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Ecotricity Response to Consultation on Prepayment Meters Installed Under Warrant

Ecotricity is an independent renewable energy generator and supplier, with around 190,000 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.

Executive Summary

We welcome the opportunity to comment on the proposed price cap on prepayment meters installed under warrant.

However, we strongly disagree with Ofgem's plan to introduce a cap. We will provide justification for this view in our answers to the consultation questions, and have listed some key thoughts on the cap below:

- Prepayment meters are essential to prevent increasing debt. They need to be installed in a cost effective and reflective manner in order to limit consumer detriment. A cap on charges would not benefit customers.
- If warrant costs are capped at an unrealistic level – and without justification for the choice of level - suppliers will be faced with different choices. This could be pursuing debt without insisting on a prepayment meter, or pursuing disconnection instead.

- The issuing of a warrant is a customer choice; suppliers are forced down that route following attempts to engage. It is therefore correct that costs are passed on.
- There is no consumer detriment to having a prepayment meter installed – our communications with the customer allude to relevant charges prior to going to warrant, and our customer's pay the same price whether they are on a prepayment meter or standard meter. Ofgem should be addressing this price differential in order to protect consumers; rather than introduce an unsuitable and inappropriate price cap.

In addition to our high-level comments, we have provided expanded responses to the specific consultation questions, detailed below.

1. Do you agree with the outcomes intended as a result of our policy detailed in paragraph 2.4?

We agree with the sentiment of the policy, and broadly agree with the intended outcomes.

However, the aims suggest that Ofgem deem current debt recovery costs to be disproportionate. Our charges – and likely the charges imposed by the majority of suppliers – simply cover the costs incurred during the debt recovery process. No profit or margin is factored into these charges, they are solely passed through to the customer.

In addition, we don't charge any administration fees when a warrant is issued; unlike some suppliers. We feel this would be a more appropriate area for Ofgem to address in order to safeguard customers, and would guarantee that customer interests are of primary importance when a prepayment meter is installed under warrant.

Regarding disproportionate charges, we do agree that issuing a warrant for a small level of debt can be unsuitable. However, we struggle to understand Ofgem's view – that all costs are disproportionate – as well as how introducing a cap on pass on charges will aid consumers. If charges are deemed to be disproportionate, the regulator should look to address the cost of carrying out a prepayment installation via warrant; rather than look to the supplier to bear the costs.

We take our obligations to customers very seriously and will always seek to minimise action that would exacerbate vulnerability wherever possible. The issuing of a warrant in order to install a prepayment meter is something we consider after exploring a number of alternatives. Nonetheless, reaching this stage is a customer choice; we make all efforts to engage with customers in order to manage and repay debt, and are forced down the route of issuing a warrant if a customer ignores our attempts. If a customer chooses this course of action, it is fair and right that the full costs should be passed on rather than socialised.

2. Do you agree with Ofgem's preferred option - a price cap along with prohibition of charges for vulnerable customers?

We strongly disagree with Ofgem's proposed option.

The installation of prepayment meters is essential to prevent increasing debt. Our tariffs are the same for both our prepayment customers and standard customers. There is therefore no

consumer detriment to the installation; a prepayment meter instead provides a consumer with an assurance that their debt is manageable and prevents further build up. We feel this is the proper and correct thing to do, and is something Ofgem should be looking to control; as opposed to introducing a broad, overarching principle.

The use of a charge for warrant installation also encourages customers to engage with their supplier. All our communications with the customer – prior to carrying out an installation under warrant – allude to the respective charges. Ideally, we hope that this will act as a spur for a customer to repay their debt, or allow a prepayment meter to be installed, prior to the warrant being actioned.

By way of example, only 19% of our customers who receive the initial letter – which includes information on charges – end up having a warrant executed. People are therefore keen to avoid the charges associated with a warrant, with 80% of costs stopping before reaching the final installation. This re-emphasises the importance of the current warrant process in aiding consumers to repay debt in a fair and reasonable way.

We are also uncomfortable with Ofgem's scope of vulnerability – in particular the 'vulnerable situations that impair engagement'. We take all steps to engage with consumers prior to issuing a warrant for installing a prepayment meter; if a customer doesn't engage, it is their choice. Ofgem's proposed scope opens the door for exploitation and playing of the system – customers may purposefully not engage with their supplier in order to avoid repaying their debt.

Consequently, the use and definition of vulnerability needs to be more defined. There is a difference between a customer facing detriment due to their vulnerability and a customer in a vulnerable situation who can pay but chooses not to. There should be an exception to the prohibition of charging for warrant costs to take this into account.

Ofgem need to be far more flexible if introducing a cap or additional principle. An across the board, flat cap, for all suppliers would be inadequate and to the detriment of consumers.

3. Do you have views on any further unintended outcomes or risks for the cap on warrant charges?

There are a wide range of detrimental outcomes for the proposed cap.

At present, our warrant costs stand at £354.34 for gas customers, and £364.96 for electricity customers. As stated, these are the charges that we incur, and nothing more. The cap of either £100 or £150 is therefore completely unsuitable. The choice of these figures is also unsubstantiated, with little to no evidence given for why the cap levels were selected.

There are also a variety of further costs, dependent on the individual circumstances of the case. These include hiring an engineer(s), a locksmith, or a dog handler. The costs of these activities fall well above the proposed cap. These would be socialised amongst all consumers, meaning those who have no interaction with the debt recovery process – including vulnerable customers who do pay their bills – would be paying for those who do.

The socialisation of costs is also unfair on small suppliers. The impacts of swallowing the costs will be most felt by this sector of the market, and will make it harder to be competitive.

Absorbing these additional costs will also be to the detriment of other offerings, such as dual fuel discounts. This directly contravenes recent work by the Competition and Markets Authority to boost competition in the energy market.

In addition, we can't see any justification for introducing a total price cap if a customer has both fuels with the same supplier. We are a small supplier so do not have our own engineers, and cannot always accommodate a single warrant in these cases. The application of warrants is also governed by the courts and location of the meters.

We also have a concern that a cap would further limit consumer engagement when paying bills, potentially increasing the number of prepayment meters being installed under warrant. If a heavily subsidised warrant charge is the only deterrent for a customer not to repay their debt, it seems likely that a greater number of customers will proceed down the warrant path. This, along with Ofgem's uncomfortably broad definition of vulnerability, risks removing incentives for customers in debt to engage with their suppliers.

The introduction of these proposals would also increase the power of the small number of consumers who can pay but choose not to, and look for ways in which they can exploit the system. These customers would be covered by a cap to protect them from high charges, paid for by all consumers, including those in the most vulnerable circumstances. This would undermine the ability of suppliers to justifiably collect debt from those who can pay but elect not to engage.

Given Ofgem's broad proposed vulnerability scope, suppliers may be forced into asking for evidence of vulnerability in order to address possible exploitation. This would be an unfair burden to place on suppliers, and has the potential to be upsetting for customers.

Furthermore, if warrant costs are capped at an unrealistic level – and without justification for the choice of level – suppliers will be faced with different choices. The court process is the most logical alternative choice for suppliers to recoup debts. This would be far more traumatic and costly to the customer than the current warrant process.

Our final resort is to disconnect a customer for failing to pay their debts. This is only done when all other avenues have been exhausted, and the current warrant process is vital for engaging customers to ensure they remain on supply. We would be interested to know whether Ofgem intend to place cap on charges associated with disconnections, alongside their current proposals.

4. Do you agree that the cap should be applied when the warrant process is not completed and that no further detail is necessary?

No. There are a range of possible reasons for the non-completion of the warrant process, including both supplier and consumer fault. As with the wider proposal, a broad, cross-sectoral cap is not appropriate. If introduced, we would consider a case-by-case application of the cap to be more suitable.

5. Do you agree with the proposal for a new debt path proportionality principle, requiring costs and actions relating to ALL debt recovery activities (including transfer objections) to be proportionate? Do you have any views on unintended consequences of this broad scope?

No. Although it would make sense – in theory – for the costs of debt recovery to be proportional to the level of debt, it would not work in practice.

We would interpret that the "level of original debt" (as worded by Ofgem) to be the "current" debt of the consumer, excluding any charges. This is because we would need to take into account the customer's ongoing usage, so what could start out as a low level of debt could increase during the debt recovery process. Therefore the charges would be proportionate at the end of the debt recovery journey. Hence, the principal seems unnecessary.

In addition, the costs of recovering debt are the same to us regardless of the level of the debt; and we only take that course of action having explored other avenues, including attempts to engage the customer in question.

If a proportionality principle is introduced, there is a high risk that debt would be left to build up until it can be pursued in line with the principle. We think that this is wrong, and would go against best practice.

6. Do you agree with our definition of "under warrant" to mean a warrant that would authorise the installation of a PPM. Do you have any views on unintended consequences of this narrow scope?

Yes.

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,



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