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Submitted via email to: vulnerability@ofgem.gov.uk

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Statutory consultation for a vulnerable customer safeguard tariff

Dear Jemma,

Energy UK is the trade association for the GB energy industry with a membership of over 90 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Our membership encompasses the truly diverse nature of the UK's energy industry from established FTSE 100 companies' right through to new, growing suppliers and generators, which now make up over half of our membership.

Energy UK strongly believes in promoting competitive energy markets that produce good outcomes for consumers. In this context, we are committed to working with Government, regulators, consumer groups and our members to develop policies which enhance consumer trust and effective engagement. At the same time, Energy UK believes in a stable and predictable regulatory regime that fosters innovation, market entry and growth, bringing benefits to consumers and helping provide the certainty that is needed to encourage investment and enhance the competitiveness of the UK economy.

These principles underpin Energy UK's response to Ofgem's statutory consultation on a vulnerable customer safeguard tariff. This is a high-level industry view focused on operational aspects of the proposals, Energy UK's members may hold different views on particular issues.

We would, however, like to take this opportunity to note that, while we recognise the external pressure facing Ofgem in relation to the proposals set out in the Statutory Consultation, the consultation process, especially for an intervention of the type and extent proposed, has been highly unsatisfactory. It is vital that this process does not set a precedent for future interventions and it is important that Ofgem follow its well established consultation and Impact Assessment processes.

Our detailed comments are set out below.

Detailed comments on Ofgem's proposals

Energy UK strongly believes that we must ensure protection for the most vulnerable, while making sure we do not risk halting the growth of competition and engagement in the market which is ultimately benefiting all consumers.

Energy UK, however, does require clarification on the following operational aspects of Ofgem's proposals:

Customer Experience - Under current proposals, we note that suppliers could be writing to some customers in February explaining how they are being moved onto a new tariff only to be writing to them a month later explaining why the tariff has potentially changed in line with the review of the PPM cap. While we understand the external pressures facing Ofgem, we believe it is important to note that this risks creating customer confusion and potentially represents a poor customer journey.

Links with Warm Home Discount (WHD) - The Statutory Consultation proposes that customers receiving a WHD rebate this year (2017/18) or last year (2016/17) should be captured by the cap initially. To implement this in practice, suppliers need clarification on the following:

- Can Ofgem please confirm what is set out in 4.17; that the safeguard tariff only applies to those customers who receive a WHD rebate, and not all customers may be eligible? WHD rebates for the Broader Group operate on a first-come-first-served basis and the number of potentially eligible customer will, therefore, exceed the number of customers who actually receive a rebate.
- Would a customer that has just been identified as a WHD Core/Broader group customer in 2017/18 expect to benefit from the safeguard tariff 30 days after being identified or 30 days after receipt of the rebate?
- If a WHD Broader Group customer from 2016/17 is no longer an eligible WHD recipient for 2017/18 (due to a change in circumstances) should they still be covered by the safeguard tariff?

Timelines for moving customers onto the safeguard tariff - Energy UK's notes that the 30 day time limit for placing a customer onto the safeguard tariff will be challenging for suppliers when considering the time it will take to process customer data and give customers advanced notification of any change to their tariff if required.

Monitoring - Ofgem has outlined that they intend to cross-check safeguard tariff compliance with the number of WHD rebates paid. It is important to note that this comparison will need to take account of various factors, including: 2016/17 and 2017/18 data sets; Standard Variable Tariff v Non-Standard Variable Tariff data; losses and change of tenancy; deceased customers; WHD payments are cumulative at end of scheme year versus cap being ongoing through the year and fluctuating. We believe that Ofgem must give further consideration to the procedure for monitoring compliance.

Informed Choices Principles - Can Ofgem clarify how the new informed choices principles will work alongside the new vulnerable safeguard tariff?

Future of the safeguard tariff - Ofgem has publically stated that it plans to extend the cap to an extra two million people for winter 2018/19. We request further clarification from Ofgem on these plans and how they sit with the proposals set out in the Government's Draft Domestic Gas and Electricity (Tariff Cap) Bill.

We would also note that should Ofgem decide to extend the scheme for a further year, a full consultation process and Impact Assessment should be undertaken. Energy UK, for example, notes that the PPM Price Cap methodology does not properly reflect suppliers' costs. Accuracy becomes more important where it impacts a wider group. The methodology for any wider price protection would need to be reviewed and modified to ensure it is adequate for suppliers' to finance their activities.

If you would like to discuss the above or any other related matters, please contact me directly on 020 7747 2931 or at Cathal.mcsweeney@energy-uk.org.uk.

Yours sincerely,

Cathal McSweeney
Policy Manager