



Jemma Baker
Ofgem
9 Millbank
London SW1P 3GE

By email to: vulnerability@ofgem.gov.uk

9 November 2017

Dear Jemma

CONSULTATION RESPONSE: SAFEGUARD TARIFF

First Utility is Britain's largest independent energy supplier, with some 825,000 domestic customers. We warmly welcome this consultation, having led the call for a safeguard tariff over the past year.¹

Energy is an essential service - families cannot and should not manage without affordable heat and power. It is therefore deeply concerning that millions of the poorest homes are likely to be on the Standard Variable Tariff ("SVT").

In addition, a safeguard tariff is needed to ensure that the existing £140 Warm Homes Discount ("WHD"), funded by all bill-payers, is used to best effect. At present, vulnerable customers are given a £140 payment on the one hand, whilst being overcharged by up to £300 on the other because they are on an incumbent's SVT. This has meant that, effectively, the WHD payment has supported profiteering rather than worked as far as possible to reduce vulnerability, which is not an acceptable situation.

First Utility therefore supports Ofgem's proposal to impose a safeguard tariff, focused on default tariffs, using the WHD as an initial signifier of vulnerability.

Given the aim of this measure is the protection of vulnerable customers, and in order to do so to the fullest extent, we ask that Ofgem should also monitor the potentially effects of this measure on the estimated 500,000 WHD customers on Fixed Tariffs, as well as future safeguard tariff customers who may feel constrained by the Cap in exercising their ability to chose other tariffs.

Given the average SVT customer could save £180 by switching within their supplier but £300 by switching to a rival supplier, it is important that vulnerable customers who have already made, and are benefitting from, an active choice in the energy market do not lose out due to the dynamic effects from these changes.

¹ First Utility released research in November 2016 on the likely scale of Big Six overcharging of Warm Homes Discount customers, backed by Age UK



In particular, we are concerned that one of the unintended consequences of the market-wide default price cap arriving shortly could be that incumbent suppliers will pull their cheapest fixed deals. This would leave the 500,000 vulnerable customers who have engaged with the market worse off and unable to switch to a cheaper provider without losing their WHD.

This is particularly ironic because the WHD was set up in 2011 precisely to be a portable benefit in order to: "*maintain the incentives for consumers to switch suppliers...and the incentive for suppliers to continue to compete for customers across the entire market*".²

This could be easily remedied, and we urge Ofgem and BEIS and other key stakeholder to work together to ensure that all suppliers are required to participate in both the safeguard tariff and the WHD as soon as data matching regulations related to the Digital Economy Act have been made. This will ensure that customers can take the benefit of the safeguard tariff, portable protection *and* market choice.

We also suggest that Ofgem takes this opportunity to consider requiring suppliers to bill customers on the safeguard tariff on a monthly basis in order to maximise engagement with this group.

In parallel, we ask that Ofgem actively tracks not only SVT but default customer cohort numbers, average price and tenure, and we are pleased that recent Requests for Information indicate Ofgem is already alert to the possibility of changes in tariff behaviour. We support Ofgem's drive to make the market - and the behaviour within it - as transparent and fair as possible, including the proposed extension of this safeguard tariff to a wider set of vulnerable customers once data matching regulations are made.

Finally, a number of implementation questions remain unanswered, including exact start date, the name of the tariff and the notification procedure, amongst others. These we have not included, as we are already engaging constructively with your team.

Yours sincerely


Natasha Hobday
Group Director of Policy and Regulation

² [Warm Home Discount Impact Assessment](#), DECC, February 2011