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Default tariffs for domestic consumers at the end of fixed-term contracts

Dear Barry,

I am pleased to provide the views of npower on the above statutory consultation.

npower is supportive of this proposal to provide suppliers with the flexibility to roll customers onto further fixed-term contracts, subject to the proposed safeguards.

It is important to recognise that fixed-term contract customers have proven themselves to be engaged and should be considered in a different light to the wider challenge of consumer engagement. They may make a positive decision to roll onto a similar tariff, without the need to further engage. In this context, we would question whether it is appropriate to define the roll-over tariff as a “default” (including for the purposes of the disengaged customer database).

We have the following, specific comments:

- 1) For clarity and consistency, we think that the standard licence condition (SLC) should be consistent with the policy drafting i.e. “similar in nature”, rather than as “similar as possible”. The latter could unduly constrain a supplier’s ability to deliver a good outcome.
- 2) We also believe that the above should apply to a limited list of criteria, rather than be open-ended. Accordingly, we believe that the SLC should read as below:

(a) has terms and conditions that are **similar in nature as similar as possible** to the existing Fixed Term Supply Contract for that Domestic Customer, **including** in respect of.....(tariff type and duration, etc)

To illustrate, a customer may currently be on a medium term fix that came with a bundle e.g. vouchers, electronic device. It would reasonable to roll the customer onto another medium fix, without the supplier being obliged to offer a similar bundle, whilst not precluded from doing so.

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- 3) We would welcome clarification that the requirement that a roll-over tariff is cheaper than or as cheap as the standard variable tariff, applies to the estimated bill value at the point of comparison, rather than standing charge / unit price level. This is to enable flexibility of tariff structure, for example, the roll-over tariff may have a higher standing charge, offset by a lower unit rate.
- 4) We support Ofgem's proposal that suppliers would not be required to roll customers onto fixed-term contracts – this would be at their discretion. We would welcome clarification of our understanding that such discretion would be applied at the end of the fixed term, rather than when the customer enters into the original fix (the terms of which could state that the customer may roll onto either standard variable, or a similar fix where available, as notified at the time). The intention is not for a supplier to make a decision when formulating the Ts&Cs of the original fix, as this could introduce an obligation to create a similar tariff.
- 5) We note the dependency with Ofgem's review of the end of fixed term notice as part of its review of supplier communications. Subject to the timing of any related licence modifications, there may be a need for Ofgem to take a flexible and pragmatic approach to compliance where the content of the notice needs to reflect a proposed roll-over tariff.

I hope that you find our views constructive and we look forward to Ofgem's decision and clarification of the above points.

If you wish to discuss any particular point, please contact me on the above details.

Yours sincerely,



Paul Finch
Regulation

Cc: Chris Harris, Regulation Director