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By email to: futureretailregulation@ofgem.gov.uk

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Dear Katherine and Ruth

STATUTORY CONSULTATION ON SUPPLIER/CUSTOMER COMMUNICATIONS

First Utility welcomes the opportunity to respond to this consultation.

We support Ofgem's proposals to remove much of prescription around customer communications, and instead rely more on overarching enforceable principles.

For example, we agree with you that the Bill and Statement of Renewal Terms should not be a catch-all for all types of energy information, and that suppliers should be able to vary these according to their customer base (and to different customers within that base).

We likewise agree that the Annual Statement should not be mandatory provided suppliers send customers a sufficient number of prompts without it.

In this respect, we support the new requirement in the Statutory Consultation to convey some information at least once a year, plus supplier-defined "Key Prompt Points" as previously proposed, and that changes to a customer's contract such as the end of a fixed-term contract should always constitute a Key Prompt Point.

We do, however, have two outstanding concerns. Our first concern relates to monitoring and compliance. In order to protect consumers without adding uncertainty for suppliers, we would urge Ofgem to set out how and when (e.g. trigger points regarding switching or customer service performance) they are likely to monitor compliance here.

Our second concern pertains to the interface of this package with the forthcoming Default Tariff Cap ("the Cap"). Ofgem's latest Impact Assessment for the Cap notes that, by capping profits on default tariffs so tightly and allowing just 1.45% headroom for competition, *"suppliers will need to use a combination of increases in fixed tariff prices and reductions in operating costs to achieve normal profit"*. The Big Six can likely weather this storm because: *"Large suppliers tend to have more disengaged customers; therefore, they are more likely to be able to increase fixed tariff prices without losing customers"*. However, *"Smaller suppliers with less brand recognition and generally more engaged customers, may need to*



maintain low prices in order to compete”, as their engaged customers will otherwise switch away to suppliers with prices “below the benchmark due to policy cost exemptions”.

In other words, by Ofgem’s own admission, the combination of too-tight a Cap and the below 250k policy cost threshold will directly penalise suppliers with a engaged customer base. We would welcome a consideration within the final Cap Impact Assessment (due in November) setting out how the Cap’s interface with engagement - and with accompanying Ofgem policies, such as this package on Communications - will be monitored, and what action will be taken should engagement decline significantly as a result of the Cap (e.g. increasing Headroom).

Once again, we broadly welcome this approach and look forward to the implementation of the policies proposed. We would emphasise that it is important Ofgem considers closely the interface with the wider Price Cap and its intended and unintended impacts.

Yours sincerely

[not signed]

Natasha Hobday
Group Director of Regulation and Policy