

Bart Schoonbaert
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Dear Bart,

Smart prepayment for a smarter market proposals

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 believes that smart “Pay as You Go” (PAYG) has the potential to transform the way customers engage with and pay for their energy. However, for it to achieve that goal it must move from being seen as a regulatory obligation associated with debt collection, enforced on all suppliers by regulation to one of supplier differentiation, allowing customers to make pro-active choices about different PAYG offerings.

It is important when a PAYG customer wishes to change supplier the process is made as easy as possible. Current arrangements, allow a customer can credit their meter to cover the switching period, the new arrangements do not allow credit to run over the supplier change over. This complicates the switch for the customer and raises a perceived risk of running out of credit. This would deter switching. We recognise that switching meters to credit mode mitigates this risk, but making the process more complex for the customer does not seem to be the optimum solution and Ofgem needs to think further about the customer journey (real and perceived) through switching.

Finally, we do not believe that the Host PES suppliers should be able to close down the current PPM infrastructure at a time it suits them without regard to other parties. Independent suppliers are obligated to offer PPM by regulation and needed to use the Host PES infrastructure to meet that obligation. We believe Ofgem should remove the obligation to offer PPM from suppliers so that they can manage the transition to smart more effectively without having to schedule changing their current prepayment meters with smart meters to meet their dominant rivals’ optimised decision to close the PPM infrastructure.

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

Q1. Do you agree with our assessment of the change of supplier solution as developed by industry, including in terms of its potential unintended consequences and its applicability to all smart meters irrespective of consumer type (domestic and non-domestic)? If not, please:

- **explain why**
- **put forward suggested alternative(s) to this solution**

- **If relevant, suggest and explain any other action we should take**

We agree with Ofgem's assessment of the proposed solution. The biggest concern is not that customers will be temporarily in credit mode during the switching supplier, but the fact that any credit on the meter will not be carried over. This complication is likely to deter many PPM customers from engaging in switching as it makes the process more complex than it currently is, and may be used by losing suppliers to deter customers from switching.

On the assumption it is not technically possible to leave a credit on the meter as customers change supplier. We believe Ofgem should monitor the market to ensure that smart PPM does not increase customer stickiness if customers perceive the non-transfer of credit to be a risk.

Q2. Do you agree with our proposal to monitor suppliers' offering of key smart prepayment functionalities through our social obligation reporting? If not, please:

- **explain why**
- **suggest and explain any alternative(s)**

The use of the SOR reporting template would seem to be a sensible solution, but the SOR is already quite heavy and only the bare essential data required to monitor smart PPM switching rates should be captured.

Q3. Do you agree with our proposed data points for inclusion in the SOR (on the availability of key smart prepayment functionalities), the frequency we propose to collect them, and the starting point for collecting them? If not, please:

- **explain why**
- **Suggest and explain alternatives**

We welcome Ofgem's proposal to only collect the data on an annual basis, but still believe collating the data will be an additional burden on suppliers, especially where the questions seek details about minimum and maximum emergency credit as we would expect these to be decided on individual circumstances rather than an agreed amount. As stated above, we believe Ofgem should only request the bare minimum required to monitor switching. If a problem is perceived then Ofgem can use its information request powers to get more granular data.

Q4. Do you agree with our assessment on those areas where we do not propose to take any further action? If not, please:

- **explain why**
- **suggest and explain any alternative(s)**

We agree with the proposals not to take any further action in the areas mentioned, but believe that there may be lessons to be learnt on change of tenancy and whether problems arise, similar to those that can occur on change of supplier which require meters to be placed in credit mode on a change of tenancy as well.

Q5. Do you agree with our assessment that the existing regulatory arrangements are fit-for-purpose for a smarter market, and that they pose no undue barrier to innovation? If not, please:

- **explain why**

- **suggest and explain any action we should consider**

We believe Ofgem should review the requirement on all suppliers above 50,000 domestic customers to offer all reasonable payment terms. The current licence requirement was introduced as there was concern that without it suppliers would stop offering prepayment meters. Several Independent suppliers are already offering smart PPM, but are being curtailed by the obligation requiring their competitors to also offer the same service even if their business model is not set up to compete for PPM customers. We believe this requirement should be removed, with Ofgem monitoring the market to ensure customers wanting to pay by PPM have a wide choice of suppliers and tariffs.

Q6. Do you agree with our proposal to update the Safe & Reasonably Practicable guidance? If not, Please:

- **Explain why**
- **Suggest and explain any alternative action we should consider**

We agree with the principle that a supplier can switch a meter to prepayment mode where there is no local cash top up facilities if the customer is happy to use a non cash top up method. This would mean customers who wish to repay a debt via PPM but who are remote from cash payment facilities, or have mobility issues would be able to do so.

Q7. Do you agree with our proposed amendments to the Safe & reasonably Practical Guidance? If not, please:

- **explain why**
- **suggest and explain any alternative amendments we should consider.**

We agree with the proposed amendments.

Q8. Do you agree with our proposal to monitor, through our Social Obligation Reporting, the number of smart prepayment customers who have actively asked for alternative top-up methods so as to not require cash as a payment option? If not, please:

- **explain why**
- **suggest and explain any alternative amendments we should consider**

We believe capturing this data would be difficult and the numbers relatively small given the current requirement to offer a nationwide cash payment service. If monitoring is considered necessary it should only apply to suppliers with a de-minimus number of customers on smart PPM.

Q9. Do you agree with our proposed data points for inclusion in the SOR (on cash as a payment option and smart meter consumers on prepayment), the frequency with which we propose to collect them, and the starting point for collecting them? If not, please:

- **explain why**
- **suggest and explain any alternative(s)**

As stated above we believe capturing this data will be difficult, especially as customers who actively ask for a non cash payment method will not be excluded from making cash top up if they choose to do so. If the data is to be captured then capturing it annually would seem to be appropriate

provided it was a snapshot and suppliers were not required to provide numbers relating to customers who may have switched from PPM to Credit and back again during the year.

Q10. Please provide any views on the risks and merits of differentials between smart and traditional prepayment tariffs. Please also provide views on mitigating actions that could be taken by parties, including by Ofgem, to address any perceived risks.

We agree this is a complex area, but believe that this should be left to suppliers to manage. The PPM mix varies across suppliers as does the rate at which they will switch existing PPM customers to Smart PPM. It would therefore seem inappropriate for Ofgem to dictate a solution based on an average view of the market. That does not of course preclude Ofgem ensuring that customers are being treated fairly and taking action where there is a clear case of consumer harm.

Q11. Do you agree with our proposed approach to micro-businesses? If not, please:

- **explain why**
- **provide any evidence to support your position**
- **provide details on which existing arrangements we should consider extending to micro-business customers, and why**

We agree, given the low numbers of micro-business customers on PPM that extending the regulatory arrangements around PPM to them would not be proportionate.

Q12. Please provide any general views on phasing out the traditional prepayment infrastructure.

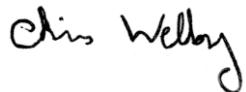
As a result of the way Ofgem previously decided that the PPM infrastructure should remain with the host PES supplier rather than the network businesses, independent suppliers have been obliged to use this infrastructure because of the obligation to offer PPM as a payment method. Whilst we welcome the opportunity that Smart gives to independents to take charge of their own PAYG service, it would be unfair for them to be impacted should one of the ex-Host PESs decided to close the PPM infrastructure at a time it suits them rather than when the users of the service have no further need for it.

We believe there are several alternative options available to Ofgem, as set out below:

1. Remove the obligation to offer PPM as a payment option from independent suppliers as soon as possible. This would remove from them the obligation to use the current infrastructure, and therefore they would be using it because they chose to do so and thus would need to work with the provider as it winds down. This may temporarily reduce the number of tariffs available to PPM customers, but given several independents are already offering smart PAYG tariffs, we do not believe PPM customers would be unduly disadvantaged.
2. Mandate that the service must be maintained until a date beyond 2020 by the current providers. This means that all suppliers would then have equal access to the service. This does not mean they could not scale down the operation as numbers reduce, and Ofgem should be amenable if the current obligated parties wish to work collaboratively to set-up a single service provider for the transition.
3. Transfer the obligation to offer the traditional PPM service during transition to the network companies as a regulated cost. This would mean all parties would share the cost of maintaining the service irrespective of their traditional PPM portfolio.

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