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Dear Anna,

Statutory consultation on price protection data matching

We broadly welcome the proposals in your statutory consultation on price protection data matching.

In particular, we warmly welcome your decision to expand the list of welfare benefits used as a proxy for identifying disengaged vulnerable consumers at risk of fuel poverty to include Working and Child Tax credits, in line with the recommendations in our consultation response.

We expressed concern in our consultation response that exempting some suppliers from data matching could create problems in several areas, including that:

- it could result in some vulnerable consumers (i.e. those with exempt suppliers) being unprotected;
- it may complicate advice provision;
- it may create competitive distortions; and
- fuel poverty is a society-wide issue which everyone should be contributing towards solving.

Your proposals set a threshold whereby only those suppliers with more than 50,000 or who have been in the market for over three years on 31 December 2018 would be mandated to data match, and 'that all other suppliers [would] manually process requests from their customers claiming eligibility for protection under the extended vulnerable safeguard tariff.' We recognise that this proposal is motivated by proportionality concerns: you note that only around 3% of consumers are served by suppliers who would not be mandated to data match, and that 'the size of their customer bases may mean that investing in the operational capability required to data match may not outweigh the overall benefits accrued by the small number of their customers likely to be eligible for protection under an extended vulnerable safeguard tariff.'

Little evidence has been published of the costs of establishing and maintaining data matching, though we note Bristol Energy's estimate that a time frame of under a

month and annual cost of less than £5k may be realistic. Anecdotally, our discussions with a number of suppliers have suggested the costs may be very limited, and the decision of a small number of technically exempt suppliers to voluntarily offer the Warm Home Discount has been cited to us on several occasions as evidence that the costs of scheme administration may be very limited. Clearly, given every new supplier starts from scratch, then even a very small set up cost may appear very expensive when spread across an extremely small number of accounts. But having only a small number of consumers over which to recoup fixed costs is common to many other costs, not simply to policy costs, and to most businesses in most sectors during their start up stage. We are minded to regard complying with social and environmental policies as a basic cost of participating in the sector that all suppliers should face, and not as a punitive burden that new entrants need protection from.

Although consumers who are not automatically data matched will be able to receive the safeguard tariff through a manual process, should they request it, we are mindful that this sits uncomfortably with the reason why they are being protected in the first place - because they are disengaged. It seems possible that eligible consumers may miss out.

As an advice provider, we will try to provide consumers with the right information and nudges to know whether they may be entitled to receive the safeguard tariff. To help us to do this we will rely on Ofgem maintaining and sharing a list of which suppliers are covered by the manual process. We will tailor our advice to consumers to reflect this understanding, however the presence of a two tier approach will inevitably result in more complicated advice provision than would be the case were all suppliers required to automatically data match.

Notwithstanding those concerns on one design point, we would like to take this opportunity to emphasise what a positive step Ofgem's work to broaden the safeguard tariff to more vulnerable consumers has been. The practical benefit of this policy to eligible customers should be significant, and it is an extremely welcome regulatory intervention.

This submission is entirely non-confidential and may be published on your website.

Yours sincerely

A handwritten signature in black ink that reads "Rich Hall". The signature is written in a cursive, slightly slanted style.

Richard Hall
Chief Energy Economist