



# Ofgem - Forward Work Programme 2020-22

## Response by Bulb

January 2020

### **Executive Summary**

Bulb welcomes Ofgem's Forward Work Programme and Ofgem setting out its priorities for the next 3 years and beyond. We support Ofgem increasing its focus on climate change and carbon reduction, a hugely important issue as the energy sector adapts to net zero. Bulb is making energy simpler, cheaper and greener and we support steps that Ofgem takes to improve the market and the planet.

### **Bulb's ambition for the energy market**

Bulb's vision for the energy market is one which is competitive, sustainable and delivers affordable energy and great service to consumers. A genuinely competitive energy market delivers tariffs that are competitive and which reflect consumer choice, such as supporting renewable electricity and green gas.

The energy market is at the forefront of the UK's efforts to reach net zero. The market has a chance now to realign its focus on delivering net zero, leading by example and supported by the necessary legislation to see this happen as soon as is practical.

### **Retail market change**

We support Ofgem's strategic narrative for 2019-23, including decarbonising the energy sector at the lowest cost. We support Ofgem focusing on achieving net zero in energy by 2050, as recommended by the Committee on Climate Change.

We believe that the Government should extend Ofgem's statutory duties to facilitate the energy sector achieving net zero. This is a necessary legislative step to both reach net zero and to demonstrate that the energy sector is prepared to lead by example. The Government's forthcoming Energy White Paper provides a timely opportunity for this change to take place.

We encourage Ofgem to work with BEIS and Innovate UK to support the market for electricity storage, including residential and business customers installing batteries. As Ofgem and BEIS recognise, we need to manage renewable intermittency with better flexibility as the share of renewables on the grid increases. Ofgem has acknowledged that batteries have an important role to play in managing the grid, particularly at distribution level. BEIS should consider how to improve battery adoption, including a preferable VAT rate or incentives for batteries to soak up additional generation instead of curtailing wind power.

We remain concerned that suppliers are able to offer tease and squeeze tariffs, tempting customers with cheap deals and then taking advantage of any lack of engagement by moving them on to standard variable tariffs.

We continue to support the price cap, which protects customers from paying over the odds for their energy. Ofgem and BEIS should extend the price cap until the energy market works effectively for customers. It may be necessary for the cap to be permanent..

While Ofgem's priority should be maintaining an effective competitive energy market, there may be areas where suppliers need to collaborate to deliver good outcomes for customers. For instance, Ofgem should encourage suppliers to work together to deliver a seamless switching process for customers and ensure the smart meter rollout is a success.

### **Smart meters**

Bulb wishes to see the UK's energy network be 100% smart as quickly and efficiently as possible, with minimum disruption to customers. The smart meter rollout is a large project with a positive aim at its core - delivering a greener grid and providing consumers with the necessary information to both lower their bills and change their behaviour to cut carbon emissions. Bulb will take all reasonable steps to install smart meters with our members.

The rollout has to date been beset by a number of delays, many of which have not been caused by suppliers. Bulb has grown its customer base as the smart meter rollout ramped up, encountering issues that pre-exist our creation. Bulb welcomes the moves to extend the smart meter rollout and to adopt a more realistic date for the rollout to be completed.

This longer rollout presents the chance to do things differently, delivering the rollout in a way which works for consumers. The best way to proceed with the rollout is to move towards installing smart meters at the end of an existing meter's life rather than continuing with binding annual targets. These binding targets are encouraging some suppliers to adopt pushy behaviour to get meters on walls, undermining wider consumer trust in the roll-out. This has been exacerbated by suppliers pushing smart meters onto consumers when some of the technology and underlying industry processes are not yet fit for purpose.

The progress of the rollout could be improved by improving the reliability of commissioning from the Data Communications Company (DCC). Delays in delivering the infrastructure needed to support SMETS2 meters have both delayed the rollout and have adversely impacted consumers, again undermining trust in the scheme. Continually high failure rates in the commissioning process are unsustainable in the short term.

The smart meter rollout provides an opportunity for suppliers to develop new tariffs that encourage consumers to shift load or make the most of their consumption patterns. The regulatory framework may need to evolve to help consumers compare these time-of-use tariffs. In other markets, such as Texas, these tariffs make it difficult for consumers to make meaningful comparisons.

### **Third party intermediaries (TPIs)**

In the domestic energy market, price comparison websites (PCWs) have played a positive role in providing consumers with information and encouraging them to switch. These websites are set to continue to play an important and ongoing role in the market.

The positive and increasing role of PCWs means that the time is now right to reconsider how the rules surrounding these influential players work. All companies offering and marketing energy tariffs to customers should be required to treat customers fairly. This includes PCWs and automatic switching services.

As part of its review of the future supply market, BEIS should extend Ofgem's statutory powers to cover PCWs. Ofgem should then ensure the fair collation and presentation of the tariffs available across the market so that consumers always have the right information to choose the most appropriate tariff for them. In the meantime, Ofgem should revisit the Confidence Code, strengthening provisions around commission transparency.

### **Business energy market**

The business energy market is not working effectively and is in need of much greater regulation and urgent reform. Ofgem must move towards providing the same levels of openness and protection to business customers as are currently provided to domestic consumers across the UK.

The business energy market is opaque. Pricing structures are not uniform and no real price comparison websites exist, making it hard to compare tariffs for potential switching. This process is exacerbated by the number of tariffs on offer, high exit fees, lengthy contracts and extremely high out-of-contract rates.

The continued presence of brokers within the business market has contributed to the lack of transparency for business energy customers. Brokers can receive high levels of commission and we worry that some brokers benefit from the lack of information across the market.

Bulb believes that the dominance of brokers within the business energy market is unhealthy and has led to a lack of genuine price competitiveness within the market. Ofgem should directly regulate brokers, require brokers to disclose commission and require suppliers to publish their tariffs in a transparent way. Ofgem should also consider bringing in a formal price cap for out-of-contract rates, which remain needlessly high.

### **Supplier licensing review**

Ofgem has been right to date, as part of the supplier licensing review, to propose and update the requirements for suppliers who seek to enter the energy supply market. To date, poor management of risk has led to a number of market exits in recent years - to the cost and detriment of consumers. So it is also right that Ofgem has put forward recommendations which would strengthen the exit arrangements for suppliers who fail, better protecting consumers.

Ofgem should continue to adopt requirements that see fair and transparent competition within the energy market delivered in a sustainable way. We think Ofgem should ensure suppliers can protect 50% of credit balances, without being overly prescriptive about how suppliers do this. We encourage

Ofgem to move as quickly as possible to introduce measures such as the living will before autumn 2020.

### **Vulnerability**

We support Ofgem's updated consumer vulnerability strategy for 2025. It should be a priority for the entire industry to see the uniform adoption of a clearer definition of what vulnerability looks like. This definition should be clear, actionable, free from unnecessary jargon and should form the basis of a standardised definition across the sector.

New measures should be introduced such as data-sharing initiatives between suppliers, so that individuals in vulnerable circumstances can be better identified so that none miss out on the help that they need. Greater steps are also needed to better publicise and enforce Ofgem's existing Ability to Pay principles so that households in debt are not hit with punishing repayment levels which they may struggle to afford. The existing principles should be formalised in supplier licence conditions to guarantee a fair and uniform service across suppliers.

Steps should be made to improve cross-sector partnerships between business, the social sector and across regulators to help those in vulnerable circumstances. In particular, increased efforts to align thinking on vulnerability across the regulated sectors is important and should be further encouraged. For this reason we support the sharing of the Priority Services Register data between the water and energy industries later this year. More initiatives such as this should be encouraged so that consumers receive the same standard of treatment across industries and suppliers.

### **Renewable energy and social schemes**

It is important for energy suppliers to help make homes more energy efficient to lower customer bills and decrease our carbon emissions. Bulb supports the ECO scheme, which helps people save on energy bills as well as reduce their carbon footprint. We think that the focus of the scheme on vulnerable households is the correct approach, but we believe more can be done to ensure energy suppliers spend less time finding eligible customers and more time making homes warm for vulnerable members of our society. This could be achieved through better and more accurate data-matching. We welcome the steps taken on this to date and are committed to delivering the existing schemes to customers during 2020.

We think that consumers should know more about the policy costs that are included in their energy bills, especially in electricity. These policy costs have increased significantly over recent years as the UK has expanded support for renewables and social schemes. We see a continued role for these schemes but, to maintain consumer trust and build the coalition necessary to effect real change, we need to be open about the cost of reaching net zero.