

Emailed to: retailpriceregulation@ofgem.gov.uk

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26 June 2020

Dear Sir/Madam

Consultation – Protecting energy consumers with prepayment meters

I write in response to the consultation – Protecting energy consumers with prepayment meters (PPM). In our response we provide some general comments, focus on a number of key points and at Appendix A we provide some background to Ombudsman Services.

General Comments:

We agree it is appropriate to keep a price cap in place to protect PPM consumers. We agree with the rationale, outlined in the consultation paper, behind continuing to protect this group of consumers, who are likely to be less engaged in the market and have less access to the same range of tariffs as other consumers. To the extent that price caps have a role in the energy market, it seems intuitive that PPM customer should be a primary focus.

Though delays in the smart meter rollout may mean that PPM consumers continue to inflate cost to serve for suppliers, it is right to look at this taking into account and recognising that PPM consumers are more likely to be in vulnerable circumstances (particularly financial). As Ofgem's consultation¹ last year highlighted, affordability is a key issue which can lead to consumers either self-disconnecting or self-rationing their energy, so we think the cap is important as a way to mitigate these situations.

Key points:

We think it is right to design protections that focus on the 98% of PPM consumers who are currently on default tariffs. We agree that customers who have shown themselves to be active in the market by moving away from default tariffs require less protection from pricing intervention.

We agree with the approach to setting and delivering the cap through the existing default tariff mechanism. We think it is fair to make allowances for the changes being brought about by the smart meter rollout balanced against appropriate costs to serve for PPM consumers. All else equal, changing the delivery mechanism for the price cap should not unduly

¹ Proposals to improve outcomes for consumers who experience self-disconnection and self-rationing, August 2019
https://www.ofgem.gov.uk/system/files/docs/2019/08/proposals_to_improve_consumer_outcomes_self-disconnection_and_self-rationing_1.pdf



affect either customers of suppliers. This is particularly important when we have yet to see the full economic impacts of COVID-19 on consumers and suppliers.

Please do not hesitate to contact us if you would like further information regarding our response. Our response is not confidential.

Your sincerely,

A handwritten signature in black ink, appearing to read 'Ed Dodman', written in a cursive style.

Ed Dodman
Director of Regulatory Affairs

For more information regarding this consultation please contact:

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Appendix A

About Ombudsman Services:

Ombudsman Services is a not-for-profit private limited company established in 2002 which runs a range of discrete national ombudsman schemes across different sectors including energy, communications and an appeals service in private parking. Each scheme is funded by the companies under our jurisdiction and our service is free to consumers. In 2019 we received 157,808 initial contacts from complainants and resolved 88,840 complaints. In the energy sector we received 116,700 initial contacts and resolved 58,034 cases, and in the communications sector, we received 40,184 initial contacts and resolved 17,426 cases. We also received over 84,000 appeals in our private parking appeals service.

We are:

- to our consumers, the people they can turn to for impartial advice and solution that's fair;
- to our partners, the people they look to for knowledgeable and insightful ways to help them reduce complaints by enabling them to make the changes they need to deliver better customer services;
- to our regulators, champions in protecting rights as well as partners in information sharing, we share our analysis so that regulators and business partners can make improvements; and
- to our people, here to enable them to deliver clarity to consumers and partners through meaningful work.