

Reply to CMA Energy Market investigation – Supplemental Notice of Possible Remedies from Peter Thompson - independent contributor.

Position taken in my overall response.

I take the view of the customer, as this position is so often overlooked when dealing with Market issues. It is the customer who pays for all the movements and 'improved' structures and policy changes, yet rarely given a voice or referenced in how the physical impact would improve the customer experience.

It is clearly omitted from the two supplier views as to the purpose and method of addressing change. Churn should not be a measure of how a market is working. The instances of identifying issues in Car insurance, where it is a statutory requirement to have a vehicle insured; and Home Insurance where the cost of not insuring vastly outweighs insurance cost, do not align to the purchase of energy.

The real market test if regulation is to be the replacement for competition, is the profit margin achieved by suppliers vs the demonstrable work undertaken by those suppliers to reduce cost for their customers. It would appear that neither of those pressure points have been addressed directly by the regulator in recent years. Hence the current CMA investigation

To address the possible remedies.

Customer Responsibility.

'From a Customer perspective I feel the processes and principles being set out by the two Suppliers are a little protectionist and not so helpful to customers.

It has to be remembered that customers are customers and should be in charge of what they buy and how they buy.

Making structures and processes which force customers to do what suppliers wish is outside of the requirement to 'supply' as their name suggest.

Supplier Responsibility.

A customer buys and a supplier supplies. From the perspective of the two Suppliers, the end game is to do away with SVT and Evergreen tariffs in favour of yearly contracts. Why? If customers have chosen / accepted and are aware, then that should be the end to the matter. Further, if yearly contracts are the replacement for SVT and Evergreen tariffs what happens after the yearly contract expires? While we have a complicated process suggested by Scottish Power and Centrica the result will be a repeat of the present situation where customers choose not to go to the market and suppliers benefit from enhanced revenues. When prices start to rise in significant steps, one can see the purpose of the suppliers proposing to cease non end dated Evergreen tariffs in preference to yearly negotiated deals.

CMA Responsibility.

The following points for consideration would require minimal action by Suppliers and not have a great impact on costs. As all suppliers would be required to do the same things and the smaller Suppliers included, it would place Ofgem in the regulatory position where it should be.

- It would appear that changing supplier is the only way to manage a downward shift in energy cost. This substantiates the case that the incumbent supplier experiences an enhanced income stream from the customer if they choose to do nothing. The suppliers

who have responsibility for those customers who have not changed supplier or signed a new contract should be able to justify to the regulator what action they have taken to contact / ensure the customer has every chance to change. That information and progress or none to be published to Ofgem. The increased income from the 'no changer customer' would pay for the additional effort required to ensure the customer understood the situation.

- The tariff they are then on should be renamed by the incumbent supplier and universally called, 'You are paying (X) % more for your energy than you need to' Tariff. The notification of this should be in a noticeable colour and the use of a different notification media employed to what has previously been used in order to ensure the customer has every opportunity to become aware and leave it to the customer to react.
- If driving down costs for customers is the objective of this particular exercise then Ofgem should regulate existing and new tariffs using two of the principles being suggested in the New Regulatory regime, namely, Principle 1 - Responsibility for regulatory compliance. Principle 4 - Use of appropriate incentives and interventions to secure compliance.
- If reducing costs of energy or minimising the costs of energy in a rising cost market is the objective, then all tariffs existing and proposed by any supplier should be subject to regulatory scrutiny. A business case to be provided by the supplier for any tariffs to be created / raised / amended. This would allow / create bench marking between suppliers, visible to Ofgem, as occurs in other regulated parts of the industry. The regulator would make a decision to accept or reject or modify the tariff as appropriate. This would eventually create a level playing field as all old and inappropriate tariffs would be worked out of the system. If suppliers wished to increase their income then driving down costs would be the way to achieve this. This could then be accounted for in the next round of requests for changes to, or request for additional tariffs the suppliers were seeking to introduce.
- Customers would have the independence of the regulator to rely on as arbiter in the process.

It is appreciated that present income for Suppliers is based on projections of income across the current tariff structures. This then projects how the city values the companies in share value. I would consider a time frame of two years' would be adequate for the development of the infrastructure and regulatory requirements to be implemented.