

Dear Sir

I write in regard to the Ofgem document, 'Working paper #1: setting the default tariff cap', in which you invite comments on the issues the document raises.

Ebico has operated as a white label for the past 20 years. In that time, we have focused, as a not-for-profit, on seeking to meet the home energy needs of low income households. To that end, we offered an evergreen tariff with a zero standing charge and no price differentiation between our pricing for prepay customers and our credit customers. Following the implementation of the prepayment (PPM) price cap methodology in 2017, the higher unit rates required for a zero standing charge to be commercially viable would have resulted in a breach of the Relevant Maximum Charge at a high level of consumption. Although the cap's derogation mechanism theoretically allows for tariffs to breach the price cap if a rebate is provided ex-post to any customers incurring charges in excess of the Relevant Maximum Charge, this process was unfeasibly costly to operate and incompatible with commercial viability. As a result, we had to withdraw the zero standing charge feature from our offering to prepay customers. This affected approximately 20,000 meter points.

It is clear from Working Paper #1 that Ofgem proposes to utilise the same Relevant Maximum Charge methodology for the planned default tariff price cap and, we infer, the same derogation mechanism for zero standing charge tariffs. If this is so, then the simplest course of action for us to ensure compliance would be to introduce a standing charge. This would be financially disadvantageous for many of our 66,000 'Ebico Zero' customers, and particularly so for our low consuming customers on low incomes, so we do not want to do this.

I would welcome the opportunity to discuss, with Ofgem representatives, potential alternatives to the derogation mechanism from the Relevant Maximum Charge methodology for zero standing charge tariffs.