

Monday, 14 August 2023

Dan Norton,
Deputy Director – Price Protection
Ofgem
10 South Colonnade
London E14 4PU

Dear Dan,

Re: Review of additional wholesale costs in the default tariff cap

Thank you for the opportunity to comment on the above, review. We appreciate that all parties are working at pace at present, but we continue to have concerns on the number of short period consultations being utilised on important topics.

As Ofgem is aware, Utilita is primarily a smart prepay supplier offering variable contracts to customers without notice periods. Our business model is unique, and focused on the prepay sector, which has historically been poorly served. This focus has led to Utilita being adversely affected (on a number of occasions) by the default tariff cap and the methodologies applied by Ofgem which allow for ongoing cross subsidies.

However, we do welcome the regular review of costs under the default tariff cap, and in particular, Ofgem taking seriously its obligation to protect customers and ensure that suppliers can recover their costs. We have no issues with the current wholesale review, other than the short consultation period, but we wish to take this opportunity to highlight that Ofgem is failing to address other issues in the same timely manner.

Ofgem is lacking urgency in its review of significant other elements of the cost stack where there are known deficiencies in the recovery of supplier costs. We remain concerned that Ofgem appears to continue to cherry pick its approach and urgency based on a predetermined position rather than applying detailed bottom-up review. This leads to an asymmetrical approach to supplier costs, and Ofgem's failure to address elements in a balanced manner risks long term detriment to consumers.

In terms of the impact of the proposals, while we do not believe that we are directly impacted, on this occasion, either positively or negatively, we have concerns on the approach. Given that we do not believe the periods in the RFI coincide with the previous periods in review, we do not understand how this justifies a case for the true up of these previous allowances. We ask that Ofgem provides these underlying data in aggregate prior to making a determination so that it can be clear to suppliers that Ofgem is applying a neutral approach and not simply seeking to reduce costs whenever possible, but not allow extra costs when needed.

We trust this submission is helpful, and we would be happy to discuss any points in more detail.

Yours sincerely,

By email

Alison Russell
Director of Policy & Regulatory Affairs