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Dan,

Price Cap – Additional Debt Costs Review Consultation

It was with great disappointment that I read the majority of Ofgem's latest consultation document on the additional debt costs review this weekend. When Ofgem tells consumers "we're unlikely to ever see prices return to those of before the energy crisis", I hope you are aware this is in part because of Ofgem's continuous support of improving profitability of energy suppliers through the price cap mechanism.

I believe the decision to add this "temporary" increase to the price cap will mark around the 25th decision Ofgem have made to incrementally increase the price cap since the beginning of the energy crisis. However, I have a feeling that just like the temporary allowance added into the cap for suppliers to ringfence certain funds, this temporary allowance will just be transferred to a permanent addition to a different element of the price cap, in this case the operational costs.

The decision to include predictive costs for October 2023 – March 2024 and then run a true-up later down the line is Ofgem's way of putting risk onto the consumer and away from the energy supplier. You've made a decision to make us pay for costs that we don't even know will be incurred, and the weak-justification is Ofgem's current favourite line of "it'll stop costly energy supplier failures".

Please can you provide clear analysis that shows that if you don't add in predictive costs for this allowance then there is a real risk of any single energy supplier collapsing, and the cost that collapse is likely to cause?

I do not find it comforting that this consultation document acknowledges that adding more costs will make things harder for consumers, nor am I appeased by an acknowledgement of over 250 responses, as well as a petition of over 80,000 people, opposing this decision when Ofgem ignores their opposition in favour of 9 energy suppliers saying "give us more money".

Ofgem have stated that prior to the crisis there was an average of 2% losses being made across the retail domestic energy sector and that your plethora of incremental increases is designed to turn the tide and make energy suppliers profitable, but there are questions that need answering:

- 1. Were those 2% losses on just SVT customers or across all customers? Ofgem's price cap only regulates customers on default tariffs, so if energy suppliers were running loss-leading campaigns to get customers onboard with cheap fixed-rate tariffs so they could cross-sell other products (EVs, broadband, boiler installations and insurance etc) to boost profits, then surely you should only be looking at the profitability of the customers on the more expensive SVT tariffs?**
- 2. Considering the frankly horrifying number of increases Ofgem have implemented on the price cap over the last 2.5 years, have you over-corrected? Are we now expecting to see ludicrous profits in energy supplier announcements over the next 3 months?**

3. **How does Ofgem justify ignoring one of their core considerations it is meant to have when setting the cap, “the need to create incentives for holders of supply licences to improve their efficiency”? The current format of consulting on every minute detail of the cap and then always increasing it does not create incentives for improved efficiency, it creates incentives for improved lobbying. You’re just giving them more money every time, from our pockets, and I’m not sure how that is supposed to incentivise an energy supplier to be better at managing their costs?**

Frankly, if the tone of this letter didn’t put my feelings across, I’m disheartened, disappointed and frustrated at this decision. The one thing I’m not feeling is surprise.

I was brought up to believe that good things come to those who wait, so I will continue to respond to consultations, I will continue to engage the public and ask them to engage with consultations, and I will continue to wait for the day I can inform people that Ofgem have finally made a decision to reduce the price cap... note specifically that I’m not referring to the price cap falling because wholesale costs have fallen, because that isn’t a decision by Ofgem. I am referring specifically to finally seeing a consultation decision that says “energy suppliers have been given MORE THAN ENOUGH help from us over the last two years, it’s time they stood on their own two feet, we’re giving no more”.

On a final note, I am ashamed of Ofgem for putting the cost of the moratorium onto consumers. This is unequivocally the most ridiculous and immoral decision I’ve known Ofgem to make. There is no punishment for the wrongdoing, there is no support for the consumer, there is no justice here at all. I do not know where to turn if I cannot come to the regulator and expect fair treatment for consumers. Ofgem seem so focussed on ensuring energy suppliers get “fair prices”, but there seems to be little focus on giving customers a fair outcome in any of the consultation documents I’ve read in the last year. My words will make no difference here, but something needs to change for the people of this country to actually receive support somewhere.

Kind regards,

Richard Winstone
Director
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