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Ofgem
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Sent via email to CDconsultations@ofgem.gov.uk

14 October 2019

Dear Arina,

Response to 'Proposals to improve outcomes for consumers who experience self-disconnection and self-rationing'

Robin Hood Energy is a not-for-profit gas and electricity supplier, with over 130,000 customers. We were set up by Nottingham City Council with the aim of tackling fuel poverty and providing consumers with a cheaper, fairer alternative to the six largest suppliers. We became a voluntary Warm Home Discount licensee in 2018, and have recently invested over £200,000 into a dedicated vulnerability team. We're proud to be leading the way in trying to help those members of society who need it the most.

We work with ten other local authorities, for example Leeds, Liverpool and Derby City Councils, by helping them to create their own white label tariff provider in partnership with us. We operate nationally, but have a regional focus on both Nottingham and our white label partner regions. We are pleased to be at the forefront of publicly owned energy supply.

We are fully supportive of the outcomes that Ofgem are seeking to achieve for consumers who experience self-disconnection and self-rationing and regardless of this consultation process, we intended to do as much as reasonably possible to help our affected customers. However, we have several concerns with the proposals in their current iteration, and encourage Ofgem to amend their proposals accordingly.

Perhaps most importantly, Ofgem do not appear to have proposed any remedies that aim to address the underlying causes of self-disconnection and self-rationing, instead focusing on support at the point in time in which an event has or would otherwise occur, predominantly via the provision of emergency, friendly and discretionary credit. We assume that this may be due to the wider issue of affordability, which we agree cannot be resolved solely by suppliers. Whilst redistribution of costs are a matter for government, we encourage Ofgem to explore this further with BEIS. For example, by considering the introduction of mandated social tariffs for the most vulnerable in society or a fixed percentage contribution to support these consumers via voluntary redress funds.

Irrespective of the above, we note that affordability is not the only reason for self-disconnection. As identified by Ofgem and Citizens' Advice, self-disconnection can occur for a variety of reasons, including forgetfulness and a lack of awareness that the meter is low on credit. We also agree with the operational and technical reasons previously outlined in the call for evidence, whilst we consider a lack of self-control and intertemporal budgeting issues may also be a causal factor.

We are therefore surprised that Ofgem are not proposing a licence condition, requiring suppliers to ensure that each customer supplied by a prepayment meter is provided with information which is

sufficient to alert them to the proximity of self-disconnection. This could explicitly include a requirement to explain the impact, timescales and how this can be either avoided, or rectified if they have already entered into a credit facility. This could also be extended into a narrow principle, covering services and/or tools. For example, suppliers should take all reasonable steps to ensure that consumers are not without relevant top-up devices.

A principle based approach would allow suppliers the necessary flexibility in determining how to comply with the requirement for each customer. We also note that whilst Ofgem's proposals regarding the provision of credit facilities are an effective backstop, it does not guarantee that a disconnection will not occur. Emergency credit is not unlimited and friendly credit may expire with consumers either forgetting or unable to contact us during business hours, leading to a longer period of disconnection.

We also think more can be done regarding self-disconnections where consumers are unable to use a digital top-up method or access a physical vending point. As the market undergoes digitalisation, it is essential that offline customers are fully supported during and after the transformation, although this issue largely transcends energy suppliers. For example, Citizens' Advice notes uncertainty over the future of 3,000 community Post Office branches, which are normally at least half a mile from the nearest alternative retailer. We would encourage Ofgem to consider this further, potentially via the UKRN.

In regards to consumers who have difficulty accessing a physical vending point, we have always supported a smart rollout which prioritises prepayment. Whilst the industry impediments to SMETS2 prepayment are unavoidable, we are disappointed that this has not been proposed by BEIS as part of the post 2020 policy framework. Although policy change is outside of Ofgem's remit, we would support any other proposals to incentivise suppliers to accelerate their prepayment smart rollout, such as the publication of each supplier's progress on a quarterly basis. We note that this data is already obtained via social obligations reporting.

Our responses to the questions outlined in the consultation are provided below. We are surprised that Ofgem have decided not to conduct a formal impact assessment or at least quantify the impact that these proposals will have on suppliers. In the context of two price caps and multiple supplier failures, we do not think this is appropriate. Ofgem provide existing voluntary requirements and minimum standards as their justification, but for aspects of the proposals, we are unaware of their existence.

Q1: Do you agree with our proposal to require suppliers to identify prepayment self-disconnection and the associated proposed licence conditions?

We agree with the outcomes that Ofgem are trying to achieve. However, further guidance from Ofgem is required on what constitutes all reasonable steps and appropriate support, particularly regarding consumers with a traditional meter. There is typically a time lag between our systems receiving confirmation of a top-up vend and the vend occurring, meaning the customer may have self-disconnected for a sustained period of time, unless they have contacted us proactively.

In addition, if a customer does not have access to a credit function (due to traditional meter limitations), our options for restoring supply are limited to either a wind-on or physical meter exchange. Wind-on costs range from approximately £87 to £241 and only provide a temporary benefit to the customer, as they do not prevent further self-disconnections. Whilst we do not seek to pass through these costs, we are unaware of any prohibition on suppliers to do so. We think

Ofgem should monitor wind-on activity, given the disproportionate costs that may be levied on financially vulnerable customers.

As a result, we have a preference to install a smart meter, as this offers an enduring solution and is required as part of our smart rollout. We would prefer for customers to be unable to refuse a meter exchange in this scenario, but welcome guidance from Ofgem as to whether they would expect a wind-on to be offered if a smart install has been refused or is not viable, with or without cost-pass through. We note other forms of support which would indirectly reconnect supply are possible (e.g. alerting the customer to nearby top-up locations).

As currently drafted, we do not consider that SLC 27A.1 requires suppliers to provide ex-ante support, as per our proposed licence condition above.

Q2: Do you agree with our proposal to require suppliers to identify self-rationing and the associated proposed licence conditions?

We agree with the outcomes that Ofgem are trying to achieve, but disagree with the proposal. We are concerned at how suppliers could realistically comply with SLC 27A.2 if introduced. Each consumer's energy usage is determined by a variety of factors, including individual circumstances and behaviour (e.g. seasonality, household occupancy, work patterns, home improvements, and appliance energy efficiency). Without this context, we are unclear how suppliers could identify and subsequently make an informed decision on when to engage with a potential self-rationing customer.

Given that increased granularity of consumption data obtained via smart meters will significantly improve the ease and quality of monitoring, we recommend that the licence condition is restricted to those customers as a minimum. We also suggest that Ofgem amend the exemptions provided by SLC 47.6 to include monitoring for self-disconnection and self-rationing. However, due to the complexity and highly paternalistic nature of the proposal, we would prefer that this is undertaken by government via the DCC, with service requests for intervention triggered to suppliers as necessary.

Q3: Do you agree with our proposal to require suppliers to offer emergency and friendly credit functions for all customers, and the associated proposed licence conditions?

We agree with the proposal. We already provide both credit functions to our customers and consider them to be a minimum requirement, offering essential consumer protection. We would reiterate our views regarding a prepayment prioritised smart rollout, to ensure all consumers benefit equally as soon as possible.

In regards to the licence drafting, we welcome guidance on alternative short-term support, including the use of wind-ons as outlined earlier. We also note that public holidays do not always necessitate the provision of friendly credit. For example, our contact centre would remain open on Scottish public holidays. We would suggest rewording the definition of friendly credit to avoid ambiguity and state that it is offered outside of each supplier's business hours.

Q4: Do you agree with our proposal to require suppliers to offer discretionary credit for customers in vulnerable circumstances, and the associated proposed licence conditions?

We agree with the proposal. We already provide discretionary credit to our vulnerable customers. We would however highlight that discretionary credit is not always the best option for a customer,

and may ultimately push them further into indebtedness. We note that some of our customers are over-reliant on discretionary credit, and given the above, we occasionally refuse to provide additional support.

We would recommend greater clarity in the licence drafting, as it states that we 'must offer' but also to consider each request on a case-by-case basis. This appears to be contradictory in nature.

Q5: Do you agree with our proposal to incorporate the Ability to Pay principles in the supply licence?

Our understanding is that the principles are already in the licence, via SLC 27.8.

Q6: Do you agree with our proposal to update the Ability to Pay principles to reflect changes in supplier debt recovery practices? Are there other changes that we should implement?

We agree with the proposal, subject to a review of the content that Ofgem wish to introduce. We are surprised that Ofgem are adopting a more prescriptive or narrow principle, given the existing licence condition.

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

Kind Regards,

Matthew Robson
Head of Regulation & Compliance
Robin Hood Energy