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Project Manager
Energy market investigation
Competition and Markets Authority
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By email to david.fowlis@cma.gsi.gov.uk
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Dear Sirs

Re: Prepayment Charge Restriction

We have reviewed the draft licence conditions relating to the prepayment price cap and have the following observations which we believe should be considered before the license conditions are finalised.

1. The order states that a Prepayment Tariff "means a tariff in respect of any Domestic Supply Contract or Deemed Contract with a Relevant Customer which includes a requirement to pay Charges through a Prepayment Meter"

   The term "Prepayment Meter" does not appear to be defined. We also believe more clarity should be given to the expression "pay Charges through".

   Our concern is based on the fact that some SMETS1 meters are currently used by suppliers to provide prepayment or 'Pay as You Go' tariffs where the customer is required to pay charges in advance and to keep their account in credit in order to remain on supply. However, these suppliers actually operate the SMETS1 meter in credit mode and conduct all the payment processes via a separate portal. In this case it could be argued that the tariff does not fit the definition of a Prepayment Tariff even though the customer is for all intents and purposes a prepayment customer on a prepayment tariff.

2. Current licence condition 25.6 requires a supplier to provide an estimate of total annual charges which would be payable under an Offered Domestic Supply Contract. Given that the level of the price cap will change every six months and the level it is set at will be subject to a number of variables that cannot be accurately forecast in advance how will it be possible to provide a credible estimate of annual charges?

3. The order intends to create 14 separate price caps for the supply of gas. In order to have 14 different gas prices it is our understanding that a supplier would need to utilise 14 separate gas tariff pages. As indicated already by the CMA investigation into the Energy Markets

these tariff pages are in extremely short supply and many new suppliers are only able to obtain a small number or none of these pages. Therefore, a supplier with only one gas tariff page will need to set all of its regional gas prices at the same level which will all need to be below the lowest of the 14 cap prices. Given that there is a differential of £28 in regional transmission and distribution costs (based on the base levels published by the CMA) this will place small suppliers at a significant disadvantage to larger suppliers who are able to access enough tariff pages.

4. We believe licence condition 28A.19 should be amended or removed. As a predominantly prepayment focussed supplier we have a large number of customers using zero standing charge tariffs. We offer these tariffs because our customers consistently say that they want them and that they believe it is a fairer way of being charged – i.e. only for actual consumption.

   We do not think that a supplier should need to ask for direction in order to be able to offer these tariffs. This will create a significant extra burden before such a tariff can even be offered and will act as a disincentive to suppliers offering the zero standing charge tariffs that prepayment customers want.

   We believe it should be sufficient that a supplier takes steps when offering a particular tariff to a customer to ensure that the tariff offered is appropriate to that customer. Combined with the requirement for the customer's Charges in a Charge Restriction Period to fall below the Relevant Maximum Charge this should in itself place the burden of remaining compliant on the supplier and the further provisions of condition 28A.20 should ensure customers do not suffer detriment.

   Standing Charge is a major area of concern for prepayment customers and we firmly believe that a licence condition that effectively seeks to dis-incentivise suppliers from offering these types of tariffs is not in the interest of the customer.

Yours faithfully

Lubna Khilji
CEO