

Energy Supply Probe – proposed retail markets remedies published by Ofgem 15 April 2009

These are the comments by EBICo Ltd on the above consultation document.

We particularly welcome and agree with the proposal “that on each bill each supplier is required to state in a clear and prominent manner the customer’s consumption for the last 12 months in pounds per year and kWh.” (para 3.13). **However, we think that, where customers do not receive a regular bill (such as some PPM customers), then this information should be provided at least twice a year in the form of an annual statement, rather than once a year as proposed in para 3.14.**

We note that you propose that “the annual statement to each customer would comprise details of any premium or discount that currently applies to the customer for the means of payment or a ‘premium’ product such as green, fixed term or capped product” (para 3.19) and **we request talks with you as to how you propose this might apply to our tariffs if at all.**

We also welcome and agree with the proposed overarching standard that suppliers “*must not prevent a customer from switching product or supplier without good reason*” (para 2.12). **However, we think that Ofgem’s view that “consumers should not face unreasonable barriers to switching between products or suppliers” (para 2.10) should be included as an overarching standard.**

We agree that it is very worrying “that that only 48% of those who switch as a result of direct sales have saved money by doing so.” (para 3.2) **We think Ofgem should do more research on why people have not saved money by switching.** Many of our customers have consciously switched to a more costly tariff because they wish to support the EBICo principle of the same price per unit for everybody regardless of anyone pays.

We also accept that some people switch to a more costly tariff because they hope to get a better customer service or they want a ‘green’ tariff. But we fear that the vast majority of those who have switched to a more costly tariff as a result of direct sales have done so because they were misinformed by the sales person and they thought that they were switching to a lower cost tariff.

We note that you say “Of those customers who are debt blocked, a substantial percentage appear subsequently to repay their debt and switch shortly thereafter. For the vast majority of customers, debt blocking is therefore not a major barrier to switching.” (para 3.66) **We think you should give the actual percentage and give the period of time you describe as “shortly” and clarify whether “shortly thereafter” refers to shortly after the customer has repaid their debt or shortly after the customer has been debt blocked.**

We welcome and agree with all the proposals in paragraphs 3.67 and 3.68. However, we note that you say “Since its introduction in 2004, the arrangements under the [Debt Assignment] Protocol has been used very rarely by consumers.” (para 3.57). **We think**

that the Debt Assignment Protocol needs to be simplified and its operation thoroughly investigated to find out why it has been used very rarely by consumers and whether there any changes that could be made to it and/or obligations that could be imposed on suppliers or the National Grid Company to make it easier for it to be used.

We are disappointed that you did not even consider (para 3.70) the option we proposed on debt blocking. This option is that a PPM customer with a debt is always allowed to transfer to a different supplier and the debt remains with the original supplier, but that the money collected through the PPM is used both to pay off the debt with the original supplier and to pay for new fuel from the gaining supplier. See our response dated 19th February 2009 to “Debt blocking; an options paper for consultation” from Ofgem 4 February 2009.

With best wishes,

Hugh

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Chairman

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Additional Comments by EBICo Ltd on "Energy Supply Probe – proposed retail markets remedies" published by Ofgem 15 April 2009

Improving customer information

We strongly support Ofgem's proposals to simplify and standardise information delivery to customers on their bills. In our experience, whilst paying lip-service to bill simplicity, many suppliers have deliberately sought to render the bill practically useless as a basis for the customer to make comparisons with other suppliers by making the key information needed in a cost comparison as opaque as possible. A standardised presentation format for bills would make life considerably easier for customers who are interested in exploring other supply options. Likewise, a standardised description of the customer's tariff name, energy use and spend over the previous 12 months would enable ready comparisons with other providers. Where the customer has been with the supplier for less than 12 months, Ofgem should mandate the use of standard scaling tables to pro-rate up to an annual equivalent use/spend. This would, of course, need to be explained to the customer. Both in terms of benefit to the customer and reduced administrative costs to the supplier, we can see a strong case for combining the information that Ofgem proposes for the annual statement into the quarterly bill / Direct Debit statement. The requirement to print a reminder on each bill that the customer has the option to switch suppliers does, on balance, seem excessive and we would suggest that this could feature on just one bill every 12 months. No doubt suppliers would wish to accompany this statement with customer communications that highlighted the benefits, to customers and others, of the particular tariff, which we consider to be advantageous in terms of general consumer awareness of and engagement with, energy and related issues.

We note that many customers who utilise prepayment meters do so either because of outstanding debt or because the budgeting convenience of remaining in credit via prepayment is attractive. Either way, depending on the credit or debt registered to their individual meter, a loan/repayment relationship exists between supplier/customer or customer/supplier. With this being the case, we believe that customers should receive quarterly statements with the same information as is proposed for customers choosing to pay quarterly or by Direct Debit and, in addition, a financial statement of their outstanding debt along with a reminder of Ofgem's anti debt-blocking agreement with the suppliers.

Notice periods

We consider that the 65 day retrospective notice period, available to suppliers, to inform customers of price changes is extraordinary. Informing a customer 65 days after the price he is being charged for a service that he is using has been increased smacks of the type of sharp practice that, in a general retail context, would normally attract the active intervention of Trading Standards Officers. In addition, we find it strange that Ofgem, an economic regulator mandated to ensure the economically efficient operation of gas and electricity markets in Great Britain, should endorse a system which works to suppress price elasticity of demand – given that customers cannot react to increase in price by reducing demand if they are unaware of the increase in price for up to 3 months. We accept that, in theory, pressures to compete in terms of customer service standards should act as a counter-balance to the desire to maximise administrative cost savings available from utilising this period to deliver price change information via the suppliers' normal billing/statement cycles. However, we believe that the oligopolistic nature of the residential supply market results in only a sluggish customer service improvement response to competitive pressure from the perspective of a supplier's existing consumers. As a result, on balance, we believe that the 65 day notice period should be eliminated and that suppliers' existing customers should be informed of price change in advance of that price change coming into effect.

Addressing tariff confusion

We welcome Ofgem's proposal to mandate a price metric on suppliers to enable ready price comparison. We believe that both of the examples suggested within the consultation paper have their merits and we urge Ofgem to consider their combination into a single, composite and future-proof price metric. Thus, for a Low, Medium and High user in each region this metric would give the annual cost for energy and the annual cost for 'ancillary' services. This might be a positive ancillary cost (e.g. a standing charge or ESCO-type fee), a zero cost, or a negative ancillary cost (e.g. a fixed teleswitching/load shedding option payment).

Simplifying the switching process

We have undertaken a number of market research studies into barriers to switching and, from these, it has become apparent to us that there is a clear worry, on the part of poorer potential switchers, that a failed, or poorly handled, switch will result in a build-up of debt which might overwhelm their already finely balanced home cash flow position. A simple guarantee, on the part of losing and gaining suppliers, that this will not happen and that any such consequential debt build-up will be written-off would address the concerns of this community of potential switchers.

Reviewing debt blocking arrangements

Whilst we welcome, in principle, the proposal to increase the Debt Assignment Protocol's threshold to £200 per meter, we are disappointed in Ofgem's apparent unwillingness to deal with the patent and systemic failings of the DAP. We consider that, in the round, customers who are using prepay meters tend to be on lower incomes. We believe that it is reasonable, therefore, when seeking to address issues of fuel poverty, that this group of consumers should be afforded special attention. This was clearly Ofgem's intention when establishing the DAP in the first place – why else establish a special procedure for this payment method and not other payment methods. All participants and observers of the DAP understand, whether they care to publically acknowledge it or not, that the voluntary procedures to enable PPM customers in debt to access the competitive market and lower their energy bills via debt assignment have completely failed. This abject failure has been caused by a number of problems, not least of which has been the practical difficulties presented by the Data Protection Act (DPA) in the transfer of debt information from the losing supplier to the gaining supplier. However we, at Ebico, believe that imaginative solutions exist by which these problems can be overcome and deeply regret the failure of Ofgem to pursue them. We are encouraged by Ofgem's statement, within the consultation, that it intends to monitor the impact of the limited changes to the DAP that it proposes with a view to, potentially, developing its thinking on the subject. We remain convinced that a radical reworking of the DAP is necessary and would welcome the opportunity to discuss such an initiative with Ofgem.

Promoting confidence in price comparison and switching sites

Whilst we acknowledge that Ofgem has no direct regulatory powers over the energy price comparison market, the contribution of this sector to Ofgem's approach to price restraint by competition is key. With this in mind, we believe that the very least Ofgem should do is to have a link to the Consumer Focus Confidence Code page from the front page of their website.

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