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Ecotricity Response to the Draft Order Consultation on Prepayment Charge Restriction Order 2016

Dear David,

Ecotricity is an independent renewable energy generator and supplier, with around 190,000 gas and electricity customers. We pride ourselves on the professional, transparent and personalised service that we offer, which is consistently recognised by our customers and third party surveys. They recognise our transparency and focus on the ethical treatment of our customers.

Our focus on customer ethics and fairness means that we would support a cap on prepayment charges in principle. However, the proposed order as put forward by the CMA is not suitable for purpose. Nevertheless, we welcome the opportunity to comment on the proposal, and offer our views on select areas below:

Cap Structure

The CMA have failed to take into account that different suppliers have different cost bases, business models, and costs to serve. The rigid structure for calculating the cap, with a relentless focus on price, is not suitable.

Suppliers – particularly those who are looking to innovate – have costs beyond wholesale prices, network charges and policy initiatives. We would urge the CMA to consider these added costs, as well as the value that these can deliver. Our renewable developments deliver benefit

to national energy infrastructure, and our UK based customer services departments provide jobs in the local area. Other suppliers, who may choose to operate at minimal cost with little outward investment, would be far less exposed to the effects of a cap.

In addition, price is not the only factor when it comes to consumer choice. Were that the case, all customers would be with the same supplier. Our customers are with us due to our additional investment in customer service, as well as our developments in renewable energy. We would again suggest the CMA reflect on these consumer choices when applying a cap, and ensure that any benchmarking is set accordingly.

We also don't agree with using individual suppliers when setting the benchmark price. The prices offered by some suppliers are loss-leading – in order to boost customer numbers – and do not reflect the cost of supplying energy. They are therefore set as part of a commercial strategy, and do not represent a competitive benchmark. This may not appear obvious from an outside view, however forcing all suppliers to supply at this price could have a devastating effect on the market, and would not be sustainable.

Alternative Methodology

A cap that is reflective of supplier's tariff offerings would be more suitable. We would be in support of a cap that linked to each supplier's standard tariff (or fixed tariff depending on their business model).

In simple terms, the cap could take the form of a basic percentage uplift on each supplier's cheapest tariff. We would recommend a 5% uplift to take into account the potential additional costs associated with supplying prepayment customers. This could be simply calculated, based on the charges a customer would face were they on the suppliers standard tariff.

Any cap should ensure that each supplier treats prepayment customers fairly compared to non-prepayment customers. A cap tagged to a suppliers standard (or cheapest tariff) would deliver this.

We charge our customers the same, whether they are on a prepayment meter or on a standard tariff. We also take our obligations to treat our customers fairly – particularly those in vulnerable circumstances – very seriously. As such, we feel that we are already meeting the intended outcomes of the scheme, and would urge the CMA to consider the use of tariff linking as an alternative methodology.

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.

Yours sincerely,

Alan Chambers
Acting Compliance Officer