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David Hunt
Retail Markets
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Dear David,

Retail Market Review: Domestic Proposals

Thank you for your invitation to respond to the above consultation. As you are aware, Good Energy is a small, licensed electricity supplier of 100% renewable electricity to over 28,000 customers, sourced from a community of around 12,000 small and decentralised generators across the UK. We also supply gas to over 5,000 customers on a tariff which supports the development of renewable heat.

This year Good Energy also came top of the Which? Customer Satisfaction Survey with an approval rating of 84%.

<u>Executive Summary</u>

Good Energy does not dispute that customers can find the energy market confusing. The sheer quantity of tariffs offered by some licensees often with differing structures can in some cases disengage the customer from the market. However, we believe the solutions offered within this consultation are draconian, anti-competitive, as they favour the established suppliers compared to smaller suppliers, and will in the long term be detrimental to consumers.

Recent Which? research into customer satisfaction levels found that Good Energy was the UK's highest rated energy supplier, with an 84% satisfaction rating. In fact all the top 5 places in this research were occupied by smaller suppliers, whilst the bottom 3 places were held by large suppliers. However, rather than tackle offending suppliers, Ofgem's proposals intend to impose additional regulation upon all suppliers, guilty of bringing the market into disrepute or not. This we believe is unfair and contrary to the whole purpose of a competitive market.

We do not agree with a majority of these proposals, but if implemented, then they should be targeted at those suppliers causing the problem, and not the market as a whole. Unmodified, they risk undermining the ability of smaller energy suppliers to compete with the Big 6 suppliers both in terms of retaining existing market share and in terms of allowing the innovation necessary to grow their position in the market.

We are particularly concerned at the proposal to limit suppliers to one evergreen tariff, whilst allowing unlimited fixed tariffs. The root cause of customer confusion is not too many tariffs, but lack of transparency. If anything, fixed tariffs are less transparent than evergreen as customers struggle with comparing different term lengths and fail to understand exit charges. Many customers prefer evergreen tariffs and the freedom to switch their supplier as they see fit for reason such as poor customer service. For many customers in the rental market who are transient in nature (this includes a significant proportion of those in fuel poverty), they cannot commit to a fixed rate term and thus choice is limited to the evergreen market. We do not object to the concept of a "standard tariff" which must be evergreen, but feel the case for limiting the number of evergreen tariffs has not been made, whilst fixed rate tariffs remain unlimited.

As Good Energy's main tariff is evergreen, then we are equally disturbed by the proposal that Ofgem, rather than ourselves set the standing charge and an element of the unit charge. Good Energy prides itself on offering price stability, away from the fluctuations of the fossil fuelled market and has not changed its electricity tariff since 2009.

This is one reason for our high satisfaction rating and we feel it would be detrimental to our customer satisfaction if Ofgem, rather than ourselves dictated price changes. Whilst our preference is not to have these measures implemented against us, if smaller suppliers were allowed to have multiple evergreen tariffs, then we could create a "standard" tariff in which these measures are implemented.

Finally, we do not object to the principles set out in a standard of conducts, but are concerned about how Ofgem tackles compliance against principles as we find that enforcement is often based on preconceived ideas about how the principles should be met. This creates regulatory risk to suppliers who like Good Energy try to innovate solution. We would welcome dialogue with Ofgem on how regulations based on "principles" are subsequently judged for "compliance".

For your convenience we have answered your questions below, expanding where necessary.

1. **Do stakeholders agree that we should introduce the RMR core proposals?**

   Not all of them. Whilst some measures are acceptable others are restrictions on innovation and increase cost to consumers or reduce the satisfaction rating of our customers. Below is our response to each of the core proposals in turn:

   <u>Standard evergreen tariffs</u>

   - **No end date and a maximum notice period of 28 days for termination**
     We support this proposal.

   - **All suppliers limited to one standard tariff per payment method for consumers whose premises are fitted with single rate meters**
     We strongly disagree with this proposal. Whilst Good Energy only offers one main tariff, we believe any such constraint is anti-competitive and restricts the innovation that new market players bring to the market. The consultation document fails to provide evidence showing that customers prefer fixed term to evergreen contracts. As such these proposals limit consumer choice, especially to consumers unable to take up fixed term contracts (e.g. In short term accommodation). We believe Ofgem is confusing the need for greater transparency with limiting choice, without providing any justification for doing so.

     Low levels of liquidity in the UK wholesale energy markets have been a concern for Ofgem and consumer groups for some time. A liquid wholesale market where suppliers can access products in a range of shapes and sizes to suit their needs is a prerequisite for a competitive retail market. Yet levels of liquidity remain low and Ofgem's proposals for improving them remain untested.

     Recent efforts by the larger Big Six suppliers to improve this situation via the day-ahead market are unlikely to solve these problems – whilst they might help small suppliers balance their portfolios in the short-term, issues around the longer-term power products necessary for offering fixed-tariffs will remain. Current levels of illiquidity mean that many independent suppliers are already often forced to buy short-term wholesale products a) because of limited availability of longer-term products and b) because the (naturally smaller) size of their balance sheets restricts their ability to access the credit necessary to buy those products. The (large) size of those products compounds this second problem.

     Whilst the standard clip size of power might be 10MW, a company like Good Energy might require a clip size around 5MW to hedge effectively. Creating a cost-effective trading hedge is reliant on being able access a range of smaller clip sizes from differing sources at a variety of prices, rather than just buying one large clip at a certain price. This is necessary to avoid an "all your eggs in one basket" scenario. This requirement is all the more pressing for those suppliers because the size of wholesale product required to do this is ultimately linked to the size of the number of customers a supplier has – i.e. a smaller number of customers will naturally necessitate a range of smaller wholesale products.

These suppliers are therefore more vulnerable to energy market volatility because they are unable to buy the long term power products necessary to create a hedge through their trading portfolios. Proposals to focus the market on providing fixed-term tariffs will make this problem even worse because suppliers will have to hedge against variations in the wholesale power price, whilst providing a fixed retail price to the customer.

With only one main tariff but infinite fixed tariffs allowed, it is almost certain that the fixed tariff market will become the centrepiece for retail competition and innovation. Because product innovation will be restricted to fixed-term tariffs, then it will also be restricted to those with the ability to access the wholesale power products necessary to do so.

It is therefore our view that the proposals as they stand risk undermining efforts to improve competition in the retail market. As drafted they will play into the hands of incumbent Big 6 suppliers who will be able to mitigate the risk of wholesale price variations through vertical integration and the ability to buy long term based on credit rating, as opposed to cash collateral.

We recognise that some of our larger competitors offer far more evergreen tariffs than are necessary, but in those cases, Ofgem should target the licensees concerned, rather than introduce these draconian measures on all suppliers, guilty or not. If the proposed measures are to be taken forward, then we believe that Ofgem should focus on those suppliers able to access the wholesale energy products necessary implement them. Applying a size threshold based on a supplier's number of domestic customers, similar to that used for existing social and environmental obligations would seem the most straightforward means of doing this. We believe that this measure is justified given the widespread recognition of the poor levels of liquidity in the wholesale energy markets and it is necessary to ensure that Ofgem's objective of simplifying tariffs does not contradict its other objective of improving competition in the retail market.

Elsewhere, we believe that equating "trust" of energy companies with "limited choice" will hinder the maximisation of the benefits of smart meters where tariffs could be designed to suit the customer, as well as important innovation around other products such as local energy tariffs, which could play an important role in overcoming local opposition to new infrastructure projects such as onshore wind farms.

We do not disagree with suppliers being required to nominate one evergreen tariff as their "standard" tariff, onto which fixed tariff customers default to at the end of their term if they do not opt for a new fixed term tariff. This would be a sensible approach, but does not require licensees to be limited to one evergreen tariff.

- **All suppliers limited to one standard tariff per payment method for customers who are on E7 tariffs. Derogations available for E10 and DTS tariffs.**
  We strongly disagree with this proposal for the reasons set out above.

- **All standard tariffs will be structured to consist of a compulsory standing charge, plus a single unit rate (day/night rate for E7 tariffs) set by suppliers.**
  Although we see this as a restriction on innovation we are willing to accept that all tariffs (evergreen and fixed) should be standardised to a standing charge and unit charge, provided suppliers are given

the freedom to set both the standing charge and unit rate. This will make it easier for consumers to compare tariffs.

- **All suppliers will be prohibited from offering discounts and combining standard tariff supply contracts with other goods and services**
  We disagree with this proposal as it is a restraint on innovation. However, we would be prepared to accept this proposal on a supplier's nominated "standard" tariff if multiple evergreen tariffs were allowed.

  If this proposal was enacted as is then Good Energy would have to remove the dual fuel discount from our gas customers, leading to an effective price increase. They will not see this as an example of the regulator looking after their interests.

- **The compulsory regional standing charge will be set annually by Ofgem. We may also set a regional adjuster to the unit rate to account for regional differences in network costs that vary with consumption.**
  Not only do we disagree with this proposal, but believe it to be unworkable. There are fixed elements of a suppliers standing charge such as metering and data collection services which vary from supplier to supplier, but as a general rule are higher for smaller suppliers than those of larger suppliers. This is likely to get more complex as the smart metering roll out commences.

  It is very likely that this proposal will tip the competitive edge in the direction of the larger suppliers, who in general have caused the confusion on tariffs, and penalise those suppliers like Good Energy who have served their customers much better.

  We believe the regional adjuster of the unit rate is also unworkable as suppliers need to set regional unit rates to cover cost differences in each regions. Meter reading costs can vary by region and it is not clear where in these proposals Ofgem propose that suppliers recoup these costs.

  In a competitive retail market, then costs will vary between suppliers. Price fixing by the state (something no other industry regulator engages in) means that some suppliers make excessive profit, whilst others are unable to recoup their costs. If the price is fixed high to cover smaller supplier's higher costs then larger suppliers make excess profit. If they are set too low then competition is damaged.

  As stated above, if suppliers were allowed more than one evergreen tariff, then we would be prepared to accept these proposals on our nominated "standard" tariff only.

- **All non-E7 consumers in each region will have the same standing charge, regardless of payment type.**
  We disagree with this proposal on principle as it runs counter to competition. If Ofgem was to allow suppliers more than one evergreen tariff then we would not object to this being imposed on the nominated standard tariff.

- **All E7 consumers in each region will have the same standing charge, regardless of payment type but this could differ from the non-E7 charge.**
  We have the same reservation as for non-E7 but agree that costs will be different from those on non-E7 tariffs and this should be reflected in the charges.

- **All other revenue would be recovered through a single unit charge (day/night rate for E7 tariffs) per payment method set by suppliers in a p/kWh format.**

We disagree with this proposal. There are other regional elements (such as data collection and metering) which come into play for suppliers, and as such suppliers should be able to set their unit charges on a regional basis.

Good Energy would like to go further and see the current non-discrimination clause lifted so that local communities who invest in decentralised generation, can be offered evergreen tariffs based on their own generation.

Fixed Rate tariffs

- **No limitation on number or type of tariffs, but they must be fixed term, with a clear end date and clear switching windows. Exit fees will be allowed.**
  We accept these proposals, although we fail to see how this reduces confusion for customers.

- **Price information must be presented in a "standard equivalent" format that allows price comparisons with standard tariffs. This will be through the price comparison guide described in the information remedies section below.**
  We agree in principle, but believe that better training of sales staff to offer proper comparisons would be a better solution. Any comparison should be on actual consumption and not estimates, otherwise there is the potential to mislead.

- **All penalties and key contract terms must be made clear to customers in advance of agreeing the contract.**
  We agree with this proposal. We would also like to see the exact circumstances where an exit fee is applied also set out (e.g. On a change of tenancy).

- **No auto-rollovers: at the end of each fixed term consumers would default onto a standard tariff with the same payment method unless they expressly agree to extend the contract or enter into a new contract with a supplier.**
  We agree with this proposal. We also propose that "express consent to extend" cannot be given at the start of the contract and must be sought at the end of the original term.

- **Adequate switching window provided with no exit fee and no notice periods. We are minded to require this window to be 42 calendar days. Suppliers would be required to write to consumers in a format prescribed by Ofgem to notify them at the beginning of the switching window which will prompt further engagement. Consumers would be free to switch with no exit fee and, if they inform their supplier that they intend to switch during the switching window, they may benefit from the same prices until the switch is complete.**
  We are supportive of this requirement although hope the 42 day window can be reduced in time.

  We do not support Ofgem prescribing the format in which suppliers communicate to their customers, although Ofgem should make clear what points it would like to be covered in the letter.

- **No unilateral price increases or other adverse variations. This means that a supplier could not, during a fixed term period, increase the price or unilaterally change any other terms or conditions in any way that would leave the consumer being worse off.**
  We are supportive of this principle, but believe that it should be caveated with an exception for significant regulatory change which impacts the cost of serving customers on fixed term tariffs.

- **Regular disclosure by Ofgem of supplier's average non-standard tariff price presented in a "standard equivalent" format. This will aid transparency between suppliers' standard and non-standard tariff prices.**
  Whilst we understand the reasoning behind this we believe it would need the averaged in a format that weights each tariff based on the customers on it. For example, some tariffs will have many customers on them, others few customers. Equally some tariffs may appeal more to high users and others to low users. We therefore urge caution on use of averages, as this could mislead consumers into switching to the wrong supplier/tariff for their circumstances.

<u>All Tariffs</u>

- **We are minded to require all suppliers to include key tariff information in a tariff information label, with the format mandated by Ofgem.**
  We are supportive of this proposal, but believe that supplier fuel mix should be included in the label, thus standardising the existing requirement on suppliers to show their fuel mix before the customer signs a contract.

- **We are minded to regulate the manner in which the supplier and customer may mutually agree to change the terms and conditions of their tariff, as described in the variations to contracts section below.**
  Without detailed proposals we are unable to give a considered opinion, but on the principle of not prescribing regulations until evidence of a need to do so, we are inclined to disagree with this proposal.

- **Suppliers could use regional names for their tariffs**
  Given Ofgem's proposal for a standardised tariff information label, we see no reason why Ofgem should restrict the naming of tariffs in any form.

2. Which cost elements should be included in the standardized element of standard tariffs?

We do not believe that this proposal is workable. The standing charge element exists to cover the fixed cost of supply. This includes not just the regulated charges levied by network companies, but metering, data collection, system and regulatory compliance costs all of which will vary from supplier to supplier.

Typically, because of economies of scale, smaller suppliers will have a higher fixed cost than larger suppliers and thus any setting of a standardized fixed cost will either be too low for smaller suppliers to recoup those fixed cost, or if sufficient to cover smaller supplier cost, allow larger suppliers to take a margin.

We believe suppliers should be able to set their own standing charges, but would support proposals which prevent "tiered" unit charges in which the standing charges are hidden. This we believe would address a significant proportion of the issues around the complexity of tariffs.

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

No. We are supportive of the tariff information label, but oppose the standardisation of wording in letters and materials. We believe one of the reasons Good Energy has historically high levels of customer satisfaction is the due to the care it takes in communication, not just of content, but in a cohesive "Good

Energy" style which will be lost if we are required to standardise our language to the industry norm. This standardisation could actually have the reverse effect.

We believe that effective consumer engagement has to be driven by new entrants offering new and different approaches to energy purchasing. Driving new entrants to conform to the same old industry dogma, however well intentioned in raising the game of incumbent suppliers will ultimately be counter-productive.

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

We believe the information should be in a p/day for standing charge and p/kWh for unit charges. A £/year would be preferable to a £/month due to seasonal fluctuations, especially in gas. Setting a £/month is something suppliers do on a regular basis when setting monthly direct debit amounts, and because of the multitude of variable elements, they are invariable out by some degree.

We believe that comparisons based on averages causes more issues than they solve, and as such these should be avoided. All customers received their annual consumption on bills and annual statements and should be able to provide this information if considering switching supplier. In addition Good Energy will always provide it to consumers on request.

5. Do stakeholders agree that we that the proposed exemptions for legacy social tariffs and extremely high consumption domestic customers are appropriate?

As stated above, we do not agree that the number of evergreen tariffs should be restricted to one per supplier per payment method, as this stifles competition and innovation. If our stance is accepted then the issue of social tariffs are resolved. We do not agree with the exemption for large domestic customers.

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?

As stated previously, we believe that the draconian restriction on evergreen tariffs are unjustified, and curtail innovation. The impact on green tariffs is a prime example. If suppliers are unable to offer a green evergreen tariff, then Good Energy are likely to be the only existing supplier offering a green, evergreen tariff to the customers, thus limiting customer choice to those seeking such a product.

We also believe that the reduction in opportunity to offer standard green tariffs may lead to the failure of the Green Energy Supply Certification Scheme, further eroding consumer confidence in green tariffs.

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 proposals?

No. As those who are familiar with the energy market will be aware, the market can at time be subject to extreme volatility caused by external events outside the UK's control. Whilst larger players may be able to absorb short term losses these may cause, this may impact the ability of smaller players to trade, thus reducing competition.

8. Do stakeholders agree with our proposal of option 3 ('Introduce more prescriptive rules') for bills and annual statements?

No. Our preference is for options 1 or 2. We believe that some of the proposals set out are sensible and suppliers will adopt them. We oppose the "standardisation" of format for two reasons. System changes to accommodate prescribed formats could be significantly more difficult and expensive compared to mandating requirements, but allowing leeway to deliver in the most cost effective manner. Secondly, Good Energy tries to communicate to its customers in a distinct an innovative way. We continue improve our communications, and feel the constraint to standardise will hinder progress. We do not oppose some standardisation of terminology, where this leads to clarity.

One further point we feel worth raising is that the sheer quantity of regulated information on bills is making it difficult to provide customers with the information they need. We feel a review of regulated information on bills is required to provide clarity that is matched with simplicity.

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')**

No. We believe that option 2 is sufficient to achieve the required objectives. As stated above prescribing the format will complicate the system changes required, and add additional expense. This is acutely difficult for smaller suppliers as system changes tend to be a fixed cost, thus have to be paid for by a smaller number of customers, than larger suppliers. Flexibility in delivering the information, will allow system costs to be more efficiently implemented.

We agree with option 2, although we believe providing an estimate of the monthly impact would be difficult due to seasonal variations and consumer behaviour, and thus an annual impact should be sufficient.

Good Energy also believes prescribing the actual wording customer communications is a backwards step and presumes that Ofgem can deliver the best wording in a "one size fits all" approach. Previous discussions with Ofgem on "clear and concise language" has shown a tendency to "dumb down" the language and Good Energy customers does not wish to be mandated to talk down to its customers.

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.**

Whilst Good Energy already provide most of the information mentioned, we believe that this prescription damages innovation and likely to lead to customers receiving long complicated letters which they will not read.

We support the personalisation of the letter, but believe that monthly estimates are likely to mislead as consumer consumption varies from month to month. Annual variations should suffice. We feel that explaining the reason for the increase could be quite complex in certain circumstances, especially if it is as a result of several factors.

We are very concerned that Ofgem wishes to mandate the format, and strongly oppose this measure for reasons set out above.

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

We are happy with this proposal in principle, but feel that enforcement would be difficult unless tightly defined. For example, a leaflet marketing energy efficiency devices or Green Deal assessments should be excluded, but reminders about the Green Deal scheme within the letter should be allowed.

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.

Whilst we do not accept the need for option 4, if Ofgem wishes to implement it we think the sign posted proposals are okay apart from the explanation of the key reasons behind the price change as they will either be to bland to be meaningful (e.g. reflecting wholesale energy costs) or to descriptive to be meaningful to the average customer (e.g. Reflecting increase in hedging costs against the OTC market)

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

We feel the sheer quantity of regulated information that suppliers are required to display on bills is making bills unwieldy and difficult for customers to engage with. In the spirit of restoring confidence with customers we believe that Ofgem along with DECC should review the prescribed information with a view of reducing the requirements.

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 believe that the code should stipulate that only tariffs adhering to the GESCS scheme based on Ofgem's guidelines should be entitled to be listed as green and other tariffs cannot be included on a green criteria by being labelled environmental tariffs. This is against the spirit of the Code.

We would also like to see switching sites develop other ranking criteria beside price such as supplier fuel mix, customer satisfaction or other benefits.

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

Any enhanced monitoring should be proportionate, and should not include duplication. For example suppliers are required to report its customer numbers to Ofgem on a monthly basis. At year end it is required to report this number as customers at end of December and number at year end. It also reports it again to Ofgem e-serve for the purposes of the Warm Homes discount eligibility, and again for Feed in tariff eligibility. The same number reported four times to Ofgem.

Care will need to be taken that any data reported on smaller suppliers is of sufficient density to be meaningful, and if the data from such suppliers adds nothing to the reporting they should not be required to report it.

Finally, Ofgem needs to be careful not to over-egg the view that energy suppliers in general are failing to deliver. Good Energy has the highest customer satisfaction rating of energy suppliers in the most recent Which? survey with all the top 5 slots occupied by smaller suppliers, and yet we are often tarred unintentionally by Ofgem with the brush aimed at the big 6.

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.

The proposals will require significant system changes, which as a fixed cost will impact smaller suppliers like Good Energy significantly harder. In particular, Good Energy does not currently operate fixed tariffs in the domestic market and will face substantial costs to do so. Good Energy's preference is to remain offering customers good quality, cost reflective evergreen tariffs.

We have highlighted some costs in annex 1 to this response, but have currently insufficient detail to carry out a detailed cost assessment.

The main impact of these proposals will be on customers who will see these costs been passed on to them in higher bills. In particular Good Energy customers on our dual fuel gas tariff who will lose their dual fuel discount.

17. Do you consider the revised SOCs will help achieve our objectives?

No. The revised SOCs will deliver only two things. Firstly, a greater regulatory burden, especially on smaller suppliers who quite often meet the spirit of the code, but deliver it in an innovative way which may not adhere to the written requirement. Secondly, it will stifle innovation and differentiation thus reducing the incentive on customers to switch supplier to receive a better service.

For example, part of the reason Good Energy score highly in customer satisfaction surveys is that it does not tie its customer service agents into delivering to scripts. Instead we invest in ensuring they have the knowledge, and level of autonomy to handle the issues the customer contacts us with. If Good Energy had to ensure advisors delivered to a prescriptive SOC, then this freedom to deliver to the needs of the individual customers, rather than to the regulatory objective would be lost.

18. Do you agree the revised SOCs should apply to all interactions between suppliers and customers?

Whilst we do not believe the SOCs will meet their objective of improving customer engagement and trust, if they were to be applied, then they should cover the key area of sales which is where trust is most at risk and in our view where some suppliers fall decidedly short of the spirit of the existing codes.

Different customer interactions vary depending on the issues at hand. A sales call is very different from a call to discuss debt, and both of these are different when dealing with vulnerable customers. Properly trained staff should be able to adopt their approach depending on the circumstances and not be prescribed by an attempt at a "one size fits all" standard of conduct.

19. Do you agree that the SOCs should be introduced as an overarching, enforceable licence condition?

No. We have two concerns on this. Currently, Ofgem's compliance monitoring is sometimes based on a preconceived idea about how a requirement should be delivered, and failure to deliver to this preconception can raise compliance issues, even though the result could be a better result for the consumer. Secondly, there is no indication in the proposals as to how changes to the codes would be enacted. Changes to licences have a set route around consultation and with the right of suppliers to challenge changes to licences. We would need to be comfortable that there was an equally robust change process around the codes.

We do support Ofgem engaging in "principles" based regulation where it sets out the desired outcome without defining the "how". However, the current compliance regime within Ofgem judges compliance on pre-conceived ideas about how the principles should be delivered, rather than outcome. We believe this dis-jointed approach needs to be re-assessed.

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

Whilst we believe we are mainly compliant with the proposed SOCs, the main costs are likely to come from compliance and regulatory reporting, which are currently not defined. As with all regulatory reporting, the costs fall disproportionately on smaller suppliers as they are a fixed cost and not dependent on customer numbers.

As mentioned above, the costs will also increase if monitoring by Ofgem is stepped up requiring suppliers to justify their delivery mechanism against preconceived ideas of how they should be implemented. For example, the requirement to "make it easy for a customer to contact the licensee" could be interpreted as requiring 24/7 call centres. This would then be a significant cost to us.

21. Do you agree with our analysis of the impact on vulnerable customers?

We believe that the proposal to limit the number of evergreen tariffs will be detrimental to vulnerable customers. These customers are more likely to prefer an evergreen tariff due to its simplicity, but by limiting suppliers ability to offer them a choice that suits their circumstances means they will be disadvantaged. If these customers access the Green Deal and smaller suppliers opt out of being Green Deal suppliers due to cost, then as proposals currently stand, vulnerable customers will have a choice of just six evergreen tariffs to choose from. Or if they want an evergreen, green tariff they may find no tariff available if Good Energy is not a Green Deal supplier.

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

The best protection is to ensure that there is sufficient range of tariff offerings to suit all types of customers through competition. The proposals put forward in this consultation are about limiting competition and denying full choice to consumers, including vulnerable consumers.

If further intervention was needed, then intervention in tariffs is a questionable short term fix. Longer term solutions such as ensuring vulnerable consumers can live in energy efficient housing, so lifting them out of fuel poverty irrespective of which supplier and tariff they get their energy from is a much better option.

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

Any additional support should be focused on reducing energy demand rather than the support in paying energy bills as this is the only long term enduring solution. We believe that Ofgem would better considering how to ensure vulnerable consumers can access the ECO irrespective of which energy supplier they are with.

I hope you find these responses useful. Should you have any queries, please do not hesitate to contact me.

Kind regards,

Chris Welby
Policy & Regulatory Affairs Director

Annex 1

Cost of Proposals

	PROPOSAL	One Off Cost	Ongoing Cost	Comments
1	Suppliers will be allowed only one evergreen tariff per payment type	£2,500 (re-pricing) £2,000 (notifying affected customers)	? Loss of gas customers, unhappy at losing dual fuel discount	Will require removal of dual fuel gas tariff and placing these customers on the higher rate gas tariff
2	Ofgem will set the standing charge for the evergreen tariff annually (Regional). Supplier will set the unit rate charge.	£5,000 (change to pricing software)	Cost of price annual price change + cost of time lag between changes to DUoS and being able to implement rate change to Ofgem's timetable rather than our own	Good Energy tries to offer price stability and has not changed its main electricity tariff since 2009. This is now out of our hands
3	Fixed tariffs must be fixed price for the duration, unless the unit price is indexed to an independent, regulated mechanism	Significant system changes if fixed tariffs offered.	Significant system changes if fixed tariffs offered.	Not clear if we want to enter fixed term market.
4	On fixed tariffs supplier must provide 42 days notice of end of contract and allow customers to switch with no termination fee.	Significant system not designed to manage fixed tariffs.	Significant Require additional staff and processes to monitor fixed term customers approaching end date or leaving mid-term.	Not clear if we want to enter fixed term market.
5	Once notice given, customer has 41 days to switch and retains existing rates			Not clear if we want to enter fixed term market.
6	Customers cannot be rolled onto new fixed rate. If they do not positively choose a new fixed term tariff they fall onto the evergreen tariff.			Not clear if we want to enter fixed term market.
7	Discounts are not allowed on evergreen tariffs	£2,000 notifying gas customers	quantified depending on number of losses caused by this action	

8	No exit charges on standard tariffs	None	None	Already in place
9	Fixed tariffs will need to show pricing in “standard equivalent” format			Not clear if we want to enter fixed term market.
10	Suppliers must notify all tariffs to Ofgem on a regular basis. So they can check cost reflectivity	?	?	Depends on required format and frequency of reporting from Ofgem
11	Standardisation of tariff information label by Ofgem	£5,000	?	Require redesign of marketing materials.
12	Ofgem not minded to allow green evergreen tariffs in addition to standard evergreen tariffs	N/A	N/A	
13	Ofgem to standardise wording on parts of bills, annual statements and price change letters	Unknown system costs, but potentially significant	minimal	Bills are already over-used and difficult to keep on single page. If causes bills to become longer and dual pages, then significant cost in printing capability.
14	Annual statements need to be separate from bills and sent separately	Dependent on format prescribed	50-75p per customer (£25,000)	
15	Price change letters must be personalised	Dependent on format prescribed		Already done, but probably not to Ofgem’s prescriptive standardisation.
16	Proposed new standard of conduct covering ALL customer contact interfaces	Unknown	Cost of compliance reporting unknown	Already compliant with most principles. Depends on how Ofgem’s compliance team interpretation of the SOC
17	Compliance with Codes will be a licence requirement	N/A	N/A	
18	Ofgem would like suppliers to highlight one-off cost of implementation			Insufficient detail to assess, but significant. >£100,000