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Ecotricity Reference number: 613
16th September 2016
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Ecotricity Response to Consultation on removal of certain RMR Simpler Tariff Choices rules

Dear Dennis,

Ecotricity is an independent renewable energy generator and supplier, with around 180,000 gas and electricity customers. At Ecotricity, we have three principal attractions: the greenest energy with the emphasis on investing in new sources of renewable energy; the best customer service as demonstrated by the lowest level of complaints in the industry; and an ethical pricing policy that means every customer gets our best price, regardless of payment method. It is this focus on ethics and principles of excellent customer service that's key to our growth.

We welcome the opportunity to comment on the consultation, and offer our views to specific changes below:

Tariff Structure

We broadly welcome the improved freedom and flexibility that the changes to tariff structure will bring.

However, we do have concerns that the relaxation of tariff structures will lead to increased confusion for customers and make comparison more difficult. Ofgem have included reference to the fact that 'tariffs should be easily understandable to consumers and allow them to assess the value for money compared to other tariffs...'. We would be interested to know whether this will be assessed moving forward; and if so, how Ofgem will determine whether a tariff is easily understandable, as well as how value for money will be evaluated.

In addition we would like to see an open approach from Ofgem in terms of supplier engagement, with regular opportunities for dialogue. We consider this to be particularly important in the absence of prescription.

Tariff Numbers

We largely support the proposal to remove the four-tariff rule and hope this will allow suppliers to develop new and innovative tariffs, particularly if targeted towards certain consumer demographics.

However, we would hope to see ongoing monitoring from Ofgem as to the number and structure of tariffs entering the market following the rule change. A large influx of tariffs has the potential to confuse consumers, particularly if the market becomes flooded.

It is also vital that consumers can continue to compare tariffs easily and gain access to the most suitable tariff to suit their needs. Although the onus should be on suppliers to maintain fairness in their offerings to customers, it is also important to have consistent and clear regulation to avoid any customer confusion.

Discounts and bundled products

We fully support the removal of restrictions on discounts, bundled products and reward points. This will allow supplier marketing to be more creative, providing consumers with a greater variety of unique market offerings; ultimately improving competition.

Exclusive tariffs

We do not support the removal of the requirement to ensure all tariffs are available to both new and existing customers. In removing this condition, Ofgem will provide suppliers with the opportunity to offer loss leading tariffs to new customers who are engaged and regularly switch. This would skew the market, meaning less engaged or loyal customers are left with increased prices, disadvantaging those who are happy to remain with their supplier. Allowing such a change would give suppliers the freedom to grow their customer base at the expense of their existing customers; arguably constituting unfair practice.

In addition, removing exclusivity encourages predatory pricing which inherently plays to the economic strengths of the Big 6. This is to the detriment of smaller, less cash rich independent suppliers and has the potential to distort competition to the disadvantage of consumers' in terms of choice.

There is also a risk that consumers would be hesitant to change their supplier – for fear of losing the low tariff offered when joining – decreasing consumer engagement, and subsequently weakening competition in the market. Removing this rule therefore contradicts Ofgem's wider intentions, and goes against the rationale for making changes to this area of the licence.

To conclude, we feel that the majority of proposals put forward by Ofgem will aid in achieving the dual aims of improving competition whilst helping and incentivising customers to engage. We also hope that suppliers will be able to clearly differentiate their brand; leading to unique offerings to their customer base. Careful monitoring will be required from the regulator in order to ensure suppliers continue to treat consumers fairly, particularly in a market of numerous and increasingly complex tariffs.

Ecotricity welcomes the opportunity to respond and hope you take our comments on board. We also welcome any further contact in response to this submission. Please contact James Jackson on 01453 840618 or james.jackson@ecotricity.co.uk.

Yours sincerely,



Alan Chambers
Acting Compliance Officer