Labrador Ltd

Remedy 3 – Remove from domestic retail energy suppliers' licences the 'simpler choices' component of the RMR rules

(a) Would this remedy be effective in increasing competition between domestic retail energy suppliers and/or between PCWs? What additional tariffs would energy suppliers be likely to offer that they currently do not due to the RMR restrictions?

We believe removing the 'simpler choices' component of the RMR rules will increase competition. We cannot comment on what tariff structures are likely to be offered.

(b) Removing the four-tariff rule is likely to increase the range of tariffs on offer and result in different tariffs being offered on different PCWs.14 Are there, therefore, any remedies that the CMA should consider alongside this remedy, to encourage domestic customers to use more than one PCW in order to facilitate effective competition between PCWs and domestic energy suppliers?

[✂]**We believe the market will respond to this issue on its own and should be given the opportunity to do so.** [✂]

(c) We note that if this remedy were to be imposed, Ofgem's Confidence Code requirement for PCWs to provide coverage of the whole market appears likely to become impractical as the number of tariffs offered increases and PCWs agree different tariff levels and commissions with energy suppliers. Should this element of the Confidence Code be removed, therefore, as part of this remedy? If so, are alternative measures to increase confidence in PCWs required? For example, in order to maintain transparency and trust, should PCWs be required to provide information to customers on the suppliers with which they have agreements and those with which they do not?

[✂]

(d) Rather than removing all limits on tariff numbers and structures, would it be more effective and/or proportionate to increase the number of permitted tariffs/structures? If so, how many should be permitted and which tariff structures should be allowed? (i) For example, would requiring domestic energy suppliers to structure all tariffs as a single unit rate in pence per kWh, rather than as a combination of a standing charge and a unit rate, reduce complexity for customers, while avoiding restricting competition between PCWs? Alternatively, would such a restriction on tariff structures have a detrimental impact on innovation in the domestic retail energy markets?

[✂]

Remedy 4 – Possible measures to address barriers to switching by domestic customers

We note that, in addition to the roll-out of smart meters, the switching process is likely to be facilitated further by Ofgem's recent decision to replace the existing network-run gas and electricity switching services with a new centralised switching service, run by the Data and Communications Company, in order to facilitate reliable next-day switching.

59. (a) Will the roll-out of smart meters address the feature of uncertified electricity meters? If not, what additional remedies should we consider to address this feature?

We believe yes although no doubt a Meter Asset Provider and/ or other parties would be in a better position to respond.

(b) Will the roll-out of smart meters address the barriers to switching faced by customers with Dynamic Teleswitched (DTS) meters? If not, what additional remedies should we consider to address this feature?

We do not feel in a position to comment

(c) Should PCWs be given access to the ECOES database (meter point reference numbers) in order to allow them to facilitate the switching process for customers? (i) To what extent would this reduce the rate of failed switches and/or erroneous transfers? (ii) Are there any data protection issues we should consider in this respect? (iii) Will access to this database still be relevant once smart meters have been introduced?

[✂]

(d) Should there be penalties for firms that fail to switch customers within the mandated period (currently 17 days, next day from 2019)? How should these penalties be administered? At what level should the penalties be set? Should customers who suffer a delayed or erroneous switch receive the penalty as compensation?

Absolutely. We believe this could be administered as a licence condition and so penalised by Ofgem; or administered as a fine by the Energy Ombudsman. Our preference is for it to be a licence condition in order to prevent unnecessary burden on the consumer to register and drive the complaint.

(e) When next-day switching is introduced, will a 'cooling-off' period still be required? Could it be avoided by requiring that no exit fees are charged within two weeks of switching? (f) Are specific measures required to facilitate switching for customers living in rented accommodation (either social or private)?

We agree that a cooling-off period should be capable of a waiver by the consumer and that an appropriate safeguard could be to ensure no exit fees being charged in the initial period. We are concerned that specific measures for customers in rented accommodation may only create unnecessary delays and barriers for them. Furthermore, being in rented accommodation does not necessarily mean that a consumer is unable to make a fully informed choice.

60. (a) Does the 'Midata' programme, as currently envisaged, provide sufficient access to customer data by PCWs to facilitate ongoing engagement in the market? Should PCWs – with customer permission – be able to access consumer data at a later date to provide an updated view on the potential savings available?17

We don't see the Midata programme as being effective. It is not an easy and quick way to access data. It also does not solve the issue of data containing estimates. [✂]

(b) Do customers need more or better information or guidance on how their new smart meters will work?

Absolutely. [✂]

Remedy 4b – Removal of exemption for Centrica on two-year inspection of gas meters

(a) Would this remedy be effective in removing the distortion to competition that currently exists as a result of Centrica's derogation on the inspection of gas meters?

Yes. [✂]

(b) Would it be preferable to remove Centrica's derogation, or extend the derogation to other suppliers?

The reason you are looking at this derogation is because it has created a negative experience for consumers – switching being stalled or blocked. Why would you seek to compound that problem rather than solve it?

(c) If Centrica's derogation were removed, should it be phased out over a period of time? If so, how long should Centrica be given in this respect?

We feel the derogation should happen immediately given they are a large supplier [✂].

Remedy 5 – Requirement that energy firms prioritise the roll-out of smart meters to domestic customers who currently have a prepayment meter

(a) Would this remedy be effective in allowing prepayment customers to engage fully in the market and benefit from a wider range of tariffs? Would it be effective in reducing the costs of supply to prepayment customers?

We do not support this proposal. We believe all consumers should have an equal right to smart meters. [✂]

(b) Which version of this remedy would be more effective and/or proportionate?

We don't support any version of this remedy.

(c) Would any additional or alternative measures be required to ensure that this remedy comprehensively addressed the overarching feature of weak customer response arising in particular from those with prepayment meters?

Given 3 suppliers are already offering fast-track smart meter installation, the issue is not that prepayment customers can't get smart meters quickly, the issue is that they're not engaging in switching. Measures to encourage switching should solve this concern.

(d) What issues may arise as a result of prioritising the installation of smart meters in the homes of customers who currently have prepayment meters?

Unreasonable delay of access to smart meters for non-prepayment customers.

(e) Would it be more effective and/or proportionate to require energy suppliers to accelerate the roll-out of smart meters across the retail markets as a whole, in order to facilitate engagement more broadly, rather than focusing on customers on prepayment meters?

Yes. We also look forward to seeing annual binding installation targets and for those to be enforced.

Remedy 6 – Ofgem to provide an independent price comparison service for domestic (and microbusiness) customers

(a) Would this remedy be effective in increasing customers' trust in PCWs and thereby encourage engagement in the markets and switching?

We fear the opposite could be true – that Ofgem would effectively be saying to the public that it sees the trust issue to be so significant that it needs to provide the service. We further struggle to see how Ofgem could manage such a task effectively without the business model to fund it.

(b) Should this service be online-only, or should it also operate over the telephone for those customers without access to the internet?

We believe it may be much more useful for the government to explore expanding access to internet services and spending money on that than providing this service and call centres.

(c) Is there a risk that such an independent service could undermine the development of other PCWs in the energy sector? How could this risk be mitigated?

Absolutely. We don't easily see how this could be mitigated and that forms part of our opposition.

(d) Should the Ofgem website quote the energy suppliers' list prices only? Or should it seek to provide full details of all quotes available on the market (including on other PCWs), ie function as a metaPCW?

[✂]

(e) How could we ensure that an Ofgem price comparison service was robust in terms of offering all tariffs available on the market? Should there be an obligation on retail energy suppliers and/or PCWs to provide information to Ofgem on their tariffs?

Onerous for everyone involved. Lacks proportionality.

(f) Should any price comparison service operated by Ofgem be transactional, ie be able to carry out switches for consumers, or should it provide information only?

[✂]

(g) What would be the likely costs to Ofgem of offering this type of price comparison service? Would Ofgem need additional funding and/or statutory powers in order to provide this type of service? If so, where should this funding come from?

[✂]

(h) How should customers be made aware of the existence of this service? Should information be provided by energy suppliers on bills/during telephone calls? Should PCWs be required to provide links to the Ofgem website during the search process to allow customers to cross-check prices?

[✂]

(i) Is there any additional information that Ofgem should provide on its website relating to energy suppliers and/or tariffs to facilitate the customer search and switching process?

[✂]

Remedy 9 – Measures to provide either domestic and/or microbusiness customers with different or additional information to reduce actual or perceived barriers to accessing and assessing information

(a) Does the current format and content of energy bills facilitate engagement by customers? Is there additional information that should be included on bills? Should the quantity of information on bills be reduced to enhance clarity?

We believe there should be no mandatory information given to consumers that relates to averages or estimations and not their own use when there is accurate and bespoke data available.

(b) When customers seek to switch tariffs, are they given enough/too much information on the terms and conditions of their new contract?

Customers should have a link to further information but the information they must read should remain simple. Customers are likely to benefit from things being as simple as possible but with the choice to learn everything.

(c) Should customers be prompted to read their meters (quarterly or annually), either by information on their bill or by a phone call from their energy supplier? Would this increase engagement by improving the accuracy of billing?

Customers should have the choice. Suppliers should be obligated to give them choice. [✂] We have no issue that there may be cost variations to provide those options as long as consumers have informed choice.

(d) Once customers reach the end of a contract period, should subsequent bills highlight that they have now been moved onto the standard variable tariff and/or other default tariff and encourage them to check whether they are on the most appropriate tariff for them?

Yes.

Remedy 10 – Measures to prompt customers on default tariffs to engage in the market

(a) What information should be included in the prompts to customers on default tariffs in order to maximise the chances that they are acted upon? (i) Should customers who have failed to engage be informed that they are 'no longer under contract for energy', that they have been 'rolled onto a safeguard tariff', or an alternative message, for example, emphasising how many customers in their area have switched in the last year?

At the least, customers should be given advice from their supplier about how much they could save by switching to the supplier's cheapest tariff based on their actual use not based on a national average household's consumption. It may be disproportionate for suppliers to have to obtain and communicate switching statistics or pricing for tariffs that are not their own.

(b) How should prompts be communicated to customers? For example, there is some evidence from the financial sector that text prompts are particularly effective at raising awareness in terms of overdrafts etc.

As above, consumers should be given choice and clear information about any cost variables between choices.

(c) What should be the timing and frequency of prompts in order to balance effectiveness in terms of encouraging engagement with the cost and potential irritation that might arise from repeated prompts?

Monthly with clear information about how to opt out, with that opt out process to be very easy.

(d) Who should provide the prompts: customers' energy suppliers, Ofgem or another party?

[✂]

(e) Are there particular groups of customers who should receive prompts at specific points? For example, should house-buyers be prompted to engage with the market on completion of their purchase?

[✂]

(f) Is there benefit in others in the markets, such as rival energy providers or TPIs, being made aware of which customers remain on default tariffs (or have been rolled on to the safeguard tariff)? In this respect, data protection issues would need to be carefully considered. The ability of other market participants to identify inactive customers, however, has the benefit of potentially encouraging the customer to switch tariffs once out of contract

[✂] **We believe statistics on number of customers by DNO area who are on default tariffs should be published on a regular basis.** [✂]

Remedy 11 – A transitional 'safeguard regulated tariff' for disengaged domestic and microbusiness customers - the maximum price level for default tariffs would be set by either the CMA or Ofgem

(a) Should the safeguard tariffs be set on a cost-plus basis, or should they be related to other retail prices?

We do not feel in a position to comment

(b) If the safeguard tariffs were set on a cost-plus basis, which approach(es) we should consider to determining the wholesale energy cost element of the tariffs? What are the relative merits of the proposed approach(es) in the context of the purpose of the safeguard price cap?

We do not feel in a position to comment.

(c) Could the imposition of a transitional safeguard price cap result in energy suppliers reducing the quality of service offered to customers on this tariff? Is this risk reduced by customers' ability to choose alternative, unregulated tariffs?

We do not feel in a position to comment.

(d) Should all domestic and microbusiness customers on default tariffs be rolled onto the safeguard tariff, or should this remedy only apply to a subset of these customers? If this remedy should not apply to all customers, why? And how should energy suppliers identify those customers who should be covered?

We do not feel in a position to comment about microbusiness customers. We fear it would be too onerous to single out groups of customers and continue to assess fairness.

(e) How should the headroom be calculated to provide the right level of customer protection while not unnecessarily reducing healthy competition?

We do not feel in a position to comment.

(f) What regulatory information would be required to set the safeguard tariffs?

Supplier licence condition.

(g) How long should the safeguard price caps be kept in place? Is it appropriate to include a specific sunset provision, or should there be a commitment to review the need for and level of the safeguard price caps after a certain period of time?

We do not feel in a position to comment although predict the cost structure will need to be reviewed regularly as the market changes.

(h) How frequently – if at all – would the level of the cap need to be reassessed? If the cap is set on the basis of directly passing through wholesale and network costs, then it may not be necessary to revisit the safeguard price level.

We do not feel in a position to comment.

(i) Which energy suppliers should be subject to the safeguard cap, and why? Should it be restricted to the Six Large Energy Firms, or should all retail energy suppliers be covered?

We do not feel in a position to comment but given the premise is that suppliers should not unreasonably overcharge customers, that feels like a premise that should operate across all suppliers.

(j) How should the transition from the current arrangements be managed? We note that an immediate requirement to change the prices for all customers on standard variable tariffs, rollover, evergreen, deemed and out-of-contract tariffs might put pressures on certain suppliers more than others. Should there be, therefore, a period over which the safeguard price cap is phased in? If so, how long should this period be and how should the transition work?

This depends on what price you settle on and whether charging over that price is only a problem for large suppliers or not. If it's only large suppliers, then there should be less of a concern about their ability to cope with a transition.

(k) Would energy suppliers have the ability to circumvent the remedy, for example, by encouraging disengaged customers to switch on to less favourable, unregulated tariffs, and how such risks could be mitigated?

[✂]

(l) Should the CMA set the level of the safeguard price caps itself, or should make a recommendation to Ofgem to do so?

[✂] **Perhaps it should be initially set by the CMA and then reviewed depending on Ofgem's performance.**

(m) Are there any potential unintended consequences of setting safeguard price caps, for example, in terms of their potential impact on the level of other, unregulated tariffs?

[✂]

Remedy 12a – Requirement to implement Project Nexus in a timely manner

We do not feel in a position to comment but encourage any measures that will see half hourly settlement for domestic consumers pursued with more speed than at present.

(a) How long should the parties be given to implement Project Nexus?

(b) Should the CMA implement this remedy directly (eg via an order and/or a licence modification) or should it make a recommendation to Ofgem to implement the remedy?

Remedy 12b – Introduction of a new licence condition on gas shippers to make monthly submissions of Annual Quantity updates mandatory

(a) Is it proportionate to require the mandatory monthly updating of AQs? Would it be more proportionate to require less frequent updating of AQs? Would less frequent updating still be effective in terms of removing the scope for gaming of the system?

Remedy 13—Requirement that domestic and SME electricity suppliers and relevant network firms agree a binding plan for the introduction of a costeffective option to use half-hourly consumption data in the settlement of domestic electricity meters

(a) Would this remedy be effective in stimulating tariff innovation, in particular in terms of time-of-use tariffs?

We believe so.

(b) How long should the parties be given to agree this plan?

We do not feel in a position to comment but believe it should be as soon as possible.

(c) What are the principal barriers to the introduction of a cost-effective option to use half-hourly consumption data in electricity settlement for profile classes 1 to 4? How could these be reduced?

We do not feel in a position to comment

(d) Should the use of half-hourly consumption data in settlement for these profile classes (or certain of them) be optional for energy suppliers, or should it be mandatory? What are the advantages/ disadvantages of each approach?

We do not feel in a position to comment

(e) Are there any distributional considerations that we should take into account in relation to time-of-use tariffs? For example, might vulnerable customers end up paying more if they fail to change their consumption patterns? Or will the decline in the required generation capacity outweigh any increase in peak prices?

[✂]

(f) When should the (optional/mandatory) use of half-hourly consumption data replace settlement based on assumed customer profiles? Is it necessary to wait until 2020 when all domestic customers have smart meters installed? Alternatively, could the use of half-hourly consumption data be phased in for those customers with smart meters prior to 2020?

We certainly hope to see this phased in prior to 2020.

Remedy 14 – Remedy to improve the current regulatory framework for financial reporting

We do not feel in a position to comment

(a) Should the scope of the individual areas reported on align with the scope of the markets as set out for generation and retail supply in our provisional findings? For example, should a requirement to report wholesale energy costs on the basis of standard products traded on the open wholesale markets be imposed?

(b) What regulatory reporting principles would be particularly relevant to the preparation of regulatory financial information in this sector?

(c) Would summary profit and loss account and balance sheet information for each area be sufficient to enable the effective regulation of the sector and the development of appropriate policies? Or should the large domestic and SME energy suppliers be required to collect and submit additional, more granular financial information?

(d) Should Ofgem require that the summary profit and loss and balance sheet information be audited in accordance with the regulatory reporting framework?

(e) Should this remedy apply to the firms that are currently under an obligation to provide Ofgem with Consolidated Segmental Statements? Or should it apply to a larger or narrower set of firms?

**(f) What would be the costs of imposing such a remedy? We note that some firms' reporting systems are not currently capable
of providing information on such a 'market-orientated' basis and that our remedy could require significant additional system requirements.**

(g) Should the CMA implement this remedy by way of licence modifications or by way of a recommendation to Ofgem? (h) To what extent should this financial information on performance be published?

Remedy 15 – More effective assessment of trade-offs between policy objectives and communication of impact of policies on prices and bills

We do not feel in a position to comment but welcome improvement in this area.

(a) Are such assessments of the impacts of policies on prices, bills and on the trilemma trade-offs carried out to a sufficient extent currently? Are there specific areas where such assessments are not currently carried out, or might be undertaken more comprehensively?

(b) Are the assessments sufficiently scrutinised?

(c) Are the assessments sufficiently disseminated to interested parties? Which parties need to be informed about these assessments?

(d) Is there an additional role for either Ofgem and/or DECC in carrying out assessments of the impacts of policies and trilemma trade-offs, or communicating the results of them?

(e) Should further, authoritative analysis be published to assist the public discussion? What form might this take? Which existing bodies are best positioned to undertake this role?

(f) Is there a sufficient case to justify creating a new, independent body tasked with scrutinising the impact assessments of policymaking bodies and/or providing authoritative analysis to inform the public debate?

Remedy 16 — Revision of Ofgem's statutory objectives and duties in order to increase its ability to promote effective competition

We do not feel in a position to comment

(a) What specific changes should be made to Ofgem's statutory objectives and duties in order to ensure that it is able to promote effective competition in the energy sector? (i) For example, would it be possible to revert to the role of competition that existed before the introduction of the Energy Act 2010?

We do not feel in a position to comment

Remedy 17 – Introduction of a formal mechanism through which disagreements between DECC and Ofgem over policy decision-making can be addressed transparently

We do not feel in a position to comment

(a) In which circumstance should Ofgem have the right or duty to express views on DECC's policies and DECC/Ofgem strategy for their implementation? What format should such views take? Should DECC have a duty to formally respond?

(b) In what circumstances should Ofgem have the right to seek a formal direction from Ofgem to implement a certain policy?

(c) Would DECC's formal direction undermine (or appear to undermine) Ofgem's independence?

(d) Would other measures be effective in promoting the independence of regulation?

Remedy 18a – Recommendation to DECC to make code administration and/or implementation of code changes a licensable activity

We do not feel in a position to comment but hope to see obligations made to be enforceable.

(a) Is this recommendation likely to result in a positive change in the initiation, development and/or implementation of code changes that pursue consumers' interests?

(b) Would this remedy be more effective if certain functions currently carried out by code panels and/or network owners (eg setting up working groups) were transferred to code administrators? 44

(c) Would this remedy be more effective if Ofgem or DECC were to impose stricter requirements relating to the selection (eg competitive tender), financing and/or independence of code administrators (and/or delivery bodies)?

Remedy 18b – Granting Ofgem more powers to project-manage and/or control timetable of the process of developing and/or implementing code changes

We do not feel in a position to comment but would welcome positive change in this regard.

(a) Is this recommendation likely to result in a positive change in the development and/or implementation of code changes that pursue consumers' interests?

(b) Would this undermine the principle (and effectiveness) of industryled code changes?

(c) Should this power be limited to the completion of certain elements of the development or implementation phase (eg consultation, setting up working groups)?

(d) Should Ofgem's ability to use this power be limited to defined circumstances (eg modification proposals which are relevant to Ofgem's principal objectives) or should it be left to Ofgem's discretion?

Remedy 18c – Appointment of an independent code adjudicator to determine which code changes should be adopted in the case of dispute

We do not feel in a position to comment

(a) Are there benefits in terms of independence, impartiality and/or industry know-how of an independent code adjudicator that are not available with Ofgem, given its other responsibilities, when undertaking the adjudicator role?

(b) Would there be unintended consequences, arising for instance from an increased lack of coordination between code modification governance, licence modifications and legislation?