



Making a positive difference
for energy consumers

Zoe McLeod
Policy Director
Sustainability First

Email: Neil.Lawrenc@ofgem.gov.uk

Date: 21 April 2023

BY EMAIL ONLY

Dear Zoe,

Thank you for your letter dated 28 February 2023 regarding Economy 7 and multi-rate consumers. We value your input and engagement on these matters directly impacting consumers.

We are aware of the affordability issues for all customers, and the specific challenges for multi-rate customers within this. We will consider the issues and actions you have identified in your letter alongside other responses to our forward work plan consultation.

I have taken this opportunity to provide an overview of a range of actions we currently intend to take forward.

- When making changes to the price cap, we are mindful of the impact on customers with multi-rate meters. In particular, we will consider this group when reviewing the operating cost allowance. In addition, should we decide to review the additional wholesale allowances (eg shaping and imbalance costs) following our recent Call for Input, we will be particularly mindful of how these allowances vary between single-rate and multi-rate customers. In general, we will give further consideration to multi-rate meter customers in our future price cap work.

The Office of Gas and Electricity Markets

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- We are currently reviewing the Typical Domestic Consumption Values and this includes a potential update to the assumed consumption splits between day and night rate for E7 meters. We will consider what role updated splits play in setting the cap and the compliance process. It would not be possible or practical to set the cap on an individual basis and there is no 'one-size fits all' solution. However, we would welcome engagement with stakeholders on how we can best ensure E7 customers have information that will help them make informed choices about their tariff, particularly in making them aware of wider tariff offerings that might be more appropriate given their individual consumption profile.
- We are considering approaches for addressing the payment method differentials between direct debit, prepayment and standard credit. We expect changes in that space would also likely benefit multi-rate customers paying by those means.
- In consideration of future price protection, we are working and will continue to work with Government to ensure that future price protection measures duly consider multi-rate customers.
- We take our regulatory duties seriously. We will consider whether wider compliance engagement is appropriate where there is evidence of harm for multi-rate customers and weigh this up against other compliance priorities in the interest of customers. This includes our assessment of compliance with the price cap requirements (SLC 28AD), but also extends to our wider compliance activity, including the requirement on suppliers to treat their customers fairly (SLC 0). We encourage stakeholders to send us any suitable examples of customer detriment or examples of potential non-compliance to support our wider compliance activities.
- I note your mention of how multi-rate customers are treated under the EPG. The design of the Energy Price Guarantee (EPG) is ultimately a matter for the Department for Energy Security and Net Zero. However, following some concerns around the 'double flexibility' in how suppliers could apply the EPG discount and when setting day and night rates, we worked closely with Government in support of changes to the EPG design, which will take effect from 1 April 2023. This was to ensure that the application of the EPG discount is applied in a fair and consistent manner across E7 customers, removing this 'double flexibility' - but maintaining the flexibility to set the day / night rates, so E7 customers continue to have a variety of offerings reflecting the variation in consumption behaviour.
- We have also written to suppliers and challenged them on providing fair pricing on Economy 7 to consumers seeking assurances on the processes and controls they

have in place, and remind them of their relevant licence obligations, including treating customers fairly. We stand ready to take action where suppliers are not fulfilling their obligations.

In addition to the considerations I've highlighted above, I note that the Competition and Markets Authority introduced the Restricted Meter Order 2016, following its Energy Market Investigation. This sets out that suppliers with more than 50k customers must make available single-rate tariffs to customers with a multi-rate meter. While this order expired in 2021, we decided to extend the protection in the supply licence condition (SLC 22G) until 2025. This will help those who may have a multi-rate meter but without corresponding heating arrangements (eg storage heaters).

More broadly, we are considering what retail reforms we may need to drive up standards and deliver positive outcomes for all consumers. We will consider the needs of Economy 7 and multi-rate consumers as part of this. We look forward to working with you on this.

Thank you again for your engagement and for your continued support to consumers in this difficult time. I hope the above has provided clarity on Ofgem's dedication to protecting consumers. We would also welcome further discussion with you should you find it necessary.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Neil Lawrence', with a stylized flourish at the end.

Neil Lawrence,
Director of Retail