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Sent to: priceprotectionpolicy@ofgem.gov.uk
Date: 6th February 2025
Ref: Energy price cap operating cost and debt allowances consultation: overview part 2

Dear Colleagues

We welcome the opportunity to provide input into the Energy price cap operating cost and debt allowances consultation.

Ecotricity was the world's first green energy company when we were established in 1995 and we now have over 175k domestic and non-domestic supply accounts, alongside over 100MW of self-developed renewable generation capacity.

We continue to invest in new sources of renewable generation that has recently led to the commissioning of two new solar parks and our first energy storage facility. We support policy ambitions that enable the UK to accelerate its drive towards a net zero energy system, whilst ensuring a security of supply that is cost efficient for consumers.

Response to the proposals

To establish new operating cost allowances using the latest data on average costs across a representative range of suppliers. This will result in some changes to the relative balance of allowances, but a similar level of overall allowances as today.

- Ecotricity support the establishment of new operating cost allowances, together with the updating of costs from when the cap was first implemented in 2019. The industry has moved on with the pandemic and energy crisis just two events that have had an impact on supplier cost base. We believe the four cost categories proposed will lead to greater transparency of how these cost allowances are calculated.
- Ecotricity do have a number of reservations around the data behind the calculations of what is an efficient supplier. We are concerned that the data behind the costs, looking at an efficient supplier, are based only on suppliers who have 100,000 customer by payment method.
- As a small supplier, with less than 100,000 customers by a single payment method, our input into the cost data will be ignored as part of the cost calculation. We believe that smaller suppliers have challenges from not having the economies of scale of the larger suppliers that could hamper their ability to grow in the market if the underlying operating costs are set to low.
- For the Price cap in general, if the value suppliers are allowed to make from customers is set too low, this restricts suppliers' ability to innovate and offer the new tariffs going forward as we enter Market Wide HH settlements and the net zero era.

The net result of these changes, based on current data, would be a £7 reduction in average bills versus current allowances – reflecting an £11 reduction in core operating costs and a £5 increase in debt costs.

- Noted this point.

To make modest changes to the premium paid by customers on different payment methods because of new data on core operating costs baseline but not to increase premiums paid by Standard Credit customers for the cost of debt.

- Ecotricity recognise the challenge on Standard Credit customers and the differential these customers pay versus a DD customer. If this proposal reduces that differentiation, that can only work in those customer's interests.

To keep debt costs under close review going forwards, including interaction with broader interventions on debt such as the potential debt relief scheme.

- We have responded separately to the consultation on the potential debt relief scheme. We'd particularly like to highlight the costs associated with the proposals for implementing and administering such a scheme. It is therefore imperative that debt and operating costs are closely monitored and adjusted accordingly and promptly, going forward.
- Ecotricity have noted the separate Debt related cost section of operating costs and welcome that these costs will be more explicit with the price cap methodology.

This response is not deemed to be sensitive.

Should you require any further information, please let me know.

Many thanks

Nicola

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