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Ecotricity Response to Consultation on the proposed approach to dealing with supplier insolvency and its consequences for customers

Dear Gulia,

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 into supplier insolvency, as well as provide our views on the most suitable method by which consumer credit can be protected. However, we are concerned that; by simply looking at the consequences and symptoms following an insolvency case, rather than the root causes; Ofgem are failing to address the wider, more significant, issue.

We offer our responses to the questions below:

Question 1: Do you agree with the approach to SoLR and energy administration set out in our revised guidance?

The method of appointing a SoLR – on a case by case basis, with the most capable available supplier(s) taking on the customers – makes sense. It seems the most efficient and fair method of appointing a SoLR in order to minimise disruption to customers.

However, we would note that when appointing a SoLR, the wishes of the customer base of the failing supplier should be taken into account. Although the ability of a supplier to take on the consumers is the paramount consideration when assigning a SoLR, if consumers had

selected their previous supplier based on certain criteria – for example, because they source their energy from renewable sources – we would expect the SoLR choice to appropriately reflect this.

Question 2: Do you agree with our preferred approach (option 1 - no further action, i.e. case by case use of SoLR powers) to protect consumer credit balances?

We disagree with the preferred approach (option 1 - no further action, i.e. case by case use of SoLR powers) to protect consumer credit balances.

By allowing access to the industry levy, insurance cover would effectively be provided for customers of super low price energy start-ups. Many of these companies are selling power for less than cost and are losing money in order to grow their market share. It would be a moral hazard to allow access to a levy to protect such suppliers; removing any kind of incentive to guard against risk and poor practice.

It cannot be right that the business risk of selling power for less than cost is borne by the whole of the market; including those people choosing more stable suppliers. Transferring this risk and burden across all suppliers, and subsequently their customers, does not constitute fair practice.

The risks associated with such tariff offerings belong to the companies themselves. For several years we have suspected some companies are passing that risk to their customers, via their deposit policies (including aiming to always maintain accounts as being one month in credit) and their lack of proper financing. Although we support adequate consumer protection, customers who choose to join super low price energy companies are taking an equity risk, in order to buy cheap energy. Consumers should be made aware of the associated risks of such tariffs, with an onus on companies being transparent about their offerings.

Our view is that rather than tackle the business model of companies who offer loss leading tariffs, Ofgem are looking to provide a means for the rest of the market to pick up the cost of failure. As such, Ofgem are seeking to deal with the effect of supplier insolvency or failure (if it happens) rather than the cause (and prevent it happening).

With companies growing rapidly, and new entrants joining the market, suppliers should not have the capacity to use customer deposits to cover their losses, which are the result of offering loss-leading tariffs. We consider this a far greater issue than the actions taken following a supplier failure.

If Ofgem fail to address these root causes, suppliers who offer fair and sustainable tariffs could see themselves punished for the business risks taken by others. It is the responsibility of these suppliers – and their consumers, providing they are aware of the risks – to bear the costs of failure as a result of their practice, rather than rely on a free insurance policy.

Question 3: Do you consider that there is other information which would help you decide whether to volunteer to be a SoLR and on specific terms? If so, what is this information and from whom should it be sought?

We plan to conduct further analysis before providing a formal expression of interest on whether to be considered as a possible Supplier of Last Resort, as well as whether to volunteer as a SoLR in the event of a supplier failure.

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 [REDACTED]

Yours sincerely,

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Emma Cook
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