

Andrew Thomsen
Ofgem
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By email: FutureRetailRegulation@ofgem.gov.uk

Dear Andrew,

Thank you for the opportunity to comment on Ofgem's revised proposals to amend the Standards of Conduct (SoC) for retail energy suppliers. This response is submitted on behalf of the Centrica group. It is not confidential.

Centrica continues to support Ofgem's transition to principles-based regulation and welcomes the shift of regulatory focus from supplier processes to customer outcomes. We are pleased to see that Ofgem has taken into account stakeholder feedback from the previous consultation, mainly around the wording of the vulnerability principle, and has amended its final position to address some of the concerns expressed.

We find it encouraging that further work in principles-based regulation is being announced. We believe some of the key areas to concentrate on would be:

1. **Review of prescription surrounding customer correspondence.** The report compiled by Energy UK provided a good introduction to potential areas for further principles. We fully support the continued work Energy UK is undertaking to help shape the future regulation around customer communications. We also believe Ofgem would benefit from a workshop with the industry to hear ideas and concerns firsthand.
2. **Removing obligation to roll off onto cheapest evergreen.** We welcome Ofgem's confirmation that it intends to take forward its review of 'automatic rollovers' through a consultation this summer. The current regulatory requirement for suppliers to automatically roll consumers who do nothing at the end of a fixed term contract onto the relevant cheapest standard variable tariff unnecessarily restricts innovation. The rule contributes to the proportion of consumers on standard variable tariffs when they might be better served by alternative fixed term tariff options. We urge Ofgem to proceed apace with its review, with a view to relaxing the present restrictions.
3. **Review of enforcement guidelines** in Q3 of 2017/18. Moving away from current black-and-white compliance framework to less prescription requires Ofgem to be clear and consistent about the enforcement practices. We support the already announced review to further clarify the guidelines. We support the changes that will deliver consistency in supplier treatment, communication and provision of advice.

In terms of the content of this statutory consultation, below are the comments we had on the proposals.

Retention of Fairness Test

In our previous response, we noted that our support for rewording of Licence Condition 25C.5 (removal of 'all reasonable steps') was contingent on Ofgem retaining the Fairness Test. We are pleased that Ofgem has retained the test in the same form as presented in the previous consultation.

We welcome Ofgem's review of the wording of the Licence Condition 25C.5. We agree with the revision and that it should be self-evident that suppliers are expected to 'interpret and apply' when asked to 'achieve'.

Informed choices

We welcome the introduction of the informed choices principle and the added clarification to the method of application, as provided by Ofgem. While the new principle is a step in the right direction, a large amount of prescription remains. An example of prescription that remains is the regulation relating to End of Fixed Term notices. We reiterate the concerns raised in our previous response that due to prescription, customers currently receive too much information that does not help them make informed choices.

As the next step, Ofgem has already committed to review regulation on customer correspondence. The broad principles being introduced on informed choices may not be consistent with current prescription around customer communications. Therefore, Ofgem should clarify how the 'informed choices' principle will link to the upcoming work to understand potential overlaps and ensure there are no tensions with any future principles on customer communications. The report compiled by Energy UK sheds some light into the scope of the work Ofgem is looking to undertake. However, further steer from Ofgem on the timeframe for implementing any new principles would be welcome.

Treating Customers Fairly (TCF) statement

While we are fully committed to treating customers fairly, we do not believe keeping the prescriptive requirement on publishing a TCF statement is required. We therefore welcome Ofgem's decision to remove the requirement for the TCF statement.

We support Ofgem's commitment to ensure the message the TCF statement carries continues to be delivered. However, we believe current prescription dulls incentives for suppliers to find more innovative and engaging ways to promote information currently in TCF statement to their customers. As Ofgem develops its thinking on how to keep the message from the TCF statement, it should remain mindful of the progress so far and not revert back to prescription, unless there is a sound argument to do so.

Vulnerable customers

We support Ofgem's proposal to introduce a broad principle relating to the protection of vulnerable customers. We are pleased to see that Ofgem has listened to stakeholder feedback and changed the wording of the principle, to add that suppliers should have regard to the interest of the customer when adopting their approach to identifying customers in vulnerable situations. We believe the final version of the principle now acknowledges the potential difficulties suppliers face in identifying vulnerable customers and provides the appropriate level of flexibility to innovate. Being able to identify vulnerable customers has

been in the spirit of the vulnerability principle all along. Regulation acknowledging the variety of situations among vulnerable customers allows suppliers to tailor their approaches accordingly.

We have previously expressed concern that the introduction of the vulnerability principle should not include a requirement to provide special tariffs for particular groups of customers, e.g. social tariffs. We therefore welcome Ofgem's clarification that pricing is outside the scope of the vulnerability principle.

Monitoring

Centrica supports Ofgem's continued use of regularly provided data and data obtained from other bodies and less on ad hoc data requests for market monitoring. We agree that Ofgem should aim to reduce the level of monitoring for those suppliers who are perceived to be less risky.

If you have any questions about this response, please contact Justina O'Beirne on Justina.Obeirne@centrica.com.

Yours sincerely

Alun Rees

Director, Retail Market Policy

Centrica