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David Hunt
Ofgem - Retail Markets
9 Millbank
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23rd February 2012

Dear Mr Hunt

The Retail Market Review: Domestic Proposals Consultation Response – Ebico Limited

Ebico is a not-for-profit company established, in 1998, specifically to help the fuel poor. We are different from all other energy providers in that our gas and electricity tariffs (EquiGas and EquiPower) are the same price (nationally for gas and regionally for electricity) regardless of how the customer pays. Thus, our direct debit customers pay the same price per unit of fuel as our PPM customers. We also have no standing charge and no tiered pricing: we charge the same price per unit of fuel whatever quantity of fuel the customer uses. Genuinely having no standing charge is a vital feature of our tariffs. The annual bill of our low user customers is significantly reduced because there is no standing charge. Many of the fuel poor live in one or two room flats and so have a low gas and/or electricity usage; with most companies the standing charge is 30-50% of their bill so, when they come to us, they are likely to be helped out of fuel poverty. Moreover, many people regard the standing charge as unfair: there are very few other retail markets that have standing charges (even though there is a just as compelling economic argument for them); even the water companies do not have a standing charge. In addition, by having no standing charge, our unit rate is higher and so our customers have a greater incentive to reduce consumption, and therefore help the environment, than with other tariffs.

We find Ofgem's focus on tariff price comparability, which is at the centre of the Retail Market Review: Domestic Proposals document, to be at odds with the views expressed by our customers and potentially damaging to competition within the GB retail market.

We are concerned that the importance Ofgem attributes to switching as the key metric of success of the competitive market may well have serious unintended consequences. We believe that the existence of the myriad of tariffs currently on offer in the home energy market is, in large part, a function of the relationship that has developed between the price comparison services and many of the suppliers. Our assessment is that many suppliers have sought to 'game' the price comparison services by exploiting features of their price comparison algorithm and, on other occasions, prices below cost of delivery are made available on a highly selective tactical basis in order to gain strategic advantage over smaller market participants. We believe that most consumers are looking for more than purely price from their energy supplier whereas price comparison services, by their nature, just compare prices. By focusing on switching, we are concerned that Ofgem will give official sanction to the sham competition of which the price comparison services have been unwitting catalysts.

Ebico's only energy tariffs, EquiPower (electricity) and EquiGas (gas) offer consumers simple, single-price, flat-rate, no standing charge, leave-when-you-want, energy purchasing which has proved very popular. Our tariffs have been praised for their simplicity, and our bills for their clarity, by a number of consumer organisations. Under Ofgem's core proposal, we will be forced to make our energy price plans more complicated by either imposing a standing charge or imposing a contractual tie-in period (or possibly both). Requiring Ebico to impose a standing charge on our customers who do not want fixed term contracts will draw criticism from those customers who are seeking to reduce their fuel bills by cutting their energy use. It will also draw criticism from those fuel poor who are low users. We believe that these groups are unlikely to appreciate the 'greater good' in the measure that Ofgem would, we expect, cite. Our suggestion is that derogation should be available for a company which has less than 250,000 accounts.

Having consulted with our customers and our social media contacts, we are firmly of the view that consumers are not especially interested in comparability. However, what they do want is to be treated fairly, honestly and that the best available prices are offered openly to them so that they can be sure that they are not being ripped-off or exploited. In consultation with a number of national consumer organisations, we asked consumers throughout Britain what they did want (expect) from their energy supply company. Their answers were formulated into a set of 'Expectations' in three categories; Openness, Fairness and Honesty. We, then, asked the public to vote for their top-priority in each category in order to formulate the "Great Expectations Charter" which they would want any company supplying them with energy to sign-up to and comply with. We received nearly 2,000 votes and the Expectations receiving top-three ranking in each category were included in the Great Expectations Charter, as follows:

GREAT EXPECTATIONS CHARTER

I expect that my supplier will:

Openness

1. Review my tariff annually to check that I'm on their cheapest plan for my energy use
2. Provide information about the cheapest price plan that they currently offer with conditions attached
3. Create a consistent format for publishing price plans expressed in plain English

Fairness

1. Use a common standard method to estimate bills when no meter reading is available
2. Never make me feel I've been treated aggressively, deceitfully or manipulatively
3. Ask me every 12 months whether any credit on my account should be refunded

Honesty

1. Ensure that anyone selling energy supply to me will give me a direct comparison using my actual use
2. Not try to sell me other products when speaking to me about non-sales matters
3. When I switch to them, tell me how to switch away, including any costs

We set-up an on-line petition which enabled all our customers and social media contacts to call upon Ofgem, as part of this formal response, to embed the Charter within the domestic supply license of all current and future electricity and gas licensees. We have over 2,500 petitioners and we have attached, in a separate confidential annex to this submission, the names of each of these individuals. **We, and our 2,500+ petitioners, call upon Ofgem to replace the Standards of Conduct contained within the consultation document with those of the Great Expectations Charter – sourced from consumers themselves.** We believe that, with these expectations incorporated into domestic supply licenses, the commercial drivers currently behind the profusion of tariffs will be eliminated and the measures Ofgem is proposing to reduce this profusion will become unnecessary – saving the industry compliance cost and, thus, saving consumers further expense.

Our answers to the specific questions posed in the consultation paper are detailed in the attached submission.

Yours sincerely



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Managing Director, Ebico Limited



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Question 1: Do stakeholders agree that we should introduce the RMR core proposal?

No. We believe that with the adoption of our proposed charter into domestic supply licenses via the Standards of Conduct, the profusion of tariffs will rapidly decrease and the core proposal will be unnecessary.

Question 2: Which cost elements should be included in the standardised element of standard tariffs?

No. See our response to Question 1.

Question 3: Do stakeholders agree that our information remedies would help consumers engage effectively? If not, what would be more appropriate remedies?

We do not believe that the majority of customers wish to 'engage' with the retail energy market to the degree Ofgem appear to expect. Rather, our research suggests that consumers wish to be treated fairly, honestly and that the best available prices are offered openly to them so that they can be sure that they are not being ripped-off or exploited. We believe that the combination of 'Openness' Expectation 1 from the consumer's existing supplier and Expectation 2 from alternative suppliers would enable consumers to get all the information they need.

Question 4: Do stakeholders consider that the price comparison guide should be presented in a p/kWh figure, a £ per month figure or both?

See our answer to Question 3.

Question 5: Do stakeholders agree that the proposed exceptions for legacy social tariffs and extremely high consumption domestic consumers are appropriate?

See our answer to Question 3.

Question 6: Do stakeholders agree that we should not allow an exception for suppliers to offer a green standard tariff in addition to an ordinary standard tariff?

We think the fact that this question has to be asked demonstrates the veracity of our view that consumers choose energy tariffs for a variety of reasons other than purely price. If an exception is to be made for 'green' tariffs, then why not one for tariffs which seek to address fuel poverty?

Question 7: Do stakeholders believe it would be appropriate to introduce a six-month price guarantee for standard tariffs, or do you consider that this would undermine the simplicity of the RMR core proposal?

We think that the RMR core proposal is far from simple. However, on the issue of a 6-month price guarantee, if it were mandated, we believe that suppliers would simply pass-through the price risks inherent in this guarantee to customers.

Question 8: Do stakeholders agree with our recommended proposal of Option 3 (Introduce more prescriptive rules) for bills and annual statements?

No. We believe that the three 'Openness' expectations within our proposed Charter would adequately address the current problems Ofgem are seeking to address

Question 9: Do stakeholders agree with our recommended proposal for SLC 23 notifications including price increase notifications of option 3 (Additional information plus prescribed format) and option 4 (Tighten and clarify policy intent)?

See our answer to Question 8.

Question 10: We seek views from stakeholders on the additional requirements outlined in option 3 (Additional information plus prescribed format) for SLC 23 notices including price increase notifications.

We have nothing to add.

Question 11: We seek views on any proposals to restrict the inclusion of additional materials (e.g. marketing material) along with SLC 23 notifications.

We have nothing to add.

Question 12: We seek views along with any supporting data or evidence for our proposals for information signposted to consumers in option 4 (Tighten and clarify policy intent) for SLC 23 notifications including price increase notifications.

We have nothing to add.

Question 13: We seek views on any additional recommendations which stakeholders consider relevant for bills, annual statements and SLC 23 notifications.

We have nothing to add.

Question 14: We intend to consult on the content of the Confidence Code separately if and when we take over the governance responsibility for it. However at this stage we welcome any early views on developing the Confidence Code.

We are not convinced that the energy market economic regulator is the appropriate body to have oversight of price comparison service providers whose services extend well beyond the energy market. However, we will respond to Ofgem's consultation if and when it takes-over the oversight of this sector.

Question 15: We welcome views from stakeholders on our proposals for enhanced monitoring.

We have nothing to add.

Question 16: We invite specific views on costs and other implications if we were to introduce our proposals. Please provide details and cost estimates where appropriate broken down by each proposal.

We have nothing to add.

Question 17: Do you consider the revised SOC's will help achieve our objectives?

No. However, we believe that the following 'Great Expectations Charter', which we propose would be implemented as the SOC's within all domestic supplier licenses, would fully support Ofgem's objectives:

GREAT EXPECTATIONS CHARTER

I expect that my supplier will:

Openness

1. Review my tariff annually to check that I'm on their cheapest plan for my energy use
2. Provide information about the cheapest price plan that they currently offer with conditions attached
3. Create a consistent format for publishing price plans expressed in plain English

Fairness

1. Use a common standard method to estimate bills when no meter reading is available
2. Never make me feel I've been treated aggressively, deceitfully or manipulatively
3. Ask me every 12 months whether any credit on my account should be refunded

Honesty

1. Ensure that anyone selling energy supply to me will give me a direct comparison using my actual use
2. Not try to sell me other products when speaking to me about non-sales matters
3. When I switch to them, tell me how to switch away, including any costs

Question 18: Do you agree the revised SOC's should apply to all interactions between suppliers and consumers?

The SOC's we propose in our 'Great Expectations' Charter would apply to all interactions between suppliers and consumers.

Question 19: Do you agree that the SOC's should be introduced as an overarching, enforceable licence condition?

Yes.

Question 20: Do you have information regarding potential costs this may impose on suppliers?

Great Expectations Charter – Supplier Impact Assessment

Review my tariff annually to check that I'm on their cheapest plan for my energy use.

Suppliers are already required, by license, to send each of their customers each year an annual statement showing the energy they have used during the past 12 months and what this consumption would cost in the forthcoming year. The addition of a requirement to state the supplier's cheapest tariff, given the customer's usage and payment type, would require some additional coding to suppliers' automated statement production process, but otherwise no additional cost.

Provide information about the cheapest price plan that they currently offer with conditions attached

Suppliers produce copious quantities of sales and marketing materials seeking to win new business and retain existing business. This 'expectation' could be easily and cheaply met by suppliers, on all their energy supply marketing materials, clearly directing potential customers to the page on their website which features their lowest-cost price plan along with its terms and conditions.

Create a consistent format for publishing price plans expressed in plain English

Terms like 'tariff' and 'standing-charge' and the profusion of loyalty point-based incentives make comparisons very difficult. Through their trade association, suppliers could very simply standardise the language they use in promoting their various price plans to consumers.

Use a common standard method to estimate bills when no meter reading is available

Each supplier uses their own methodology and each of those methodologies is opaque to the consumer. This becomes a particularly contentious issue when the supplier changes their price on a variable-priced contract. Through their trade association, suppliers could very simply standardise their demand estimation methodologies and make this completely transparent.

Never make me feel I've been treated aggressively, deceitfully or manipulatively

This seems like basic common business sense and we find it shocking that consumers believe that it is lacking.

Ask me every 12 months whether any credit on my account should be refunded

Suppliers are already required, by license, to send each of their customers each year an annual statement showing the energy they have used during the past 12 months and what this consumption would cost in the forthcoming year. The addition of a requirement to state the surplus or deficit on a Direct Debit paying customer's account and to offer to credit a reasonable amount would require some additional coding to suppliers' automated statement production process, but otherwise no additional cost.

Ensure that anyone selling energy supply to me will give me a direct comparison using my actual use

We consider this to be merely good sales sense – assuming a supplier is confident of the attractiveness of their proposition. Making savings claims to specific customers based on generic demand estimates places the supplier at real risk of making false sales claims which any reputable supplier would not want to do.

Not try to sell me other products when speaking to me about non-sales matters

Suppliers already have several routine sales-related contacts with consumers (e.g. billing, statement production) so removing sales-related contact and content from non-sales interactions should present suppliers with minimal difficulty.

When I switch to them, tell me how to switch away, including any costs

All suppliers send new/renewing customers 'welcome/welcome-back' communications. The addition of information in these communications relating to the switching process and any costs associated with switching would present few difficulties to suppliers.

Question 21: Do you agree with our analysis of the impact on vulnerable consumers?

We believe that it is not just vulnerable customers who are unlikely to engage in the domestic energy market, so the vulnerable and disinterested alike need to be afforded better standards of openness, fairness and honesty from their home energy supplier. We consider that the inclusion of the 'Great Expectations' Charter into all domestic supply licenses will achieve that goal.

Question 22: What are your views on the need for further intervention?

We have nothing further to add

Question 23: Who in particular should any additional support be targeted at?

We have nothing further to add