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**The Renewable Energy Company Ltd (Ecotricity)**  
**Feedback on the CMA Second Supplemental Notice of Possible Remedies**

Dear Mr Fletcher,

Ecotricity is an independent renewable energy generator and supplier, with around 170,000 gas and electricity customers; 59 wind turbines and the country's first large scale solar park.

We currently have an ethical pricing policy, which ensures that all customers pay the same rate regardless of whether they pay by prepayment meter; direct debit or on receipt of bill. This rare approach ensures that the most vulnerable customers, those on prepayment meters, are not penalised.

We welcomed the CMA's investigation into the energy market and we have actively engaged with it throughout. We offer our responses to those questions that are relevant to us below. We were not able to respond to all in the time available and have therefore left these out.

***Remedy 19: facilitating sharing of data relating to prepayment meter customers***

*Q1. Would this remedy be effective and proportionate in increasing competition for non-smart prepayment meter customers?*

We support this approach and believe that it should be extended to cover all consenting customers, not just those with prepayment meters. We agree that this could be beneficial to competition. At the same time, we do have serious concerns that, if not done with correct protections in place, this proposal could simply lead to customers becoming frustrated and feeling harassed as they receive cold calls from multiple suppliers.

In addition, the question of how this data should be collected and by whom is essential. We do not agree that the responsibility should lie with existing suppliers, as is currently proposed.

Firstly, suppliers do not necessarily have the contact information for their PPM customers and where they do, this information may not be up to date. Chasing customers for accurate information can be costly. Given that the information will be used by other suppliers to take their customers there is little incentive on suppliers to keep this information accurate. Existing industry databases such as ECOES and Xoserve; which put the onus on existing suppliers to keep the information up to date; suffer from significant problems with data accuracy. However, imposing minimum standards of data accuracy would also have problems, since suppliers may be unable to obtain accurate data through no fault of their own. At a time when Ofgem is moving away from prescriptive requirements to a system of principle based regulation, it does not make sense to impose additional regulatory burdens on suppliers.

Secondly, unless customers are aware and expressly consent to their data being shared, it is likely that they would be unhappy about their data being shared with other suppliers. This will only lead to mistrust and an increase in complaints.

We would suggest, therefore, that if this system is put in place, it be an express opt-in system and customer details should be collected by a third party provider, rather than existing suppliers. The most that the existing suppliers need to do should be to simply inform customers of the existence of this service.

Once collected, data should be made available to all suppliers on a continuous basis.

*Q2. Are there additional legal considerations that are relevant to this remedy (eg under the Data Protection Act 1998 or the Privacy and Electronic Communications (EC Directive) Regulations 2003)?*

It is important that customers consent to their data being shared and that this is done actively with customers being aware of what they are agreeing to.

*Q3. Is Ofgem the right party to have oversight of this process?*

Yes, it makes sense for Ofgem to oversee this.

*Q4. What limitations would need to be imposed to ensure that the data was disclosed and used appropriately?*

There would need to be limits on the frequency with which the customer is contacted. This would be to reduce the extent to which customers feel hassled by the process. Any contact preferences that the customer has should be noted on the database; and it must be easy for customers to remove their details when they wish to.

*Q5. When should the continued need for this remedy be reviewed?*

We believe that the remedy should be reviewed every 6 months. This would allow sufficient time to see if there have been any positive effects, whilst providing the possibility for it to be ended relatively quickly, should it be found to cause more problems than it solves.

In order for a review to be meaningful, it is essential that the success factors are specified at the beginning. As well as looking at switching rates, customer complaint levels should also be reviewed.



*Q6. What might be a suitable frequency with which to share customer data?*

It would be better to have a data base that is open to suppliers at all times than to periodically release data. The latter could result in specific times (shortly after the data is shared) in which customers would receive calls from multiple suppliers, whereas the former will likely lead to contacts being more spread out.

*Q7: Should this remedy apply to prepayment meter customers with smart meters?*

We believe that this remedy should apply to all consenting customers including those on credit meters and smart meters of all types.

If smart prepayment customers were included but credit meters not, customer details would need to be added and removed as customers switch between credit and prepayment modes. This is likely to cause an increase in administration costs.

***Remedy 20a: prohibit the charging of a security deposit in circumstances when a customer is not in debt and has not incurred any fines, charges or interest for late payment in the last six months***

We do not charge security deposits ourselves as we believe that these discriminate against the most vulnerable. This proposed measure would therefore not have any impact on us, but we would support it in principle.

***Remedy 20b – Suppliers are prohibited from charging customers upfront for the cost of a new meter when switching away from prepayment***

Again, Ecotricity does not charge suppliers for switching to or from prepayment meters, therefore such a change would have no impact on us. We nonetheless support this proposal in principle as a means of improving the opportunities for prepayment customers.

***Remedy 20c – Require suppliers to provide annual notifications to prepayment meter customers setting out their right to switch and highlighting any potential restrictions or charges that may be payable.***

*Q1: Would this be an effective means of facilitating switches away from prepayment meters?*

Although we do not object to the principle of notifying customers of their right to switch meter; suppliers already have a significant number of notifications that they are required to make to customers. There is a danger that sending additional information will simply become a part of the information overload that customers already experience.

*Q2: What would be the most effective means of communicating this information to customers?*

It is important that this notification be delivered in a form that customers are likely to notice and that it does not increase administration costs. It should not be an additional communication that is sent separately, but included alongside existing communications.

*Q3. What is a suitable frequency with which to contact customers? Would this messaging be more appropriately included alongside other messages or be triggered by particular events (such as outstanding debt being paid off)?*

We would suggest that it be added to the consumer checklist known as "Know Your Rights" which is put together by Citizens Advice and which suppliers are already required to send to customers annually.

As customers that move into a home already supplied via a prepayment meter are one of the target customer beneficiaries of this proposal, we would suggest including a notification on the change of tenancy welcome letter.

It is important that the notification should invite the customer to discuss options with their supplier. Switching to a credit meter may not be in every customer's financial interest and such decisions should therefore be taken after a proper discussion and assessment of their needs.

*4. Should a prompting remedy such as this be introduced directly by the CMA or should this be an area that Ofgem considers running randomised controlled trials to assess its effectiveness?*

We would support the use of trials before any policy is rolled out across the industry. There are far too many examples of policies; QR Codes, the RMR, the £12 Rebate to name a few; that are implemented without sufficient testing of their impact. As all changes have costs, it is important that only those that will have a tangible customer benefit be implemented.

#### ***Remedy 21 – reform the protocol for assignment of debt on prepayment meters***

*Q1: Would a remedy recommending Ofgem to address the above mentioned issues (clarifying customers' rights, dealing with complex debt and reducing re-registrations) be effective in ensuring that adequate changes to the DAP are implemented promptly? Or should the CMA instead use its order-making power to support Ofgem's ongoing work?*

Ecotricity takes a principled view that the most effective way to improve switching, for both prepayment and credit meter customers, is to remove the right of suppliers to object where there is a debt on the account. We recommend that the CMA examine the DAP with this aim in mind. Nonetheless, we have also provided comments on the specific issues identified.

With respect to clarifying the customer's rights, we already include information about the DAP in our objection letter, which includes details of the customer's right to switch.

On the question of complex debt, the fact that suppliers do not know the details of a complex debt causes unnecessary delays and refusals of the taking on customers via the DAP. If, on the customer's consent, the losing supplier shared the details of the complex debt with the gaining supplier, then it would be much easier for the latter to decide whether to take the customer on. Under the current process, in which we do not know the level of debt, we are reluctant to take on any complex debt, because we do not know the level of potential risk that the customers poses.

We believe that the number of re-registrations would be reduced if there were more time in which the losing supplier could lift the objection. Because of the short period allowed, backlogs and resource constraints can result in the losing supplier having insufficient time to



remove the objection, before the gaining customer makes a second attempt to take the supply.

***Remedy 22: A transitional 'safeguard price cap' for domestic prepayment customers***

We support the proposal for a transitional 'safeguard price cap' and believe that it should be available to credit customers, not just PPM customers. The model we support was outlined in our response to the July consultation on possible remedies and we maintain the same principles.

We have answered the relevant questions below, but note that there are some that we do not have strong views on and have chosen not to answer.

*Q1: If the transitional safeguard price cap for PPM customers were set relative to other prices in the domestic retail energy markets, how should we identify an appropriate level of prices and how can we ensure the level of the cap remains appropriate for the duration of the period it is in effect?*

Rather than set the price cap against the market overall, each suppliers price cap should be set in relation to their own most competitive tariff.

*Q2: Could the imposition of a transitional safeguard price cap for PPM customers result in energy suppliers reducing the quality of service offered to customers on these tariffs? Is this risk reduced by prepayment customers' ability to choose alternative, unregulated tariffs or changing to a smart prepayment meter?*

As noted above, Ecotricity does not charge customers any more for prepayment than for other payment methods. This policy has not negatively affected our customer service provision and we do not believe a safeguarded tariff should cause other suppliers to drop their standards.

*Q3: How should the headroom be calculated to provide the right level of customer protection while not unnecessarily reducing healthy competition?*

We believe that taking a cost plus approach would be too difficult to police; rather, it should be a % of each supplier's most competitive tariff. Between 105% and 110% of this would be appropriate.

*Q4: What regulatory information would be required to set the transitional safeguard price cap?*

Information on all fixed costs should be reviewed before confirming the percentage variation from the most competitive tariff.

*Q5: How long should the transitional safeguard price cap 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 cap after a certain period of time?*

We support a sunset clause being in place. At this point there should be a review as to whether the requirement continues to be necessary.

*Q6: Should the termination date of a transitional safeguard price cap remedy be linked to the roll-out of smart meters? If so then should this be done explicitly, in aggregate or on a customer-by-customer basis?*

It would be appropriate to set the sunset clause at the end of the smart meter roll out deadline of 2020. Having a single date for all the industry would be preferable to a customer to customer basis as it would be more straightforward from a regulatory perspective.

*Q8: Which prepayment customers should this remedy apply to?*

The safeguarded tariff should apply to all prepayment meter customers and non-prepayment customers as well.

*Q9: Which energy suppliers should be subject to the transitional safeguard price cap, and why? Should it be restricted to the Six Large Energy Firms, or should all retail energy suppliers be covered?*

The cap should only apply to the Six Large Energy Firms. The problem of prepayment customers being overcharged is one that results from market segmentation: charging vulnerable and sticky customers more on the basis that they are not engaged in the market, whilst undercutting competitors to attract the most engaged. This problem is most acute amongst the Six Large Energy Firms because they have significant numbers of inherited customers that have never engaged with the market. Independent suppliers, on the other hand, have had to actively attract all their customers.

#### **Conclusion:**

In conclusion, Ecotricity supports the CMA's proposals for prepayment customers. Many of them, especially the proposal to share consenting customer contact data; the principle of not charging upfront fees; ending the ability of suppliers to prevent switching due to debt; and the safeguarded tariff; should be applied to all customers, not just those with prepayment meters.

Ecotricity welcomes the opportunity to respond and hope you take our comments on board. We also welcome any further contact in response to this submission. Please contact Holly Tomlinson on 01453 769366 or [holly.tomlinson@ecotricity.co.uk](mailto:holly.tomlinson@ecotricity.co.uk).

Yours sincerely,

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