

Thank you for the opportunity to comment on the Statutory Consultation “Extending protections for non-E7 restricted meter customers (SLC 22G)”

The Lochalsh & Skye Housing Association Energy Advice Service offers a free in-home energy advice service to any resident of Skye and Lochalsh. We deal with many clients with non E7 restricted meters – most commonly THTC and E10, including almost 300 of our own tenants.

We lobbied strongly for the Restricted Meter Remedy at the time of the CMA market assessment as it was clear there was significant market failure and consumers on THTC in particular had almost no access to the wider energy market and were trapped with a dominant supplier (SSE).

The reality of being trapped with a high price supplier is that we have gathered significant evidence of self-rationing of energy purchase by Restricted Meter consumers and the denial of quality comfort levels.

That situation was temporarily relieved when Our Power joined the market and started to sell more competitive bespoke tariffs to restricted meters, but their demise returned the market to its previous closed state.

Although welcoming the remedy our experience is that credit consumers still struggled significantly to switch suppliers despite the licencing conditions apparently enabling it, and our feeling is that the remedy although well intended has failed to deliver the anticipated outcomes. In addition the prepayment protections that were used as an argument to deny the remedy applying to prepayment restricted meters have now disappeared, and we are amazed that this new consultation does not include any reference to the market failure impacting on prepayment customers or offer any consideration about how prepayment restricted meter customers can access the broader energy market.

We drafted the following analysis last month to highlight our concerns about the implementation and delivery of the remedy (see overpage).

LSHA ENERGY ADVICE TEAM THOUGHTS ON RESTRICTED METER REMEDY

(Quotes in Red are from the ENERGY MARKET INVESTIGATION - Explanatory Note - Energy Market Investigation (Restricted Meters) Order 2016)

The purpose of the Remedy was to improve competition in the Restricted Meters market to allow customers to access competitive open market single meter pricing without having to change their restricted meters or the functionality of their restricted meters. It applied to all suppliers with more than 50,000 customers.

“The Restricted Meters Remedy involves a requirement on electricity suppliers (a) to make all their single-rate electricity tariffs available to all domestic electricity customers on restricted meters without making such tariffs available to such customers conditional upon the replacement of their restricted meter”.

The order was subject to review and any necessary revision

“The CMA has a duty under section 162 of the Act to monitor the operation of the Order. This includes a duty to consider, from time to time, whether the Order should be varied or revoked in the light of a change of circumstances”.

It was due to end in December 31 2020 on the assumption that the smart meter rollout was complete but could be stopped earlier or extended depending on circumstances

“In the event that such roll-out were materially ahead of (or behind) schedule, the CMA will consider whether to revoke the Order early (or recommend that GEMA consider introducing further measures until the roll-out is substantially completed) in light of such a change of circumstances”.

It prohibited suppliers from enforcing a meter change or charging any additional costs if consumers keep their existing metering infrastructure (some companies using the remedy have charged an additional standing charge and thus fell afoul of this requirement)

“Part 2 contains an obligation on electricity suppliers with 50,000 or more Domestic Customers to make the tariffs which continue to be capable of being entered into by any Domestic Customer with a single-rate meter available to customers on restricted meters; and prohibits suppliers from making these tariffs available conditional upon the Domestic Customer changing their existing meter, or incurring any costs associated with keeping their existing meter”.

It applies to existing customers and any potential new customer that wanted to switch to them (in truth companies haven't adequately trained their staff on the rules of the remedy, and thus consumers who request a tariff or to switch to them are regularly declined)

“For the avoidance of doubt, Relevant Retail Electricity Suppliers must comply with these requirements in respect of each Relevant RMI Customer currently

supplied by them, and any Relevant RMI Customer wishing to be supplied by them”.

Due to the technical challenges of implementing changes to prepayment key coding – prepayment meters were excused from the Remedy. This was on the understanding that adequate prepayment protection was already in place and available from the Prepayment Charge Restriction Order. (however that protection disappeared when the prepayment cap was gradually rolled into the Default Tariff Cap and the prepayment protection was significantly reduced and became merely equal to the credit protection. So now prepay restricted meter customers have no protection by either the prepayment or restricted meter remedies, whereas credit customers can at least access cheap single rates via the remedy in theory. This is a material change in circumstances and contrary to the CMA’s original findings.

The CMA has weighed this evidence against the fact that prepayment meter customers will be subject to The Energy Market Investigation (Prepayment Charge Restriction) Order 2016, which will address a significant proportion of the detriment suffered by such customers as a result of the AECs and/or associated detriment found to be particularly affecting customers. In light of these observations, the CMA considers that, considering the evidence in the round, there is a special reason to depart from the decision in the Report and has excluded prepayment meter customers from the obligation on suppliers to make Relevant Tariffs available to customers.

CONCLUSION

The remedy is broken because

- it offers no prepayment protection today
- most suppliers provide barriers to restricted meter consumers switching to them
- some suppliers using the remedy have charged additional costs (eg two standing charges)
- the sector has not promoted the remedy well and there is no visibility of regulation
- taken together switching for credit restricted meters has too many hurdles and for prepayment restricted meter switching is impossible, and there is no other prepayment protection

Merely continuing the remedy as is will just perpetuate these failures. There needs to be a continuation of the remedy and an enhanced focus on consumer information and consumer protection.

- The intent of the Remedy was clear but the implementation of it, and the practise of suppliers has been poor. If the remedy is to be extended additional promotion of it will be essential, as will stringent enforcement of licencing conditions on energy companies
- It should be made crystal clear that all non smart-meter single rate credit tariffs sold by all suppliers with more than 50,000 customers should be accessible by any restricted credit meter customer in Britain with no obfuscation or dispute, and the regulator should ensure this.

- No additional costs should be charged (eg two standing charges)
- An interim protection measure for prepayment restricted meter customers should be instigated if the remedy is not to be extended to them.

Meanwhile Figure One shows the impact over the last few years as the prepayment protection measures disappeared, and Figure Two how open market pricing rates compare against restricted meter pricing rates for one restricted meter tariff “THTC”.

If the remedy worked then the THTC customer should be able to phone the best single rate suppliers and get their tariffs without a fuss - that doesn't happen – therefore the remedy has failed.

Figure One. Illustrates the disappearance of prepayment restricted meter protection

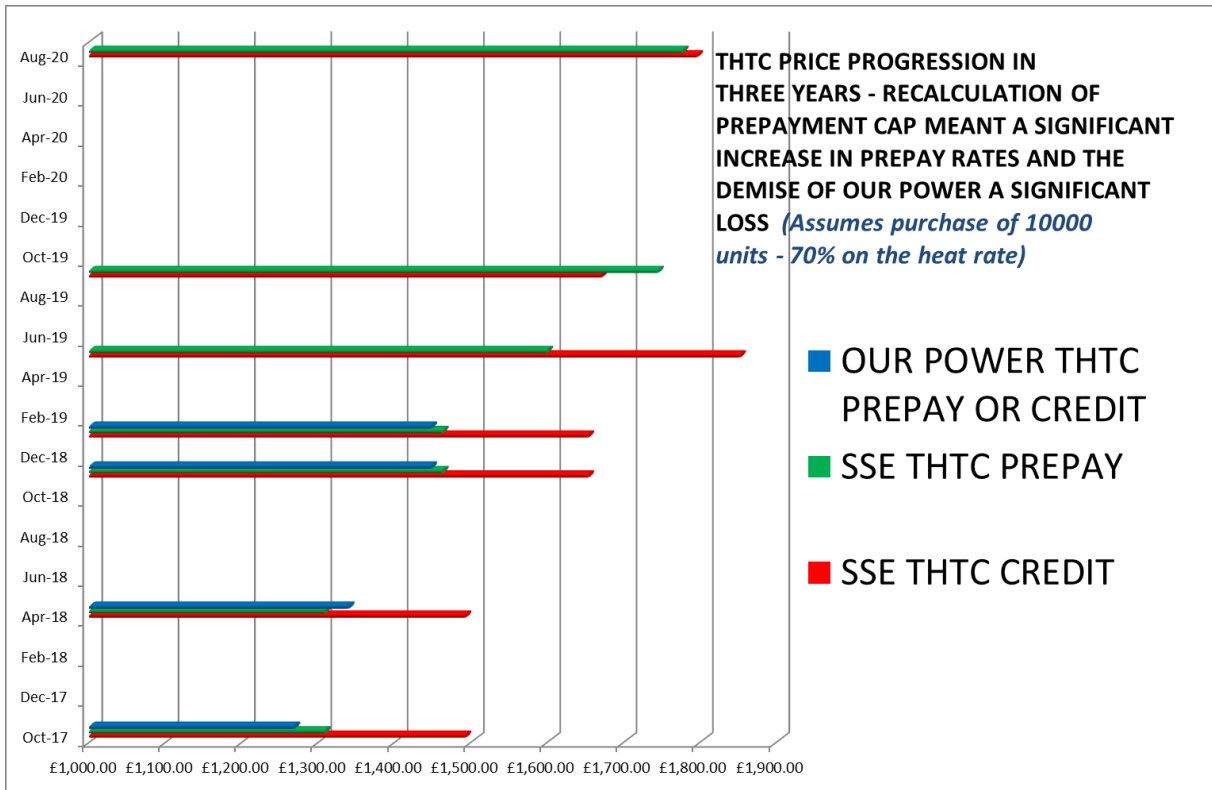


Figure Two (contrasts the best available THTC pricing against open market alternatives)

TARIFF COMPARISONS 10000 UNITS PURCHASED THTC, E7, SINGLE RATE ON NORMAL BALANCE OF USE									
					standard		heat		
		standard rate	heat rate	SC	10000 UNITS	3000	7000	SC	total
BEST SSE THTC ONE YEAR FIX Monthly DD	CREDIT	19.65	15.83	26.6		£589.50	£1,108.10	£97.09	£1,794.69
					day		night		
		day rate	night rate	sc	10000 units	4000	6000	sc	total
BEST E7 (powershop top shopper)	CREDIT	15.12	9.219	22.61		£604.80	£553.14	£82.53	£1,240.47
		rate	sc		10000 units	sc	total		
BEST SINGLE RATE (symbio)	CREDIT	12.325	21.00		£1,232.50	£76.65	£1,309.15		
					standard		heat		
		standard rate	heat rate	SC	10000 UNITS	3000	7000	SC	total
BEST SSE THTC PAYG	PREPAY	19.29	15.48	31.14		£578.70	£1,083.60	£113.66	£1,775.96
					day		night		
		day rate	night rate	sc	10000 units	4000	6000	sc	total
BEST E7 NABUH LIZZY	PREPAY	15.843	8.925	27.6		£633.72	£535.50	£100.74	£1,269.96
		rate	sc		10000 units	sc	total		
BEST SINGLE RATE bulb varifair	PREPAY	14.48	28.62		£1,448.00	£104.46	£1,552.46		
<p>THTC IS RESTRICTED AND £550 A YEAR MORE THAN THE BEST E7 CREDIT AND £485 A YEAR MORE THAN THE BEST SINGLE CREDIT RATE</p> <p>THTC IS RESTRICTED AND £506 A YEAR MORE THAN THE BEST E7 PREPAY AND £223 A YEAR MORE THAN THE BEST SINGLE PREPAY RATE</p> <p>AS A RESULT THTC HOUSEHOLDS -RATION THEIR USE AND ARE LESS LIKELY TO BE WARM IN THE WINTER</p> <p>THIS IS MARKET FAILURE AND DISCRIMINATORY</p>									

THTC in the real world costs up to £500 more per annum than open market pricing and the remedy has not facilitated the open market switching it intended. Consumers don't even know which energy companies have more than 50,000 customers.

We

- support the continuation of the measure till 2025 and later if the smart meter rollout is further delayed
- want a list to be published of all energy companies with more than 50,000 customers who are obligated to support the remedy
- want enhanced communication and guidance to consumers about their switching powers
- want enhanced communication from regulator to suppliers reminding them of their obligations
- want regulator and suppliers to keep note of when the remedy is used for non E7 restricted meter switches
- are very disappointed and amazed that no mention of prepayment is in the consultation
- urgently want the protections extended to prepay as prepay customers have no protection and cannot switch, an interim protection measure for prepayment restricted meter customers should be instigated if the remedy is not to be extended to them

- would like Ofgem to identify a lead body to coordinate the gathering of evidence of consumers who are denied an effective switching journey so that we have a route to lobby, provide evidence to more effectively protect restricted meter consumers in the future
- want equal effective open market access for prepayment and credit restricted meter customers and the annual publication of figures that show how the remedy is working for non E7 Restricted Meter customers – or not
- five years is a long time to extend a short term protection measure and key to that extension will be regular review and potential rewriting if market access is not demonstrably improved
- want Ofgem to classify all prepayment non-E7 restricted meter customers as vulnerable and be proactive in identifying solutions to stop the market failure that hampers their switching ability

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17/09/2020

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Registered with the Scottish Housing Regulator No. 324

Registered Property Factor: PF000139

A Scottish Charity No. SC038019

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