

Will Fletcher
Project Manager
Competition and Markets Authority
Victoria House
Southampton Row
London WC1B 4AD

Ecotricity Group Ltd
Unicorn House
Russell Street
Stroud
GL5 3AX

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Ecotricity Reference No.: 442

Ecotricity Response to the CMA Provisional Decision on Energy Market Investigation

Dear Mr Fletcher,

Ecotricity is an independent renewable energy generator and supplier, with around 180,000 gas and electricity customers and over 80MW of renewable capacity. At Ecotricity, we have three principal attractions: the greenest energy with the emphasis on investing in new sources of renewable energy; the best customer service as demonstrated by the lowest level of complaints in the industry; and an ethical pricing policy that means every customer gets our best price, regardless of payment method. It is this focus on ethics and principles of excellent customer service that's key to our growth.

We welcomed the CMA's investigation into the energy market and we have actively engaged with it throughout. We offer our responses to key issues that are relevant to us below.

Disengaged customer database

As currently drafted, this policy is too broad and should be amended so that it only applies to those that have never switched from their standard variable tariff.

The intention of this policy appears to be to catch those most disengaged customers that are on a default tariff that they never chose and which is more expensive than other available tariffs, after a fixed term deal has ended or having never chosen to change supplier or tariff. However, as currently proposed it is in danger of including many engaged customers, who are aware of their right to switch and will simply be irritated with all the junk mail they will receive.

In the case of our own customers, customers pay the same regardless of when they joined us; how they pay; and whether they switched to us deliberately or inherited our supply on moving into a property we already supplied. We do not have a standard variable tariff, we

simply have one best price for all. Our customers are on average highly engaged and as an independent supplier with no incumbent base, it is clear that the majority of our customers actively chose to be with us.

We should not, therefore, be included in this requirement. Despite this, we are concerned that we could be inadvertently caught by a regulation, which did not have our customer profile in mind.

It is therefore essential that the CMA ensure the regulation is drafted in a way that would only include those that it is intended to help.

In addition, we suggest that other small, independent suppliers should be exempt from the requirement to add their customer details to this database. There are two key reasons for this: firstly, the customers of independent suppliers are typically more engaged as they have by definition chosen to be with that supplier. Secondly, obligations such as this have a disproportionate impact on smaller suppliers, who have fewer customers from whom they can recover the upfront cost of IT changes that would be required. In the interests of competition, the CMA should ensure that independent challenger companies are not disadvantaged by regulations that were not designed with their customer base in mind.

We suggest that a threshold of 250,000 customers would be appropriate, as this is in line with other small supplier exemptions.

Prepayment Price Control

We strongly support the CMA's proposal that PAYG tariffs should not be more than £25 per fuel more expensive than their standard variable tariff. This will ensure that the most vulnerable customers do not suffer from unfair differentials. As noted previously, Ecotricity's prepayment customers pay the same as our credit meter customers. We have shown that removing the PPM premium entirely is possible and therefore we do not think it unreasonable that our competitors should have to limit the premium to £25 per year for an average customer.

Price Comparison Websites

We strongly oppose the proposed removal of the Whole of the Market Requirement in the Confidence Code with its requirement for price comparison websites (PCWs) to list all tariffs, not just those that they are in contracts with. We believe that this would undermine consumer confidence in the impartiality of price comparison websites. It will lead to consumers being unaware of tariffs from suppliers that do not have contracts in place with suppliers. We do not believe that there are any benefits to this proposal: it will simply lead to more money being spent on marketing, either in the form of paying PCWs or alternative marketing to compensate for loss of brand awareness; and less going to improving customer service.

Removal of "Simpler Choice" component of the RMR

We strongly support the removal of restrictions on discounts and complex tariffs. These requirements have simply hindered suppliers' ability to innovate and are not appropriate for a world of smart metering. Furthermore, the use of discounts enables suppliers to incentivise positive behaviour: Ecotricity does this with its electric vehicles discount, for which it had to apply for a derogation.

Transparency for microbusiness customers

We support the proposal that micro business tariffs should be published on suppliers' websites and accessible through an online quotation tool. This would better enable comparisons and improve competition for microbusiness customers.

We also support the proposal to ban exit fees and "no exit" clauses in all evergreen and auto-rollover contracts. We believe that such fees and clauses are unfair and unjustified. Ecotricity does not impose them on any of our customers that are on our standard rolling tariff. Customers that come to the end of a fixed term period are not automatically rolled over, but rather go onto our standard evergreen tariffs. We see no reason why our competitors could not do the same.

Contracts for Difference

We strongly support the requirement for DECC to conduct impact assessments ahead of any non-competitive allocation and before any allocation of technologies and budgets between pots. This requirement should apply to all technologies including nuclear, not just renewables. This will help to ensure that non-competitive allocation is only possible in limited and justified circumstances. Against a background of a limited pot, this is essential.

Locational Pricing for Transmission Losses

We support the proposal that variable transmission losses should be priced on the basis of location. We would suggest that this go further and also apply to the distribution system.

Governance

We strongly support the proposal to require more evidence based policy making with respect to energy. Energy has become highly politicised in recent years and we have seen numerous examples of policies which appear made for headlines, rather than genuine consumer benefit or analysis of the market impact. Examples of policies that have a significant impact but had very little consultation include the early closure of the RO to onshore wind and solar and the removal of the exemption for electricity generated by renewables from the Climate Change Levy. In addition, we have seen ministers impose requirements on suppliers that have no obvious benefit, but require significant system development. The £12 Rebate and requirement for QR codes on bills are just two examples of this. The high cost and limited benefit of these would have been clear, had there been testing and proper research before their announcement. DECC and Ofgem have a responsibility to ensure that regulations and policy are evidence based and proportionate and we believe that this proposal will go some way to ensuring they meet this responsibility.

Conclusion

We support the CMA's proposals with respect to the PPM tariffs and microbusiness customers. These will improve the competition and protection for some of the most vulnerable in their respective markets. The removal of the "simpler choices" requirement will improve competition and benefit all customers.

We believe that the proposal for the basis should be limited and only apply to those most disengaged. We do not believe that our own customers or those of other small suppliers should be caught by this and we therefore support a small supplier exemption.

We strongly support more accountability; impact assessment and evidence based policy with respect to the contracts for difference and other policy decisions.

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.

Yours sincerely,

Alan Chambers
Acting Compliance Officer