI charter outlining a code of conduct for TPIs to adhere to.

However, the requirements of such a standard may vary across customer segments, given the differing nature of TPI interactions within each.

## 6. How effective is the current complaints handling process for consumers who use TPIs?

**a) Are any variances in the complaints handling process depending on the type of consumer (e.g. domestic, non-domestic including Small/Microbusinesses/Industrial and Commercial).**

The quality of a TPI is reflected in an effective complaints process; good TPIs will have an established internal escalation process to resolve disputes.

Furthermore, an ISO 9001-compliant complaints procedure requires a structured, documented process for capturing, investigating, resolving and preventing the recurrence of issues. Displaying this accreditation publicly serves as an external indicator of a robust complaints process.

Moreover, any well-structured bilateral contract between a customer and their TPI would outline an alternative dispute resolution and mediation process.

Disputes that cannot be resolved between the two parties need to fall under the jurisdiction of the courts under the Bilateral contracts entered into. Contracts exist for a reason – to protect both parties in a dispute.

Beyond this, the access to Alternative Dispute Resolution (ADR) services, first introduced for microbusinesses, has been extended since to the small business segment.

Inspired is supportive of the alternative resolution process the Energy Ombudsman offers these customer segments.

However, non-expert agencies like Citizens Advice or the Energy Ombudsman cannot address the complexities of large consumer issues and disputes.

Whilst suitable for the smaller end of the market, these agencies should not be burdened with trying to resolve commercial disputes between organisation of equal (and often arguably dominant customer power) commercial standing.

Medium and large segment consumers tend to have more complex queries, necessitating subject matter expertise with a thorough understanding of the issues facing complex energy users and TPIs.

In Inspired's view, the Energy Ombudsman in its current form is not well-suited to handle such queries. Regulation to this effect also risks prejudicing bilateral contract agreements.

Therefore, regulation should be focused on the area of potential harm where there is no explicit bilateral contract between the customer and the TPI.

## 7. To what extent does the current sector encourage and reward high-quality, low-cost advice?

Given the layered and interpretive nature of this question, it is best approached by examining each element separately.

First, clarification is required on what constitutes advice. A price comparison website listing available suppliers and costings delivers the outcome a domestic consumer seeks when making an informed decision about their energy contract – and in doing so, constitutes as advice.

However, such information is broadly available through supplier portals and can be delivered largely through automated processes.

Specialist advice, such as developing a bespoke energy procurement strategy tailored to a customer's portfolio, requirements and ambitions, requires specific industry expertise and resource, including the time to understand organisational needs and evaluate available options thoroughly.

In both scenarios however, the quality of the advice given remains a distinct and separate matter. As an established industry presence, Inspired has seen the impacts of pertinent and unfitting energy advice alike.

However, the arguably subjective assessment of what constitutes poor or high-quality advice should be carefully considered upon establishing a regulatory regimen.

For instance, if a customer prioritises price and a TPI provides the cheapest available option – even at the expense of service quality – does this constitute high-quality advice on the basis that it fulfils customer instruction?

Furthermore, energy is a commodity with extreme levels of price volatility. A decision a customer makes for good reasons at one point in time can lead to regret in hindsight if market prices subsequently fall.

Moreover, some sophisticated procurement solutions require a customer to act quickly within agreed approach amidst intensifying market volatility.

It is important regulation does not inadvertently create a scenario where perverse incentives increase the number of bad customer behaviours in the market on the grounds of ‘poor advice.’

A bilateral arrangement protects both parties against Customers who may have a perverse incentive to be ‘bad actors.’

Regarding the cost dimension, technical expertise carries an inherent cost. This is especially relevant in the medium and large customer segments, where the intricacy of energy requirements amplifies the potential savings and efficiencies a skilled TPI can deliver.

It is not immediately apparent how a service of this potential can be meaningfully defined within the parameters of “low-cost, high-value advice.”

Any regulatory framework should therefore allow for appropriate pricing commensurate with the information and expertise provided.

Finally, encouragement and reward must be defined in terms of their measure, source and beneficiary. For instance, a competitive market offering genuine consumer choice could itself be considered inherently encouraging and rewarding for operators and consumers alike.

However, regulation without product and service segmentation risks preventing the delivery of high-value services and constraining innovation, especially in the case of more tailored and sophisticated solutions that a blanket approach could inadvertently restrict.

Ultimately, all sectors operate on the principle of supply and demand. Where a consumer makes a choice to engage with an energy expert, whether the pricing and quality of the service requested meet their requirements is ultimately for the consumer to determine.

## 8. Do TPIs face any barriers in assessing tariff, data, service or product suitability for their clients?

Access presents little difficulty where a party controls its own data. However, data access from suppliers presents ongoing challenges, including service level requirements and extended waiting times.

Notably, there is no mechanism to hold suppliers to account for delays in issuing credit notes, even where the customer is adversely affected.

Although most suppliers operate with openness and transparency, inconsistencies in practice can complicate TPI engagement – a risk that stems from the lack of any standard governing how suppliers engage with TPIs.

One example would be service disruption arising from a requirement for a TPI to engage a particular supplier through a portal, while other suppliers accept a signed Letter of Authority (LoA) by email.

Further inconsistency arises in LoA requirements, which vary across suppliers and their internal teams.

Obtaining information from Distribution Network Operators (DNOs) can cause delays, given the absence of portal access. Further inconsistency arises from variation in portal provision, with some containing relevant data and others not. By contrast, DNO costs and structures are publicly available and straightforward to obtain.

On the question of product suitability, one barrier TPIs arguably face is the requirement for expert knowledge. The breadth of available products places a significant demand on TPIs to understand each. The more sophisticated products become, the greater this requirement will be.

## 9. How do you foresee the TPI sector evolving in the future? (e.g. via Market-Wide Half Hourly Settlement, flexible tariffs, digitalisation, artificial intelligence)

### a) What impact will these changes have on competition and market entry?

Energy is an inherently technical and intricate landscape, volatile and demanding to navigate. Consequently, the TPI sector has served as an indispensable link between suppliers and consumers, playing a fundamental role in the successful evolution of the competitive retail energy market.

Energy products are becoming increasingly sophisticated, placing greater emphasis on the need for expert knowledge for consumers to derive most value from them.

For instance, Market Wide Half-Hourly Settlement offers considerable opportunity for tariff innovation and cost-reflective pricing and should improve billing accuracy by eliminating estimated meter reads.

However, experience indicates that most consumers will remain agnostic to these changes until the benefits are clearly communicated – which is the day-to-day work of TPIs. Given that energy suppliers have effectively outsourced their sales function to TPIs, the market depends on a well-functioning sector to operate effectively.

Moreover, flexible tariffs have long been a feature of the market, but the surrounding industry landscape is evolving.

Non-commodity costs are becoming increasingly complex and progressively disconnected from consumption, with their role in energy billing continuing to expand. TPIs will be crucial in helping consumers navigate and mitigate the impacts of these costs.

The growing complexity of these products will only cement the role of TPIs as indispensable market participants.

AI has the potential to enhance TPI operations in this evolving market landscape. It will enhance straightforward processes amenable to automation, such as change of tenancy – reducing cost and releasing expert staff for complex advisory work.

Day-to-day account management functions stand to benefit in the same way. With further development, AI has the potential to move beyond routine functions to supporting increasingly complex services.

Conversely, the increasing demand for technical expertise may act as a barrier to entry for future market participants.

## 10. Are there any consumer groups that face barriers to accessing the retail energy sector without using a TPI and what drives those barriers?

Within the TPI space, cost of engagement is the only meaningful barrier to retail energy market access.

TPI fees in the domestic space are not added to the individual consumer's price. In the non-domestic space however, costs can become prohibitive where significant support is required.

Moreover, barriers of consumption volume may come into play if a consumer seeks to access more sophisticated and cost-reflective energy tariffs.

A practical example of this is where smaller customers wish to procure energy on ‘flexible’ basis and not on a ‘fixed price contract’ and they elect to procure energy in a group, often known as a portfolio or collective. However, accessing these collectives and effective ongoing procurement decisions facilitate expert TPI support.

As one of the most volatile commodity markets in the world, energy is characterised by immediate price movements that frequently require non-domestic consumers to seek expert guidance to navigate the market from an informed perspective.

A broader question arises, particularly in the context of non-domestic consumers who do not benefit from equivalent protections to Ofgem's price cap. Namely, why the market has evolved in a way that demands industry expertise to make substantiated procurement decisions?

However, addressing this would require fundamental change to the energy market structure.

## 11. How do TPIs currently identify and support consumers in vulnerable situations?

### a) When TPIs do identify vulnerable customers, does the supplier get provided with that information?

The concept of vulnerability is a concern for the domestic consumer segment and at most extends to micro businesses when the key decision makers consist of singular people.

However, this is not and should not be made into an issue impacting the non-domestic consumer segments beyond microbusiness.

A TPI should identify microbusinesses as per current practice, but no further obligations should be placed on TPIs operating beyond these consumer segments.

Other non-domestic consumers are generally equipped to employ expert decision-makers or engage additional specialist support. This is not a gap TPIs should be expected to fill.

## 12. What factors should be considered when designing an authorisation process? In your response, please consider the authorisation fee, information requirements, and any potential unintended consequences.

### a) How might different approaches affect TPIs and the sector? Where appropriate, please provide examples from other sectors.

The authorisation process emerged following the original DESNZ consultation rather than forming part of its original scope.

The subsequent government response set out an approach under which Ofgem would recover its regulatory costs primarily through annual fees payable by regulated TPIs.

Moreover, the response outlined an intention for the mechanism to balance reflecting actual regulatory costs with proportionality – linking the cost of regulation to a firm's revenue from regulated activities.

Therefore, a considered response to the above question requires further detail on how government and Ofgem envisage the process operating in practice, especially given this was introduced at a later point in the timeline.

In a supporting document to this response (appendix two), Inspired offers our observations on turnover-based fees, along with a suggested alternative: a hybrid, activity-based and risk-weighted fee.

This is offered as a starting point for discussion, with a series of questions to help the market engage meaningfully as the design develops.

Meanwhile at a broader level, compliance processes will inevitably increase operational costs, though the extent of that increase will depend on the scope of the regulation – for instance, application fees, ongoing authorisation costs and renewal processes.

Costs may also be incurred associated with the regulator itself, as well as implementing any regulatory requirements.

Despite the government intention to recover regulatory costs directly from regulated TPIs, compliance costs are ultimately borne by the end-consumer, as evidenced by the increasing prominence of non-commodity costs in energy billing.

Authorisation fees and other compliance costs within a regulated TPI market are not absorbed costs but will inevitably be passed through to TPI service pricing.

Authorisation costs must therefore be carefully calibrated to encourage appropriate conduct while protecting consumers from disproportionate cost and avoiding incommensurate demands on legitimate TPI activity.

For instance, this could in turn be reflected in less labour-intensive information and reporting requirements – reducing the internal resource demands placed on TPIs.

Inspired would welcome the opportunity to discuss our alternative funding submission with the TPI Programme team and to share data to support Ofgem in developing a proportionate and harm-aligned funding model.

## 13. Do you agree with our description of how the TPI market typically operates and the customer journey?

**Please provide any additional information or evidence that would aid our understanding, and highlight where risks of poor outcomes are greatest, including any differences based on types of consumers.**

The description of typical TPI market operation and the customer journey does not accurately reflect practice, overlooking the distinct ways in which each customer segment interacts with the sector.

For instance, micro and small business customers typically have no direct contact with a TPI, with a LoA as the only paperwork. This type of contracting arrangement has the highest propensity for potential harm due to its more ambiguous service expectations and lack of commercial terms.

By contrast, medium and large consumer have direct contract with TPI for specified services. Fees and deliverables are documented, along with liabilities, expectations and redress mechanisms. Moreover, TPIs are selected and contracted in an open and competitive market with terms bilaterally negotiated.

Meanwhile, TPIs operating in the public sector are selected and contracted in an open and competitive market with terms and conditions part of tender.

Moreover, ongoing account management or energy advice doesn't always take place. Micro and small businesses typically have limited follow-on service following transfer, payments and queries go to supplier with little to no TPI follow-up until next renewal.

Meanwhile, medium-sized users often partake in additional post-procurement services, including bill validation, data management, monitoring and targeting, new site connections and exemption management.

The upcoming sector segmentation process will be key to deciding what a TPI customer journey looks like for different consumers.

Ofgem’s forthcoming sector segmentation process will be instrumental in determining what the TPI customer journey looks like across different consumer groups.

## 14. To what extent do TPIs specialise by factors including consumer type, sector, or size of client?

**a) What factors motivate this specialism?**

The TPI industry is founded on specialisation, with operators free to direct their skills and expertise toward their chosen areas of the market.

The TPI market places no requirement on specialism; specialisation is a choice directing expert knowledge to drive good outcomes for the customers served.

Inspired operates in the market segment containing the larger and more complex customers. This focus means our in-house experts invest time in understanding the challenges and intricacies within this segment, along with sector-specific nuances and each client's unique requirements – equipping the team to address complex issues beyond the reach of a broader approach.

Regulation should support both the ability of TPIs to specialise and the right of customers to select the suitable energy support to meet their needs.

Furthermore, any standardised framework of best practice Ofgem establishes within the TPI sector should reflect the specialisation present across the market.

Inspired recommends that Ofgem clearly define the services within scope of TPI regulation. For instance, Ofgem’s established goal to promote net zero may pull the definition in the direction of net zero consultancy.

However, energy procurement and net zero advice require different skillsets. The current TPI landscape has allowed operators to specialise, tailoring service offerings to the energy needs of the clients each chooses to serve.

Regulation should not force a customer to procure a service that is unwanted. Nor should a TPI be required to provide a service without the necessary qualifications and expertise.

Too broad a definition of a TPI creates a gap that could leave firms providing supply contract negotiation alone outside regulation entirely. This scenario risks consumer harm.

The definition must therefore anchor on energy procurement as the core regulated activity: narrow enough to always capture procurement-only operators, while reflecting the diversity of the market.

In a specialised industry, TPIs should remain free to shape service offerings suited to client energy needs, and regulation should accommodate this.

## 15. What value do TPIs bring to the energy sector and what services do consumers value from them?

As stated in response to question nine, TPIs have been central to the development of the competitive retail energy market – serving as the bridge between suppliers and consumers. Increasing product complexity will only reinforce the importance of this role going forward.

On the question of what services consumers value from TPIs, our Segmentation Matrix sets out customer objectives in detail.

- **Domestic:** Customers seek a straightforward way to compare prices across a wide range of suppliers, with clear explanations of key terms such as unit rates, standing charges, cancellation fees, contract duration, and fixed or variable pricing.

- **Micro and small:** This segment generally seeks price comparison focused on improving renewal or default rates on expired contracts, with limited consideration of terms, conditions, or the key features of supply offerings. Follow-on service after transfer is limited, with payments and queries directed to the supplier and little or no TPI involvement until the next renewal.

- **Medium:** Customers in this segment generally have little or no energy market expertise and look to TPIs to manage the decision-making process rather than develop in-house capability. Some may also wish to participate in group buying schemes, providing access to more complex risk management products that would otherwise be unavailable, cost-prohibitive, or ineffective at their scale.

- **Large:** Like medium customers, this segment places increased emphasis on energy price risk management and additional services. Customers frequently seek to negotiate with their incumbent supplier on suitable terms rather than switching outright. Considerable attention is paid to terms and conditions, with commercial and contractual drafting required.

- **Public sector:** Customers in this segment tend to have prior experience of a TPI. Customer knowledge levels vary, so services are tailored to each customer. Tender completion in line with applicable regulations is a key requirement for this segment. Tenders may take an open, closed, or restricted format, with restricted tenders limiting participation accordingly. Cost comparison is comprehensive, incorporating product functionality and social value alongside price, as set out in the tender documents.

## 16. How are commission and other remuneration or benefit arrangements made in the TPI sector?

**We are interested in understanding how TPIs are remunerated or otherwise receive a commercial benefit, who and what determines the level of remuneration/benefit, what incentives do different existing remuneration/benefit structures create, and any concerns you may have on typical remuneration/benefit structures.**

Bilateral contracts govern the relationship between a Customer and the TPI and determine whether the customer pays the TPI directly or nominates the agreed fee to be paid by the supplier to the TPI – whereas the fee for the LoA is always paid by the Supplier to the TPI.

The form of contractual arrangement should determine the regulatory approach, not the method of payment.

Furthermore, a commercially negotiated Bilateral contract should include terms and clear costs that set out the obligations of each party and is governed by the TPI having to provide its services with a duty of skill and care.

Contracting method varies by customer segment, as presented in our Customer Segmentation Matrix:

- **Domestic:** TPI is paid by supplier from marketing budget, fees are not added to the consumer's individual price.
- **Micro and small:** Fees have historically been opaque. New regulations will improve transparency in this area.
- **Medium and large:** Fees can sometimes be recovered via supply invoices rather than direct invoice but still subject to a bilateral contract between TPI and client.
- **Public sector**: Fees can sometimes be recovered via supply invoices rather than direct invoice but still subject to bilateral contract between TPI and customer.

It’s also worthwhile to acknowledge that some alleged bad actors in the sector can try to misinform a client about the energy market to get to them sign longer-term supply contracts, typically 4-5 years, to obtain undisclosed commission in the supply contract. This is not something any transparent TPI would do.

Regulation should require TPIs to be clear and transparent with a consumer, setting out the cost, benefits, and any potential risks associated with the service in question. Ideally, this information should be encompassed in a bilateral legal contract both parties have freely entered.

If the principles of transparency and risk identification are adhered to, two willing participants should be able to enter a contract without undue concern of further regulation.

## 17. To what extent do TPIs face conflicts of interest (e.g. from commission structures or supplier relationships)?

### a) How do these affect the advice or services provided to consumers?

Bilateral contracts dramatically reduce the risk of market abuse. However, there have been examples where some TPIs in the large segments of the market have entered a Bilateral contact with a Consumer for a product or service and simultaneously receive a commission from the Supplier for the same product or service.

This allows the bad actor TPI to undercut the market for a product or service and make a secret profit from the Supplier. All Bilateral contacts should include a fee warranty to prevent this behaviour.

On the question of potential conflicts of interest more broadly, Ofgem already requires suppliers to include commissions within contracts. Provided suppliers are held accountable on this basis, a conflict of interest should not arise unless a TPI deliberately withholds this information from the consumer.

Furthermore, a standardised approach to TPI engagement is needed across the supplier landscape.

Where a TPI is not already registered with a supplier, engagement on that basis is not possible. Resultingly, suppliers should be required to engage with any TPI that meets the requirements established as part of the TPI regulatory framework.

This is a further example of how effective TPI regulation must extend reciprocal obligations to suppliers.

## 18. What do you consider we should focus on when we regulate TPIs?

While some of these points have been addressed in earlier responses, Inspired's view is that any regulatory framework should prioritise the following:

- The form and substance of regulation should reflect the diversity of customer types and the specific products and services they consume, rather than being determined by customer size or TPI type. Design principles must account for the distinct requirements of different customer segments.

- Regulation should recognise the distinction between contracting types. The potential for consumer harm is heightened where transparency is lacking, or service expectations are unclear; a risk that is markedly more prevalent in the absence of a Bilateral agreement between Consumer and TPI.
  - Where a bilateral agreement exists, care should be taken not to override contractual principles through well-intentioned regulation.
  - Disputes in such cases are properly resolved by redress to the contract, and where necessary, the courts.

- Regulatory focus should be directed toward LoA-type arrangements, with contract law prevailing in the bilateral market, ensuring no perverse incentives arise to circumvent agreements and avoiding unintended barriers to innovation or customer benefit.

- Instead of a turnover-based assessment for recovering regulatory costs, Inspired recommends a hybrid, activity-based and risk-weighted model – calculated on the volume of contracts arranged and weighted toward the segments where consumer detriment is concentrated (appendix two).

- Regulation should focus on the removal of customer harm and should not prejudice contract law.

- A standardised framework governing supplier engagement with TPIs should be established to ensure effective collaboration across the sector.

- Balanced supplier obligations should form an integral part of any regulatory framework, ensuring TPIs remain able to deliver real value to customers. This also necessitates TPI representation in all relevant regulatory conversations.

- Where appropriate, regulation should place reciprocal obligations to ensure suppliers do not enable harmful conduct. A key component of this is ensuring that supplier contracts with TPIs are not weighted in favour of suppliers – who hold a disproportionate amount of power in the contractual relationship – resulting in blanket liabilities being passed to TPIs.

- A Bilateral arrangement covered by contract law should be an agreement two organisations have freely entered. Correspondingly, it is essential that regulation does not conflict with contractual arrangements between parties. A contradiction of this kind risks creating perverse incentives for customers to leverage regulatory provisions for commercial gain.

- Any organisation giving price or buying advice – for example, a provider of energy efficiency or self-generation services offering a price forecast that a customer relies on to make a financial decision – should be covered by the same type of regulation placed upon TPIs when quoting prices.

- Further regulatory consideration should extend to generalist procurement advisors whose portfolio includes energy, such as Crown Commercial Services, YPO, LASER, NEPO, Consortium Education, ESPO and CBC.

- Advisors to Ofgem must be free to act independently and cannot therefore be drawn from individuals or organisations with ongoing vested interests in either suppliers or TPIs.

- Futureproofing is never infallible. A regulatory regime must therefore be capable of responding promptly as the market develops. This will require all stakeholders to be represented in standard regulatory meetings.

## 19. Is there any other information you wish to provide that is not covered in the above questions that will inform our review of the TPI sector? Please provide your additional points.

**Net zero as focus for TPI regulation**

Ofgem and the government alike have highlighted the role TPIs can play in helping consumers navigate net zero transition.

The current scope of regulation, however, is energy procurement – arranging energy supply contracts. Procured energy can contribute towards a customer's wider decarbonisation efforts, but how this goal is defined needs clarification. For instance, energy procurement and net zero advice require different skillsets.

A robust TPI landscape must allow for choice. Customers should be free to seek out an energy procurement or energy accounting service in isolation, rather than a full suite. Regulation should not oblige a customer to purchase, or a TPI to deliver, a service the customer does not want or the TPI is not qualified to provide.

Making complex products accessible to the end-user is arguably a TPI's core function. The call for input document references how Ofgem expects the uptake of flexible tariffs or “other net zero opportunities” to increase and TPIs to help consumers navigate product suitability.

As products become more complex, so does the TPI's task of communicating them effectively. Therefore, further detail is needed on what this would mean in practice and how performance would be evidenced if considered a part of a regulatory regime.

Regulation should require a TPI to be clear and transparent, explaining the cost, benefits and any potential risks of a service. But how would a TPI demonstrate that it has successfully helped a customer find a suitable product?

Where a TPI has acted transparently, claims of poor advice should not become grounds for unwarranted redress – this would create perverse incentives and increase poor customer behaviours in the market.

We set out further relevant considerations below:

- **Landlord tenant sub-billing:** The physical element of reselling energy is not envisaged to be covered under TPI regulations. However, this should be noted as an area of potential harm that existing regulation does not address particularly well.

- **Buyer's regret:** A feature of any market, buyer's regret should not be confused with a potential area of harm. In one of the most volatile commodity markets in the world, a consumer cannot be given a perverse incentive to exit a regretted but freely entered energy supply agreement through regulatory intervention on the grounds of potential harm. Clear expectations defined from the outset will often reduce service issues and complaints. A TPI's role is not to underwrite the market.

- **Change of Tenancy:** The nature of the market means premises regularly change hands and responsibility passes between entities. This has been exploited by allegedly unscrupulous TPIs as a mechanism to break supply contracts, a pattern suppliers have clearly recognised. However, the varied and convoluted processes some suppliers have adopted in response are unduly delaying legitimate transfers. A standardised industry-wide process and validation mechanism is urgently needed to effectively regulate TPI activity in this area.

- **Out of contract rates:** Delays between supply transfers occur from time to time, often while the TPI is actively assisting the customer but awaiting supplier action on registration requests. Where suppliers fail to act in a timely or appropriate manner, significant customer harm can result – yet the TPI can be perceived as responsible. Any regulatory mechanism resting on the notion that TPIs can be held responsible for suppliers' actions or inaction must be resisted.

- **Fee warranties (no ‘double dipping’ clauses):** Bilateral contracts significantly reduce the risk of market abuse. However, instances have arisen where TPIs operating in the large market segment have entered into a bilateral contract with a consumer for a product or service while simultaneously receiving a commission from the supplier for the same product or service. This arrangement allows a bad actor TPI to undercut the market and generate a secret profit from the supplier. All Bilateral contacts should include a fee warranty to prevent this behaviour.