



Ofgem  
10 South Colonnade,  
Canary Wharf,  
London,  
E14 4PU

8<sup>th</sup> April 2020

**Ofgem ref:** Protecting energy consumers with prepayment meters  
**E Ref:** 125

For the attention of Anna Rossington,

Dear Anna,

E (Gas and Electricity) Ltd is a medium sized UK challenger energy retailer set up in August 2014 to focus on serving traditional prepayment customers through our UK base call centre. E very quickly recognised the value to its prepayment customers of smart metering and started an aggressive smart roll out programme; we now have over 50% of our prepayment customers on smart meters.

We have worked with Energy UK and input to their response on behalf of their members and whilst we support the key elements of the response, as a mainly prepayment supplier we want to emphasise the need for Ofgem to include a review of the cross-subsidisation that will be present in its proposed PPM cap level. While cross-subsidisation is not a new principle for the DTC, the significant costs differences between PPM and other meters may lead to greater distortive impacts on the market than those created by the existing cross-subsidisation between payment methods, undermining our ability to fund efficiently incurred costs from serving our PPM customers. We believe that Ofgem should ensure that this issue is accounted for within its disclosure arrangements to ensure that stakeholders can fully scrutinise the underlying data and the analysis Ofgem has undertaken.

As E only have c 1% of its customer base on credit / DD payment terms our ability to recover any PPM under recovery is impossible. This cross subsidisation of the prepayment customers not only stifles the markets ability to offer a range of products/tariffs to prepayment customers but also by its nature makes competing in this market space unattractive and high risk for prepayment focused supply businesses.

On this basis we would fully support the adjustment of the prepayment costs in the DTC Cap upwards to allow for the recovery of all / some of the current cross subsidy.

Please contact me in the first instance should you require any further information.



Yours sincerely

Richard Masterson  
**Regulation & Compliance Manager**



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