utilita
pre-pay the smart way

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23 April 2015

Dear Andy,

Re: Supplier objections: a Call for Evidence

Thank you for the opportunity to comment on the Call for Evidence on Supplier Objections. Utilita welcomes the opportunity to contribute at this early stage.

We support the content of the Energy-UK submission on this call for evidence and hence have not restated points made in that paper. However, as a smaller supplier whose portfolio is composed almost entirely of Smart Prepayment customers, we offer an unusual perspective. We have set out our additional observations in the paragraphs below.

Section 2: Key issues - Alternative mechanisms for managing credit risk

We agree that there are a range of options open to suppliers to manage credit risk, however, in a highly regulated market such as energy, these options may be more restricted than they appear. Ofgem suggests that termination fees might increase, however post RMR, the use of termination fees is restricted, and may not be used on variable tariffs. This means that unless a customer has accepted a fixed term contract, termination fees would not be applicable. Equally, while there may be greater recourse to prepayment meters as suggested in the call for evidence, prepayment meters may not be suitable for all customers in all circumstances. The licence sets out important requirements to be addressed in this area, in particular in SLC28.

On this basis, we therefore believe it is important to maintain the full range of options, including the use of objections where appropriate.

Section 3: Domestic Markets – Options

Generally we would favour option 1. If Ofgem were to pursue option 2, we believe additional clarity would be needed. At present, the call for evidence suggests that the supplier would be required to move customers onto cheaper tariffs. Using RMR terminology, we assume that this would equate to moving customers to the licensee's Relevant Cheapest Tariff, if the customer was already on this tariff, then no further change should be required. We also believe that suppliers put considerable effort into managing their relationship with customers in payment difficulties effectively, especially vulnerable customers. It is in suppliers' interests to engage effectively with customers and to try and help them avoid moving into debt. We do not believe that further obligations on suppliers are needed in this area.

In terms of other options listed, we do not support abolition of any of the following types of objections: debt-related objections; objections for erroneous transfers; or objections on related electricity metering points.

Moving to option 7, while we would not support abolition of debt-related objections, if this were the case, extending the debt assignment protocol may be a sensible course of action. However, we recognise the justice of concerns on the level of debt burden this may place on a supplier, particularly smaller suppliers and suggest that careful consideration should be given to the level of debt at which the process should apply. It may be sensible to start with a relatively low level and monitor carefully the impacts.

We also note that in the case of prepayment customers, they may have credits built up on their accounts rather than debts, and a robust, efficient process for the effective transfer of such credits to the new supplier would be beneficial and complement debt assignment.

In respect of moving more towards arrangements such as those in Ireland, we share concerns on the impact that this may have on choice for customers.

Potential impacts and timing

We note at this early stage that the assessment of impacts is understandably brief. At present, the impacts listed are incomplete, for example, the consequences of each are not considered. A much more detailed analysis is required of the full range of options, including the quantitative costs and impacts on all parties of proposed changes. We urge Ofgem to ensure that all areas assessed are thoroughly quantified and that reliance on qualitative assessment is minimised.

When considering the impact assessment that would be required for any changes, we believe that the timing and the relative costs of implementing changes under the different timing options should also be carefully considered and quantified. It may be that if change is required, timing of changes might best be tailored to different categories of customer.

We hope that this short response has been helpful, and we would be happy to discuss any points in more detail.

Yours sincerely

By email

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