

Stew Horne
Ofgem
9 Millbank
London
SW1P 3GE

Dear Stew,

Response to ‘Proposals to improve outcomes for prepayment customers’

Robin Hood Energy is a not-for-profit gas and electricity supplier. We have been set up by Nottingham City Council with the aim of tackling fuel poverty. In September 2015 we started offering variable and fixed tariffs to UK customers. In November 2015 we introduced a competitive offering for prepayment customers in the UK.

We have read with interest the consultation on ‘Proposals to improve outcomes for prepayment customers’. In the Appendix we give our answers to the questions in the consultation. In the paragraphs that follow we provide our views on how the consultation interacts with the Competition and Markets Authority’s (CMA) ‘Second supplemental notice of possible remedies’, which is focused on the prepayment market. Upon reviewing the two documents in conjunction, two points stand out:

- The technical constraints in the prepayment structure: in our response to the CMA we expressed our surprise that the CMA has not proposed a remedy to improve the mechanism for allocating tariff codes. For the gas market in particular, we emphasised that tariff pages are being held up by some suppliers. This significantly restricts the tariff offering of their competitors, to the detriment of consumers. If the CMA is not intervening in this area, then we would expect Ofgem to do so.
- The policy on the installation and removal charges for a prepayment meter: Ofgem’s proposal to end these charges goes one step further than the CMA’s remedy 20 (b), which proposes to prohibit upfront charges. We expressed concerns with the unintended consequences of the CMA remedy and we consider our concerns to be higher for Ofgem’s proposal. We discuss this in the Appendix.

If you wish to discuss the contents of this letter, please do not hesitate to contact me on ruben.pastor-vicedo@robinhoodenergy.co.uk or 0115 852 6486.

Kind regards,

Ruben Pastor-Vicedo
Regulation and Compliance Manager
Robin Hood Energy

Appendix - Response to 'Proposals to improve outcomes for prepayment customers'

Question: Do you agree with the scope of warrant charges?

Yes, we think it is appropriate for Ofgem to consider not only the level of the warrant charges but also the engagement of the supplier with the customer prior to, during and after the exercise of a warrant.

Ofgem states that suppliers may not have sufficiently strong incentives to ensure that warrant costs from third party service providers are as low as possible. We disagree with that view. We challenge all our costs to make sure the charges to our customers are as low as possible. We do this for ethical reasons, but we think every supplier might want to do this for financial reasons, as it takes time to recover warrant charges via a prepayment meter.

We agree with Ofgem that increased transparency over the process for fitting a prepayment meter under warrant will benefit consumers. We are working on material that will be available on our website once completed.

Question: Do you agree with the desired customer outcomes?

Yes, we agree that warrant charges should consider individual circumstances and that warrant practices should be transparent and fair.

Question: Which option set (A, B or C) do you think will be most effective at meeting our consumer outcomes?

We welcome the fact that Ofgem intends to set out clear expectations of supplier behaviour, which is common to the three options. We are concerned about the proposal to end warrant charges. We think that it is more appropriate for the supplier to have leeway to reduce its warrant charges taking into account the specific situation of each vulnerable customer. We think this position is more in accordance with a policy on vulnerability that aims to make sure that these customers are not disadvantaged. On that basis, we favour option C.

Options B and C involve a cap on warrant charges. If Ofgem decides to implement either of these, we expect there will be a recognition that small suppliers might face higher warrant costs than large suppliers simply because of less negotiating power with third party service providers.

Question: Should cases of energy theft or wilful damage to the meter be exempt from our proposals?

Yes, we think theft must be treated differently, as it constitutes a criminal offence. In instances of theft, we would still expect the supplier to have regard to the fact that the customer might be vulnerable.

Question: Do you have any views on our approach or better alternatives to achieve the outcomes we have identified?

We welcome efforts to increase the engagement of prepayment customers in the energy market. However, we do not support the proposal to end charges for the installation and removal of

prepayment meters. We think that suppliers with a focus on prepayment customers have a strong incentive to offer smart meters. This incentive seems sufficient to us to ensure that in the short term prepayment customers get free access to a meter that can operate in credit mode.

We would like to see Ofgem encouraging prepayment customers to compare suppliers both in terms of prices and metering offering. Some suppliers might offer a prepayment removal free of charge; others might offer a smart meter (which will also be free of charge).

We think it would be very unfortunate if Ofgem's proposal to end charges for the removal of prepayment meters resulted in the installation of traditional credit meters that were then shortly after replaced with smart meters.