

## **Background**

On 10 March 2020, Citizens Advice held a roundtable to consider whether there was a need to develop a new policy, or policies, to succeed the energy price cap. This event built on its publication of a discussion paper, ['When the cap no longer fits.'](#) earlier in the year.

Participating in the event were a range of different stakeholders, including energy suppliers, policymakers within both regulators and government, charities, a trade association and an academic. The energy suppliers included both former incumbents and challenger brands, and both supporters and opponents of the price cap. The event was independently chaired.

We are publishing this note of the meeting to aid transparency and to help those stakeholders who were not able to attend to understand the main points that were raised. The event was held under the Chatham House rule, so this note does not identify the stakeholder(s) who held a view, although an exception is made for Citizens Advice where our views are attributed.

## **Agenda**

1. Welcome and introduction from Chair (5 mins)
2. Opening remarks / scene setting from Citizens Advice (10 mins)
3. Open discussion (70 mins)
4. Chair wrap up (5 mins)

## **Meeting notes**

### Introduction

- The Chair welcomed the attendees to the event and encouraged open discussion about future options after the energy price cap.
- Citizens Advice introduced the discussion paper. They highlighted the time-limited nature of the existing price cap. With an energy White Paper expected to be published soon, this discussion paper sought to foster discourse around possible policy options for what could replace it.
- Citizens Advice suggested one fundamental question was who, if anyone, should be protected. Should policy be focused narrowly, for example only at vulnerable customers, or widely, to encompass all disengaged customers?

- The other key question it identified was what form any intervention should take. The ideas in the publication had been developed from last year's joint (BEIS & Ofgem) consultation paper on the future of retail markets, and from discussions with stakeholders. They included light touch approaches like 'do nothing', or producing a 'price to beat', all the way through to interventions that are arguably more profound than the cap itself, like introducing a backstop supplier or mass opt-out collective switching.
- Citizens Advice closed its introductory remarks by highlighting that industry was grappling with a range of big change management projects, and that the options differed in their complexity and the extent to which they had been trialled. Because of this, plausible implementation timelines could vary significantly between the options.

#### Views on current price cap

- The Chair encouraged participants to share their views on the energy price cap. Most participants were broadly supportive of the price cap, although the suppliers were more divided. One supplier stated that they were initially opposed to the price cap, but their initial fears have not come to pass, and they were now generally supportive. One who had been supportive of the price cap from the beginning, highlighted the successful increase in switching rates and argued that levels of customer service had improved too. Another said it is too early to tell if the price cap has been a success, and there were also concerns over supplier profitability, and how vulnerable customers are served under the price cap.
- Stakeholders highlighted that the price cap has been shown to reduce detriment to consumers and help tackle the loyalty penalty, but there are still issues with large price spreads, with some parts of the market competitive, while those who don't engage are effectively subject to monopoly provision.

#### Engagement

- The Chair asked participants to consider how to tackle disengagement. Participants highlighted the tension between rewarding customers for searching the market and the gap between engaged and disengaged customers. With significant numbers of suppliers failing recently, disengaged customers are bailing out those who are engaged. Some suggested that engaged customers should be used to bring down prices for everyone. Others suggested that switching is not the most appropriate metric for measuring engagement as there can be engaged customers

who don't switch. Others expressed concerns that the onus is put on the consumer to drive down prices for everyone, and enduring wide differences between consumers in engagement is not a satisfactory place to be. Some questioned why it was assumed that customers who don't switch are being ripped off.

- There was broad support for extending and widening the Warm Home Discount so that all suppliers provided a minimum level of support to customers on low incomes. One speaker suggested more needs to be done to support disabled people who face extra costs, including energy. Switching sites are not accessible for visually impaired, meaning they are locked out of switching, so it is important to ensure tariffs are accessible to all.
- Other concerns were raised over how the current flat rate price cap could be viable if there is a drive to shift people to time-of-use tariffs, and how the methodology could be adapted.

#### Alternative policy options

- The Chair asked the participants to consider the option of collective switching, both opt-in and opt-out. Concerns were expressed that this would act as a disincentive for suppliers to foster long-term relationships with customers and offer new products, as customers picked up via this route were likely to be unprofitable and leave after their initial deal lapsed. It was suggested however that in the future there may be more long-term contracts to mitigate this. Others argued that there are always going to be people who are paying more but (opt-out) collective switching forces people to be switched against their will and questioned the rationale of this. Furthermore it was suggested that there is no reason that a supplier needs to provide basic customer service as it could offer a more attractive personal approach to keep long term relationships.
- Concerns over opt-out collective switching resulting in the expropriation of an asset (customers) were also raised.
- Evidence was raised from the opt-in collective switching trials which was perceived as successful in reaching out to consumers who hadn't previously engaged with the market.
- Questions were raised over which opt-in customers would get switched, and concerns were expressed over the timescale of switching customers, given how many are disengaged. It was also suggested that there would be barriers to protecting those who are vulnerable. Other concerns were expressed that collective switching encouraged unsustainable pricing, and that there were difficulties in reflecting customers' non-price needs through this model. It was questioned whether Ofgem would be happy to

take the risk of collectively switching customers to suppliers where they may get worse service.

- It was suggested that collective switching could be merged with principles based regulation of fair pricing, or whether collective switching could be combined with a 'price-to-beat' to create a soft price cap.
- One supplier suggested that the price cap was working well and other options did not appear to improve on it so it should just be tweaked. Another suggested that a better alternative to it would be to extend the Warm Home Discount and provide deeper support for the customers they want to reach, especially given the increasing policy costs that will be put onto customers as a result of the low carbon transition. In response to this, it was argued however, this only takes into account those who are eligible for Warm Home Discount and doesn't take account of other transient vulnerabilities and those who will be affected by net zero.
- Arguments over whether former incumbent suppliers were disadvantaged by having higher cost to serve customers were raised.
- Concerns were also raised about whether time-of-use tariffs could be compatible with price caps given their complexity. However it was suggested that an average tariff could be analysed over a period of time. A cap for time-of-use tariffs was suggested, however participants raised difficulties with suppliers taking risk.