



Action for Warm Homes

Energy Prepayment Review
Competition and Markets Authority
RBFA – 6th Floor South East
Victoria House
37 Southampton Row
London
WC1B 4AD

8th July 2019

Dear CMA Review Team

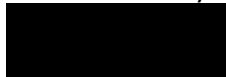
NEA response to the CMA provisional decision on changes to the Energy Market Investigation (Prepayment Charges Restriction) Order 2016

NEA understands the CMA have made a provisional decision to change the Energy Market Investigation (Prepayment Charges Restriction) Order 2016, in particular to tie the PCR with the default tariff cap, and to recommend that Ofgem continues to protect prepayment customers past 2020, until the smart meter rollout has been substantially completed. Within this letter NEA contests that whilst we welcome the recommendation to extend protection beyond 2020, the introduction of the Default Tariff Cap does not warrant the revocation or significant variation of the prepayment charge restriction.

As we set out in our previous responseⁱ, NEA had hoped that the benefits of smart pre-pay would mean suppliers would be now coming forward with cheaper tariffs for PPM customers (due to the reduced cost to serve), this outcome has not materialised, and NEA understands that currently no suppliers are offering SMETS 2 PPM. Therefore, it is not clear what rationale there would be for allowing suppliers to pass significant smart metering costs through to these customers, without any prospect that they can currently benefit from them.

NEA continues to believe that the CMA should consider preserving the PPM cap without increasing elements related to smart metering until: the roll-out is substantially completed; access to SMETS2 PPM is common place; and a necessary assessment of the costs and benefits is possible. An increase of £45 is a significant amount for a fuel poor household (which a prepayment meter customer is disproportionately likely to be) and could be the difference between being able to heat a home for a month in the winter and not. Research from citizens advice has stated that 21% of customers or c.140,000 households self-disconnected for affordability reasons in 2017ⁱⁱ. A rise in price of the order that has been proposed would only work to compound that problem further, which in our view would be an unacceptable outcome for this piece of work.

Yours sincerely



Peter Smith
Director of Policy and Research

ⁱ <https://www.nea.org.uk/wp-content/uploads/2019/04/NEA-Letter-Response-to-CMA-Review-of-Energy-Prepayment-Cap-Final.pdf>

ⁱⁱ <https://www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/PPM%20self-disconnecton%20short%20report.pdf>