

Emailed to: supplier@ofgem.gov.uk

13 May 2021

Dear Sir/Madam,

Supplier Licensing Review: reducing credit balance mutualisation

I write in response to Ofgem's request for stakeholder views on the Supplier Licensing Review: reducing credit balance mutualisation.

In August 2020 we responded to the supplier licensing review of ongoing requirements and exit arrangements. In broad terms we supported the principle-based measures that were being considered, recognising that this meant businesses could be more flexible in how they deliver for their customers and that one size does not fit all. In our response to the Financial Responsibility guidance in January 2021 we thought that the overarching Financial Responsibility Principle would be best supported by robust routines of engagement and information gathering and that it also made sense to keep more prescriptive measures under review where necessary to minimise mutualisation across the sector.

We support the further proposals to reduce credit balance mutualisations. We think that suppliers should be managing their energy portfolios responsibly, ensuring that their customers do not build up disproportionate levels of credit. We think these more prescriptive measures of requiring suppliers to auto-refund any credit balance above £0 at the end of a contract year and protecting consumer balances above a certain threshold make sense and will help limit credit balance mutualisation if a supplier were to fail. Moreover, we think this provides a better consumer experience: as they are expected to pay their bills on time, we would expect suppliers to return built up credit in a timely way. In response to whether these measures should only apply to domestic consumers (Q10), we think that these protections could be extended to non-domestic consumers as well, particularly small businesses which would benefit in a similar way to households.

We think that this can work well alongside the monitoring requirements. There may be opportunities to spot early on when suppliers are storing credit balances and to understand if this poses a risk to consumers. Early supplier engagement with consumers to understand their energy usage and the rollout of smart meters could minimise the need to smooth out payments across the year and therefore store surplus credit balances.

We think it is important to keep these measures under review and understand any unintended consequences, particularly as energy companies provide new tariffs, products and services to consumers and potentially adopt different business models as part of the energy transition to net zero.



Please do not hesitate to contact us if you would like further information regarding our response. Our response is not confidential.

Your sincerely,

A handwritten signature in black ink, appearing to read 'Ed Dodman'.

Ed Dodman
Director of Regulatory Affairs

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