



Mr Jack Munn
Competition and Markets Authority
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Dear Mr Munn

Please find, below, the responses to the provisional decision document on behalf of Ebico Limited ('Ebico'). Ebico is the first not for profit energy provider in the domestic energy market and has offered the EquiGas/EquiPower tariff on a 'white label' basis for the past 17 years. The Company has primarily social objectives (tackling fuel poverty) and has designed its offering to favour prepay customers - who tend to experience lower household incomes. The EquiGas/EquiPower tariff is unique in the British home energy market in that it is the only dual fuel tariff available throughout Britain and to all customer payment types (including prepayment) with zero standing charges and no differential in pricing by payment method, including prepay. As such, the tariff offers an attractive price to prepay customers - particularly those with relatively modest energy requirements.

1. Reference price and cost index approach to setting a price cap for prepayment customers.

Whilst in agreement with the generality of the CMA's conclusions regarding the disadvantage experienced by prepay customers in the round, we do take issue with the proposed method of limiting this disadvantage. The history of price caps within the British energy market is a poor one, with their introduction, or continuance, resulting in gaming by market participants, producing adverse, and unintended, consequences for individual customer segments. In this instance, we believe that the method of calculation of the proposed price cap for prepay tariffs will have adverse consequences.

Ebico is concerned that the obligations on suppliers to ensure that "Tariffs subject to the price cap must result in lower annual bills than the price cap at all consumption levels...." will impact upon Ebico's ability to continue to offer our EquiGas/EquiPower tariff in its current form. With a zero standing charge, the tariff's unit price is set to give low demand customers (especially prepay customers) an attractive cost for their home energy. However, the absence of the standing charge means that, inevitably, the upward slope of overall cost with usage is steeper than for tariffs with a standing charge. It seems quite possible, therefore, that, by virtue of its unique pricing structure, EquiGas/EquiPower may breach the proposed cost cap at higher demand levels. All of our customers have actively switched to our tariff with many, particularly those with higher demand levels, having done so as they agree with us that the tariff's structure (equal pricing for all payment types) is intrinsically fairer - rather than necessarily cheaper for them. The CMA's proposed methodology for calculating the cost cap for prepay tariffs may mean that Ebico will be obliged to introduce a standing charge which would result in additional costs to our low-demand prepay customers - part of the very segment that the CMA is seeking to protect.

Instead of an absolute price cap, we would urge the CMA to consider a cap on the differential in cost between a supplier's cheapest Direct Debit tariff and their cheapest tariff available to prepay customers. As the additional costs of serving a prepay customer are largely fixed, and do not vary with demand level, this cap on cost differential could apply at all demand levels. This methodology would also have the great merit of being easier to calculate and simpler to administer for Ofgem.

2. Disclosure to rival retail energy suppliers of certain details of the Disengaged Domestic Customers that have not opted out

Others have raise concerns regarding the potential risk to the reputation of the whole market of this proposed remedy, so we will not duplicate their comments here. Nevertheless, if it is to go ahead, we are concerned that, in proposing to make available the customers details to other "suppliers", the competitive position of "white label suppliers" may be damaged. In 2014, Ofgem acknowledged, in its White Label Determination (June, 2015), that the role of white label suppliers is important to competition in the home energy market. As a white label supplier, we would be put at a competitive disadvantage if the definition of "supplier" in this remedy were to exclude white label suppliers. The consequence of this exclusion would be that we would be unable to offer cheaper prices to the disengaged market segment that the CMA have in mind as benefitting from this provision.

3. Ofgem to remove the requirement on PCWs to show the whole of market from the Confidence Code

The rationale for this remedy appears to be that, to encourage the PCWs to be more proactive in engaging currently disengaged customers, they need to increase their revenue and, to do this, need to be able to do 'sweetheart' deals with individual suppliers, thus becoming explicitly brokers rather than price comparison services. The principal PCWs have established a market share of over 50% of annual account switches, so we are concerned that, with no requirement to display a whole market view, these entities will exploit this market power to increase their referral fees to suppliers. These, in turn, will be recovered by participating suppliers from their customers. Whilst the whole market price comparison service offered by Citizens' Advice is welcome, the advertising spend of the principal PCWs far outweighs that which the public body can countenance, so it seems likely that the majority of potential switchers will remain of the view, erroneously, that they are getting an impartial view of the market from these commercial entities. We urge the CMA to reconsider the removal of the whole market view requirement from PCWs.

Yours sincerely

Phil Levermore

Managing Director

Ebico Ltd