



Jemma Baker,
Retail Price Regulation,
Ofgem,
9 Millbank,
London,
SW1P 3GE

11th January 2018

Dear Jemma,

Providing financial protection to more vulnerable consumers

Thank you for the invitation to respond to the above consultation. Bristol Energy is an independent supplier of electricity and gas with a business model that has a regional focus on the South West of England, although we supply customers across Great Britain. We have a mission to fight fuel poverty and be a force for social good.

Bristol Energy is a voluntary provider of the Warm Homes Discount and delivers this using the DWP's Data Matching process.

Executive Summary

Bristol Energy welcomes Ofgem's proposals to extend the Safeguard tariff to more customers. This year we did data matching as a voluntary WHD provider and found the process quick and painless, and see no reason why all suppliers would be unable to achieve this in time for next winter, provided the support was available from the DWP.

We do not support the backstop options as we believe they create a significant possibility of abuse and are likely to end up protecting some customers who do not need any additional protections, whilst failing to reach genuinely vulnerable customers.

We believe that the prepayment methodology would be preferable to the market basket approach, as it will better reflect costs. In particular, the market basket has a risk of including below cost acquisitive tariffs which could impact suppliers with greater numbers of vulnerable customers.

Finally, in terms of reporting, we believe Ofgem should consider putting in place a mechanism whereby suppliers with no Standard Variable or default tariffs above the cap can make a declaration to this effect, so they are exempt from the requirement to undergo the data matching exercise.

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

Q1. What are your views on our preferred approach of identifying consumers for safeguard tariff protection by primarily relying on data-matching?

Bristol Energy support Ofgem's preferred approach of using Government benefit data to identify customers who would benefit from safeguard tariff protection. As a voluntary supplier of the WHD, we have found the data matching exercise reasonably straight forward and that it did not require significant resource to implement, nor manage. Key to this is the fact that, as a smaller supplier, the data transfer process can be done by PGP

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encrypted data files, rather than VPN, the latter only really being required for suppliers transferring a significant number of customers.

We therefore believe data matching could be implemented by all suppliers in time for next winter, assuming the DWP could support the onboarding process for those suppliers who do not currently carry out data matching. If, however, this was considered unlikely or unachievable, then excluding any supplier who has been operating for less than two years could reduce the number of suppliers. This approach would also reduce the risk of not reaching the intended customers, as it would be a safe assumption that customers with these suppliers would have recently engaged with the market.

Q2. What are your views on our backstop option that requires suppliers to use information they hold (such as Priority Services Register and debt information) to identify vulnerable customers?

We do not support either of the proposed backstop proposals as we do not believe they are necessary and because of their ability to cause unintended consequences.

Bristol Energy's PSR is open to all customers who wish to register. We do not validate applications and accept any request for additional support via our PSR at face value and seek to meet them. Whilst many customers on the PSR may be financially vulnerable, they are not disengaged by virtue that they have recently switched to Bristol Energy. There is however a risk that some customers, believing lower prices are available to consumers on the PSR, would apply to join it and thus make it harder for suppliers to identify the truly vulnerable.

With regard to customers in debt, it is universally recognised that debtors fall into two categories: the "can't pay" and the "won't pay". Again, we are concerned that some customers who were able to pay would defer payment in the knowledge that, in doing so, they could access a lower tariff. This could have financial consequences for suppliers and increase the cost of serving customers who are in debt.

It should also be noted that many financially vulnerable customers take considerable care to pay their energy bills. It would thus be an injustice to them if the "reward" for doing so was to be excluded from the safeguard tariff, whilst "won't pay" consumers who are not financially vulnerable were being placed under the cap under the circumstances described above.

Both options also mean that the application of the safeguard cap would be inconsistent across suppliers. Ofgem's own data collated through the SO reporting shows that the proportion of customers on the PSR varies significantly across suppliers, as does the level of customers in debt.

Q3. Are there other methods for identifying vulnerable consumers that we should consider, either alongside or as an alternative to, our preferred approach?

We believe data matching is the only sensible approach, and can see no alternative that would not be either unjust in its application, or would cause unintended consequences for suppliers. The only other solution would be a market wide cap which protects all consumers and thus, all vulnerable consumers by default.

Q4. What are your views on our proposal for all suppliers to be required to provide safeguard tariff protections to vulnerable consumers? What impact would this have on suppliers? Please provide evidence to support your views.

We believe that all suppliers should be required to provide safeguard tariff protection using matching data from

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the DWP. We have estimated the administrative cost of running the WHD, including data matching, to be less than £5,000 per annum, and currently do not see the administrative cost of carrying out the same activities for the purposes of a safeguard tariff, to be significantly different. We also question the six-month figure to set up data matching, as we found it to be a relatively straight forward process and, with support from the DWP (who were very supportive), it took considerably less than a month. This process involved the use of PGP encryption to share data via email, and included running and processing test files.

It may of course be more efficient for some suppliers who have competitive tariffs across the board to make a declaration to Ofgem that it will keep all its tariffs below the cap for the six months the cap applies (assuming the cap is reviewed on a six-monthly basis). This would prevent suppliers having to go through the process of identifying customers eligible for the safeguard tariff protection knowing none of its customers will require it. We would welcome the opportunity to explore with Ofgem whether this is a practicable solution or not.

Q5. What are your views on our proposal regarding tariff types and meter types our extended safeguard tariff protections would apply to?

We support Ofgem's proposals to include all Standard Variable tariffs. With regards to default tariffs, we have raised concerns with Ofgem before that its definition of a default tariff will include situations where a supplier defaults customers onto the cheapest equivalent tariff, which means engaged customers will have actively chosen the default option.

We support the inclusion of all meter types.

Q6. Which of our two options for setting the benchmark component of the safeguard tariff would be most effective?

In a market of over 70 players with differing business models and approaches to customer service, no benchmarking exercise is ever going to be perfect. However, of the two options we believe the prepayment methodology is the better approach and likely to be more effective.

We are aware that several of our competitors are setting tariff rates below cost to gain market share, and/or funding such rates through poor customer service and/or regulatory non-compliance. We therefore believe a benchmark that was set using a basket that took account of these tariffs could cause significant harm to the market.

It would be our ambition, and probably that of most independent suppliers, to keep all our tariffs below the safeguard cap, negating a need to adopt a specific safeguard tariff. However, if the cap was set artificially low, as we believe the basket approach would do, then we would indeed have to create a specific safeguard tariff ringfenced for customers identified as being eligible, as these tariffs could be loss making. This would be particularly risky if access to these tariffs was controlled by customers via signing up to the PSR or allowing their account to go into debt (resulting in the consequences set out in our answer to Q2).

Q7. Do you have any comments on the design issues for either of our two options?

We agree with the comments Ofgem has already received around the costs of smart metering and feel these need to be better reflected in the cap. We also agree with the issue around EII exemption and point out that, whilst only larger suppliers participate in the ECO, all suppliers are impacted by the EII exemption, as the RO, CFD and FIT are all financed by the wider market. Therefore, the offsetting does not ring true across the

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market.

As stated above, we have serious concerns with the basket of market tariffs approach. We could be more supportive if the basket was made up from the cheapest SVTs in the market as SVTs are less likely to be acquisitive tariffs. However, the risk of including Big6 SVTs in the basket is that it would embed the high prices of these tariffs into the cap.

In terms of compliance, we believe the design of the reporting requirements would need to be amended. Under the PPM tariff cap, compliance reporting is centred around ensuring all suppliers' PPM tariffs are below the cap threshold. Under the safeguard tariff, the situation is more complex because a supplier could meet the requirements several ways, as follows:

1. Keep their SVT and Default tariffs at a level above the cap, and migrate eligible customers to a safeguard tariff, but only if they are currently on SVT or default tariff (i.e. Not on a fixed term contract).
2. Move their SVT and default tariffs to match or beat the cap, although recognising eligible customers may be on a higher fixed term tariffs which they actively signed up to.
3. Ensure all their tariffs are below the cap, so there is no need to identify eligible customers or to set a safeguard tariff.

We therefore believe this needs to be considered in more detail with different reporting depending on how a supplier resolves to meet the requirement.

I hope you find this response useful. If you have any queries, please do not hesitate to contact me.

Kind regards,

A handwritten signature in black ink that reads "Chris Welby".

Chris Welby
Head of Regulation

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