

Vulnerable customer safeguard tariff – statutory consultation

Ofgem consultation

A Response by Utility Warehouse

This document sets out the views of Utility Warehouse regarding the Ofgem consultation ‘*Vulnerable customer safeguard tariff – statutory consultation*’ published by Ofgem on 11 October 2017.

Utility Warehouse is the UK’s only fully integrated provider of a wide range of competitively priced utility services spanning both the Communications and Energy markets. Customers benefit from the convenience of a single monthly statement, consistently good value across all their utilities and exceptional levels of customer service. Utility Warehouse does not advertise, relying instead on ‘word of mouth’ recommendation by existing satisfied customers and distributors in order to grow its market share.

We take our responsibilities as an energy provider very seriously and make every effort to ensure we provide such essential services to our customers with the utmost integrity; the customer is at the heart of our business model and the way in which we operate. Customer value is the cornerstone of the success we have had and continue to achieve.

We are supportive of the policy intent to introduce a safeguard tariff for vulnerable customers and believe the use of the Warm Home Discount (WHD) to be an appropriate proxy for doing so.

We are also supportive of the methodology being proposed by Ofgem; an extension of the application of the prepayment meter price cap.

The consultation letter states that the applicable tariffs to be covered are “*any evergreen or fixed-term default tariffs offered by the supplier to eligible customers*”. The consultation also states, “*At present the defaults deals offered by the 12 eligible suppliers are SVT’s*”.

Given the overall policy intent behind the drive towards the introduction of price regulation is to ensure customers on standard variable tariffs (SVT’s) benefit from cheaper prices, we are disappointed to see that the proposed safeguard tariff seeks to capture all evergreen tariffs and not just a supplier’s SVT. As a bundled service provider, we have a range of evergreen tariffs available to our customers that are not an SVT and are bundled with telephony and broadband products. In fact, Ofgem have already taken steps to recognise the existence of non-traditional business models operating in the market by changing the definition of an SVT used for all reporting and publication purposes to exclude those tariffs that are provided as part of a bundled service.

To better understand the operational impacts of a vulnerable customer safeguard tariff there are a range of aspects where further detail and / or clarification would be useful so to ensure we, like other relevant energy suppliers, are ready and able to implement the safeguard tariff in a timely fashion to ensure eligible customers benefit from the start of its introduction currently targeted for February 2018.

We understand the proposed safeguard tariff applies to customers who receive either the Core Group or Broader Group rebate and that the starting population appears to be those eligible WHD customers from Scheme Year 6 (SY6) who at the implementation date, are still taking their energy supply from the relevant supplier, who will be subject to the safeguard tariff.

However, it is unclear at what point during SY7 of the WHD, the safeguard tariff population should be refreshed and updated. For example, the first Matched data file for SY7 was provided in August 2017, the second is expected in November 2017 while Unmatched files may be provided by DWP throughout the remainder of SY7. At what point should Core Group customers for SY7 be moved onto the safeguard tariff?

We believe that for Core Group customers, the consultation suggests that on 1 April 2018 the data should be refreshed which will mean matching SY7 data to SY6 to remove any customers from the safeguard tariff who were eligible from the tariff implementation date but no longer eligible from 1 April as they did not qualify for the SY7 rebate. It would be helpful if Ofgem can clarify our understanding in this regard.

For Broader Group customers, the consultation does not appear to recognise that relevant suppliers must prepare their operational delivery plans, submit to, and have approved by, Ofgem at the start of each scheme year. In our case, we do not seek to make payments of any rebates until we have met our regulated targets both regarding the overall scheme year obligation and the 5% verification target. This means that during a scheme year, Broader Group applicants are applicants until the end of the scheme year when applicable applicants become successful and eligible to receive the discount payment. It is therefore not possible for new Broader Group eligible customers to be moved onto the safeguard tariff until the end of the WHD scheme year (or close to) for which they are applying.

If the idea is, and we assume to be the case, that at the end of a scheme year the data is refreshed so that all customers who received the WHD in the previous year but not the new year are removed from the safeguard tariff, do Ofgem expect suppliers to be subject to the price increase regulatory obligations? We are keen to ensure a positive customer experience remains; communicating to a customer that from say 1 February they will be moved into a safeguard tariff and then potentially communicating with them again in 30-60 days (where they were eligible in SY6 but not in SY7) to subject them through the PIN obligations does not lend itself well to a good customer experience. This could be particularly evident with the Broader Group population and we are keen to ensure a positive customer outcome. It would therefore be helpful if Ofgem are able to clarify how they perceive the potential timelines operating in practice.