

Ofgem  
Via email to [CDconsultations@ofgem.gov.uk](mailto:CDconsultations@ofgem.gov.uk)

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**Ecotricity Response to Consultation on Providing Financial Protection to More Vulnerable Customers**

Dear Retail Price Regulation Team

We are writing to you regarding the Providing Financial Protection to More Vulnerable Customers consultation, and Ofgem's continued work to shield consumers from unscrupulous energy companies.

Ecotricity were the world's first green energy company when we established in 1995, and now have over 200,000 domestic & non-domestic customers and almost 90MW of self-developed renewable energy generation capacity. We continue to invest in new sources of renewable generation, Electric Vehicle charging through our Electric Highway, and more generally promoting sustainable living through all of our activities in the sectors of Energy, Transport and Food.

**Executive Summary**

Echoing our response to Ofgem's original proposal to implement a cap to protect vulnerable customers, we welcome a market intervention to ensure that those with a variety of vulnerabilities do not fall victim to predatory supplier practices. We do however, have some concerns about Ofgem's proposed method of addressing this. Our response can be summarised by the following four points:

1. We believe data matching is the only fair way to identify vulnerable customers in a reliable manner.
2. The backstop option is inadequate; the PSR and debt data are poor identifiers of vulnerability.
3. The cap should apply to all suppliers, but the green tariff exemption from the Government's Draft SVT Cap bill should be applied to this cap.
4. We feel a relative cap is still the best way to provide price controls, and that in present form, neither approach outlined in the consultation provides adequate protections to both the consumer and the energy market.

**Q1. What are your views on our preferred approach of identifying consumers for safeguard tariff protection by primarily relying on data-matching?**

We believe that the only fair way to identify vulnerable consumers is through extended data matching with the Department for Work and Pensions. Use of DWP data will deliver consistency of approach between suppliers, and therefore consistency of outcome for the consumers it's designed to protect. As mentioned in our response to Question 2, the use of multiple identification methodologies could leave the scheme open to abuse.

Ofgem should work with the government to make any required changes to Digital Economy Act 2017, in order to provide as robust a set of identifiers for vulnerable customers. Ofgem should also make sure that the DWP is capable of facilitating increased data matching, and will do so in a way that is reasonable for suppliers who currently do not data match as part of the WHD scheme.

**Q2. What are your views on our backstop option that requires suppliers to use the information they hold (such as Priority Services Register and debt information) to identify vulnerable consumers?**

The proposed backstop option falls short for both the consumer and the supplier for a number of reasons. As an opt-in scheme, the Priority Services Register will inevitably not provide anything approaching comprehensive coverage of vulnerable consumers, many of whom will simply not be engaged enough to have given their consent to be included. A cap based on this proxy will do nothing for those consumers. Equally, there is a wide range of reasons why someone may be on the PSR. For example, being medically dependent on electricity, having young children, and being of pensionable age all require priority service, but none of these equate to financial vulnerability.

We feel that applying the cap to customers because they are in debt is highly questionable. Although many vulnerable consumers will be in debt, saying that all consumers in debt are vulnerable is drawing a false equivalence. Indebted customers may be those who can't pay, but also may be those who won't. The latter are not vulnerable, and do not require a capped energy tariff designed to help those who are really in need. This approach could incentivise customers to not pay their energy bills.

One of the most serious potential consequences of the backstop option is that it provides a tangible financial incentive for suppliers to neglect their obligation to take steps to 'identify and respond to the needs of those in vulnerable situations.' This could lead not only to the financial detriment of consumers, but also a threat to the wellbeing of those who should be on the PSR, but aren't, as a direct result of suppliers shirking their responsibility.

**Q3. Are there other methods for identifying vulnerable consumers that we should consider, either alongside or as an alternative to, our preferred approach?**

We feel that for any proxies besides data matching to be used in order to identify appropriate groups of consumers for a cap, an increased body of research should be conducted and put forth to evidence their suitability.

**Q4. What are your views on our proposal for all suppliers to be required to provide safeguard tariff protections to vulnerable consumers? What impact would this have on suppliers? Please provide evidence to support your views.**

Vulnerable customers should be protected from financial exploitation regardless of their supplier. In order to do this effectively, it is important that suppliers are subject to the same requirements when providing a capped tariff. Otherwise, in addition to providing an uneven playing field for suppliers, a patchwork of different obligations is unfair on consumers. For example, it is perfectly conceivable that an energy consumer could be in receipt of income related benefits, but has worked hard to keep up with their bills, and does not consider themselves a candidate for the PSR. Under the proposed backstop option, this person would lose out.

**Q5. What are your views on our proposal regarding the tariff types and meter types our extended safeguard tariff protections would apply to?**

We were pleased that the Draft Domestic Gas and Electricity (Tariff Cap) Bill recognised that tariffs with additionality should not fall under any cap. For a tariff to be truly green it needs to contribute to the increase in renewable generation, which will increase costs. We would urge that Ofgem follow this same principle with any price controls they introduce.

We would heavily encourage Ofgem to introduce gas tariffs with environmental claims into the Gas Supplier Standard Licence Conditions, mirroring the electricity equivalent. The exemption of green electricity tariffs from the cap can then be easily extended to gas tariffs in a straight forward way. A significant number of customers are on dual fuel tariffs and it is incongruous for two parts of their tariff to be treated so differently just because there is no regulatory consideration for a green gas tariff. Catering for tariffs with environmental claims in the Gas Supplier Licence Conditions would solve this problem, and could even provide a stimulus for the green gas sector.

**Q6. Which of our two options for setting the benchmark component of the safeguard tariff would be most effective?**

As we have stated in our response to the Draft Domestic Gas and Electricity (Tariff Cap) Bill, we believe that an absolute price cap is the wrong approach. Lots of controls are required in order to prevent absolute caps being based on loss making tariffs. These tariffs are not only bad for consumers but also provide a false impression of the real cost of energy. A relative price cap would stop this, encouraging customers to switch to a new supplier whilst ensuring that a supplier's most expensive tariff is no more than a set percentage higher than their cheapest tariff, protecting customers in a way that is easy for them to understand.

**Question 7: Do you have any comments on the design issues for either of our two options?**

We feel that the CMA's prepayment cap methodology would require updating, to ensure that while it provides adequate protection for vulnerable customers, it is also reflective of the cost of energy, and flexible enough to react to changes in costs to suppliers (e.g. smart meter costs).

The use of a basket of tariffs would require careful monitoring as it would be fairly susceptible to gaming by market participants who could design tariffs to influence that cap level. This would cause

detriment to consumers being protected by the cap, and reduce the competitiveness of the energy market for other consumers.

## Conclusion

Ecotricity recognise the need to prevent the exploitation of vulnerable consumers, and that a price control could be an effective way of doing this. However, any solution needs to provide uniform protection, and should not be contingent on who the consumer buys their energy from. Vulnerable people may often be disengaged and would therefore be failed by the cap simply by having the wrong supplier. We feel that green tariffs with additionality should be exempt, and have reiterated our belief that a relative cap is preferable to an absolute one. In the case of an absolute cap, we urge Ofgem to review the benchmark setting methodology to ensure it is truly reflective of supplier costs, adaptable to change, as well as not being susceptible to manipulation.

We welcome any further contact in response to this letter. Please contact Kit Dixon on 01453 840635, or at [kit.dixon@ecotricity.co.uk](mailto:kit.dixon@ecotricity.co.uk).

Yours sincerely,



Alan Chambers  
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