

Andy McFaul
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Ofgem
9 Millbank,
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24 April 2015

Dear Andy,

Supplier objections: a call for evidence

Thank you for the invitation to respond to the above document. Good Energy is a fast-growing 100% renewable electricity supply company, offering value for money and award-winning customer service. An AIM-listed PLC, our mission is to support change in the energy market, address climate change and boost energy security.

Executive Summary

Good Energy accepts that the current objection process is not ideal and could be improved. However, we believe that looking at Objection in isolation to the introduction of smart meters and Ofgem's current work on reforming the registration process to facilitate faster switching is a distraction and looks uncoordinated. We believe any reform of the objection process should be part of the quicker switching project being led by Ofgem as objections will need to be addressed to facilitate this work anyway.

Smart metering offers exciting opportunities, not only to reduce the number of customers in debt, but also better options for the customer for managing a debt should the accrue one. Any proposed changes under the current arrangements would therefore have a limited shelf life.

Finally, Bad debt is ultimately borne by customers who pay their energy bills in full and on time. Any solutions must, to be in line with standards of conduct, not only support customers in debt, but reduce debt overall for the benefit of all customers. Crucially, any reform should not result in more customers not in debt, but perceived as a high risk of debt, having additional mitigating actions being taken against them such as security deposits or enforced PPMs.

We have answered your specific questions with reference paragraph below, expanding where necessary.

- 1.11** We endeavour to provide all customers where we object on grounds of debt assistance with both debt management and energy efficiency advice. However, Good Energy only has a single tariff and as such cannot offer a cheaper tariff option.
- 2.1** We concur with Ofgem's view that objections are not generally seen in other utility markets. However, we believe that the objection process does keep down the cost of bad debt across the wider customer base and does allow suppliers to work with customers to manage that debt down in a way not possible if the customer was allowed to switch supplier and the debt crystallised and referred to a debt collection agency or the courts.

It also has the benefit of preventing customers constantly switching supplier and leaving a series of debt across several of those suppliers. This is ultimately bad for both the customer concerned and to suppliers.

If indebted customers do end up facing more court or similar collection methods then these additional costs could outweigh the benefit the customer received from switching supplier in the first place. This does seem counterintuitive

- 2.4** Without the objection process then we would have to consider how we mitigate the risk of customers leaving us with an outstanding debt. Currently we rarely use the option of security deposits except in the most unusual circumstances. This would have to be reviewed. We would also expect to see an increase in the use of PPM to manage debt and a greater reluctance to remove a PPM once a debt has been paid. Inevitably we would also need to consider how we managed customers who are not in debt, but have a profile that makes them a debt risk. Something we do not currently do.
- 2.5** As your letter states, once smart meters are the norm, then the facility to switch to PAYG offers a more cost effective debt management solution, as does the facility to remote disconnect and reconnect quickly. In the longer term, assuming a move to half hourly settlements, allowing customers to manage their usage by maximising off peak periods should also reduce the number of customers in debt. We therefore take a view that the objection process should remain in situ at least until the use of Smart meters for debt management (including customers' ability to better manage their usage) has been assessed.
- 2.6** Related metering points is more of an issue at commercial properties and is likely to remain so. Hopefully smart meters will reduce the number of related metering points, but is unlikely to remove it. It is also possible they may increase under smart as more domestic sites with solar PV have export MPANs. We therefore believe this should remain in place, unless a robust, simple erroneous transfer process is put in place.
- 3.2** Our views on each of the options are as followed;
1. We would support no material change as our preferred option until the roll out of smart meters and next day switching arrangements have been crystallised. This does not mean that changes to the objection regime cannot be part of the next day switching changes, and probably need to be so to work effectively.
 2. This would seem to be contrary to the move towards principle based regulation, by imposing solutions that may be sub optimal in some cases.
 3. As stated above, we believe this should not happen until the smart roll out is well under way and the benefits of smart in managing debt can be realised.
 4. This would be a backwards move unless a simpler and more robust process for erroneous transfers can be implemented. Probably as part of the next day switching regime.
 5. As stated above, this is more of an issue for commercial sites, although we do not believe smart metering will resolve the issue. It could be handled under erroneous transfers, but only if this process is radically improved.
 6. This would require a solution which allows customers moving to a non-Green Deal supplier to make Green Deal payments via an alternative mechanism. We would support this, but

question whether the number of Green Deal customers would justify the setting up of new arrangements.

7. With regards to extending DAP, this could be an issue for Independent suppliers if other suppliers actively encourage customers with debt to switch to them en-masse. This would require them to pay the losing supplier in full for the debt and then extract the debt overtime from consumers. The new supplier must have the right to decline a customer in debt for this to work.

Developing a de-minimus level where debt cannot be objected to, could cause overall debt levels to increase as suppliers will be faced with chasing via the courts etc, small debts which may often cost more to pursue than the debt itself. If this extra cost is passed onto the customer, then this is likely to push them further into debt and outweigh the savings from switching to a cheaper supplier.

We do not currently use security deposits except in unique circumstances. We believe that there is merit in looking at security deposits to see if there is a way to make using security deposits more acceptable. However, this does require suppliers to impose deposits on consumers who are not in debt on the presumption, that they may do so in future. This does not seem compatible with the standard of conduct.

- 3.4 If objections for debt were removed, then suppliers would have to resort to alternative methods of debt collection, and debt avoidance. Some debt collection methods such as court action or bailiffs would result in additional costs to the customer, probably far outweighing the benefits of switching. Some customers not in debt, but with a profile that suggest they are a risk may see themselves having to put up security deposits or accept PPM meters which currently would not be the case.

Non debt Customers are already picking up a not insignificant amount of bad debt provision through no fault of there own, and standard of conduct would imply that we need to treat them fairly too.

- 4.2 Our views on each of the options is as followed;

1. We would support this option, especially as non-domestic sites carry greater financial risk to suppliers. It should also be noted that larger sites will be outside the smart metering arrangements and smaller sites are currently allowed to opt out of the DCC arrangements.
2. We do not support the removal of the right to object for debt related reasons for non-domestic sites for many of the reasons expressed elsewhere in this document., especially as the benefits of smart do not cover non-domestic sites.
3. We do not see why Ofgem should be interfering in the contractual terms agreed between suppliers and all non-domestic customers. If Ofgem is referring only to micro-businesses, then we could consider that.
4. For this to be worthwhile, then a more robust and efficient process needs to be in place to deal with erroneous transfers. At the moment, using objections to prevent erroneous transfers in the best solution available when they occur.

5. Related metering points are more pre-dominant in the Non-Domestic sector, and we would need a better solution for dealing with them when they occur. Just abolishing the right to object without an alternative solution will not work.
6. This would require a solution which allows customers moving to a non-Green Deal supplier to make Green Deal payments via an alternative mechanism. We would support this, but question whether the number of Green Deal customers would justify the setting up of new arrangements.
7. With regards to extending DAP, this could be an issue for Independent suppliers if other suppliers actively encourage customers with debt to switch to them en-masse. This would require them to pay the losing supplier in full for the debt (and we would strongly oppose a higher debt threshold for businesses) and then extract the debt overtime from consumers. The new supplier must have the right to decline a customer in debt for this to work.

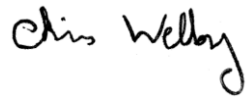
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- 4.5** Removing Debt objections from the non-domestic market would have similar issues as domestic customers for micro-businesses. For larger businesses, particularly new enterprises, then they are likely to face stricter credit checking and either be more likely to require a security deposit, credit guarantee or in the worse case refusal of contracts. Suppliers would also be quicker to disconnect to stop the debt accumulating than currently. An action that could cause businesses to cease trading.
- 4.6** We have no evidence on this.
- 5.3** Smart metering will result in major changes to how suppliers and customers engage in relation to debt, offering more options for customers in debt as well as helping consumers avoid getting into debt in the first place. In addition, Ofgem's proposals around next day switching will require a fundamental change to the whole registration process. We believe it would be more efficient to review objections as part of that process rather than making changes with a limited shelf live. All suppliers are already under pressure with need to prepare for Smart metering and any changes on objections would be a distraction and difficult to resource.

I hope you find this response useful. If you have any questions or require clarification, please do not hesitate to contact me.

Kind regards,



Chris Welby

Policy & Regulatory Affairs Director