

Dan Norton
Deputy Director, Price Protection
Ofgem
10 South Collonade
London
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9th June 2022

Dear Dan Norton,

We're pleased to share our thoughts in response to the Ofgem consultation around medium-term changes to the price cap.

About Nous

Nous is a business founded in 2021 by four serial entrepreneurs that helps UK households get smart and stay vigilant as they face the rising cost of living. The company has received around £6m in seed financing, and features regularly in national print and broadcast media as a 'cost of living' expert. The leadership team has extensive experience in leadership roles in consumer businesses, including Head of Service Design at Deliveroo, former Digital Director and Board Director of Sainsbury's, Founder/CEO of the consumer travel/accommodation business onefinestay, COO of online marketplace Trouva, to name but a few.

Nous currently offers a personalised forecast giving households a live view of how utility bill price rises, interest rates, and tax changes will affect their finances, in which context it has visibility of tens of thousands of households' finances. It is also in the process of building a managed service which will automate many routine tasks for homeowners related to selecting providers of household services. Nous is FCA registered and is an open banking provider.

The quarterly price cap change will help, but more is needed

Nous research conducted in June 2022 found that 77% of households are very or extremely worried personally about the cost of living crisis. In the same survey, 78% ranked energy bills as the top driver of their cost of living increases, with 37% saying energy bills are more than 10% of their total net household income, meaning these households are in fuel poverty, according to the measure defined by National Energy Action¹.

We recognise the need for swift reform to regulation to support consumers during this time of crisis. Against the backdrop of the worst cost-of-living crisis in 40 years and consumer detriment of failed suppliers, we agree with Ofgem's decision to move to a quarterly price cap change as a means to protect consumers and suppliers in the medium term.

However, this can only be seen as a remedy to the current crisis and time should not be wasted on a total reform on how the market is regulated. It is vital that Ofgem can transition the energy market back to a place where there is strong and healthy competition. At present the market is essentially closed for new business, and it's important Ofgem isn't caught fighting 'the last war'. As prices start to fall, the single thing it can do most helpfully is ensure that current vendors or new entrants have every incentive and opportunity to offer discounted deals to customers so they can benefit from the falling wholesale prices.

¹[Fuel Poverty Statistics Explainer | National Energy Action \(nea.org.uk\)](https://nea.org.uk/fuel-poverty-statistics-explainer)

Our findings suggest many UK households will remain vulnerable

Nous research in May 2022, found 16% were not paying by direct debit for their energy bills, leaving these customers more at risk to adverse changes in winter pricing. If, as Ofgem states, making a price cap change in January cannot be avoided, then further steps need to be taken to protect those who are most vulnerable.

We are concerned that vulnerable customers will be hit hardest in the case of prices rising during the next winter peak, Jan-Mar 2023. Nous research also shows that 1 in 4 people think they may need to choose between heating and eating this year.

Whilst we appreciate the challenges the industry faces with making tri-annual updates to the price cap, even with the recently announced government support package, millions will slip into fuel poverty this winter.

We would like to see progression on a central and consistent method across all suppliers, to identify and support vulnerable customers and those at risk of extreme fuel poverty. Our research shows that understanding of support available to vulnerable groups is limited, especially when action is required by the customer.

Customer communications need to be easy to understand

Moving to a quarterly cap change, presents a challenge of how to communicate to consumers in a way that they can easily understand their options and when they would benefit from switching. Price changes must be easy to understand, and accurate. We suggest that Ofgem engages with stakeholders to ensure the method for calculating annual savings is consistent and reliable.

More frequent customer prompting could result in a short-term uplift in switching. Once households make a first switch away from their current Standard Variable Tariff, it remains to be seen how many will stay engaged in a switching market if price changes are less meaningful, which is more likely to happen should the Market Stabilisation Charge be extended in its current form. The MSC serves to protect suppliers from some financial risk and therefore consumers from supplier failure, but at a cost of reduced competition and innovation which is a bad outcome for customers. Nous will share further feedback on the MSC when the consultation opens.

Longer term energy market reform is necessary

Radical long term reforms are needed to create an energy market that works for all and supports a net zero future. We recognise this is a task for the government, BEIS and Ofgem together, however Ofgem could take this opportunity to lead change that helps create a market that would be fit for the future.

We would advocate for the introduction of means-tested social tariffs to help those most in need. An open, competitive market for suppliers where innovation is encouraged, and a relentless focus on helping consumers reduce usage.

As Nous continues our mission to make life simpler and fairer for households, we'd welcome further opportunities to engage with Ofgem around market reform.

Yours sincerely,

Greg Marsh
CEO and Founder