

So Energy’s response to Ofgem’s “Reviewing the Consolidated Segmental Statements - Our initial proposals” consultation

Background

So Energy supply great value renewable energy to almost 200,000 domestic households in Britain and aim to be supplying one million customers in three years time. We are proud to be consistently recognised by Citizens Advice as one of the top ranked UK suppliers in their rankings table as well as currently being one of only three Which? Recommended Providers in the energy supply market.

We make sure customers aren’t overpaying by comparing our fixed tariffs against every energy deal available to make sure we fulfil our promise of always being one of the best value energy suppliers. As well as saving customers money, we’re developing smart solutions to encourage customers to cut their carbon footprint beyond offering all our customers 100% green energy. We’re installing solar panels and So Energy branded batteries for customers and will launch an EV tariff and other innovative time-of-use tariffs soon.

We are an efficient, tech-centric and financially sustainable supplier that achieved profitability in the financial year ending March 2020.

Our response

So Energy support Ofgem’s justification for the proposed changes and support the majority of the changes outlined in this consultation. Transparency builds customer trust which is essential in the energy supply market. Collecting and publishing more financial information on revenues, costs and profits of more suppliers in the market will help do this.

Rather than respond to each individual consultation question we have summarised our specific concerns below. These relate to the requirements and the implementation of some of the detailed splits of financial information which could cause significant additional work (particularly for smaller suppliers with less resources such as ourselves) and be highly subjective depending on the methods used. In addition, the methodology needs to be consistent across suppliers in order for there to be a meaningful and easy comparison.

We have outlined below specific comments on the additional information Ofgem would like to collect from suppliers:

- **Customer data:** Customer number type data (e.g. number of customers by tariff type and payment type) is relatively straightforward to provide and So Energy is supportive of this addition.
- **Tariff revenue splits:** So Energy record revenue at a group level although it is obviously invoiced at a customer level. In order to maintain practical accounting, we would suggest continuing to record revenue at a group level but use an appropriate KPI proxy to split the revenue proportionally by tariff type e.g. by looking at the number of customers on a given tariff and average rates for that given tariff, rather than introducing more complexity to accounting.
- **Other revenue:** So Energy are happy to provide a breakdown of other revenue, but clear guidance should be provided by Ofgem to ensure this is consistently categorised and a simple comparison can be made.
- **Cost data:** Generally, costs are aggregated, recorded, and invoiced at a group level (i.e. fuel costs, network costs, environmental and social costs (ROCs, REGOs, CfD, etc), payroll, technology costs), and not on a per customer basis. Therefore, any apportionment can only really be done by starting with group costs, and then apportioning them based on a metric (e.g. customer numbers) in order for reporting to be both consistent and practical. Taking an example, payroll costs which make up 35%+ of our cost to serve would be difficult, time consuming and highly subjective to apportion by customer activity e.g. it is unclear how a supplier could accurately allocate the technology or finance team to a customer or even customer type. We are supportive of providing further cost breakdowns, but there needs to be a simple apportionment and an acceptance that each customer has broadly the same cost to serve. Even though in reality though each customer does not have the same cost to serve, with some (e.g. offline customers on the Priority Services Register) having a higher cost to serve than others (e.g. online direct debit customers) the difference will be relatively marginal, with the exception of bad debt. Therefore, providing a Profit and Loss by tariff type could be practical if simple apportionments are made, but we don't believe splitting cost to serve by customer type would be practical or meaningful.
- **Balance sheet data:** So Energy are supportive of providing balance sheet data as set out in the template in Appendix 3.
- **Prior year comparisons:** So Energy are supportive of providing prior year comparisons.