Submission to Ofgem consultation on Forward Work Programme 2023/24

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This submission responds to Ofgem's invitation to comment on its Forward Work Plan 2023/4 (henceforth FWP). In doing so, the submission draws on the sensitive, lucid and constructive presentation by Ofgem's CEO at the Institute for Government on 24 January 2023 (henceforth JB). That presentation outlined what Ofgem intended to do, summarised at the end in a helpful To Do list.

I do not comment on most of the elements in the FWP – not because I agree or disagree with them, but simply because I do not have the relevant expertise. My comments focus on two aspects of Ofgem policy towards the retail sector: the first aspect is Ofgem's role in enforcing standards and financial resilience requirements, the second and longer set of comments concern the price cap. I am aware that Ofgem has a separate Work Programme on implementing the price cap, but it does not cover the kinds of issues that are raised here, relating to the existence of the cap. The comments here seek to make six main points.

1. There are evident benefits in Ofgem taking a more active role in enforcing standards, but there are also costs, not only financial. Undue Ofgem activity could undermine the role of the competitive market in discovering and providing what customers most prefer. The FWP could usefully explore ways of enabling and encouraging customers themselves to compare quality of service.
2. In particular, with respect to conditions of entry into the market, there may indeed be scope for imposing more severe financial resilience requirements on suppliers. However, there is also a danger that this will increase costs and unduly limit the range of options available to customers in future. Again, the FWP could explore enabling and encouraging customers themselves to consider the financial resilience of new entrants and the various competing suppliers.
3. JB points out that supplier profitability is important, acknowledges that the price cap has costs as well as benefits, and suggests exploring more flexible ways of achieving the aims of the price cap. These views are very welcome and necessary to achieve the desired policy goals. However, they are not reflected in the FWP, and they ought to be.
4. The CMA's calculation of £2bn customer detriment, which led popular opinion to demand a price cap, was seriously flawed. Moreover, the CMA itself and the dissenting opinion both emphasised that any price cap should be temporary – of about two years – but this warning has been ignored. The FWP should explore the options for earlier termination or relaxation or phasing out of the price cap.

5. The costs and adverse consequences of the price cap are significantly greater than acknowledged by JB. It has destroyed the retail market and is increasingly leading to major well-financed companies leaving the market. The FWP should consider how to make the market more attractive to such companies.
6. Questions might be asked about Ofgem's belated recognition of the problems created by the price cap. For example, why did Ofgem not flag up these concerns and advise the Secretary of State against – or at least question - continuation of the price cap? The FWP should now focus more on facilitating the operation of the competitive market without a price cap.

My concerns about the price cap were set out at some length in my response to last year's consultation on the 2021/22 Forward Work Programme, so I have not repeated all those points here. For convenience, I attach herewith a copy of that submission.

1. The enforcement of performance standards

1.1 One of the FWP's short-term priorities is "Monitoring and enforcing quality and standards" (FWP p 9) with an aim "to pursue and deliver change in as many cases as possible" (FWP p 15). About one quarter of JB is devoted to "behavioural regulation" – how suppliers treat their customers. He proposes moving from a largely reactive model of compliance to a proactive approach, via Market Compliance Reviews.

1.2 This is an understandable reaction and I do not argue against it. It is indeed evident that some serious problems (most recently, the use or abuse of court warrants to install prepayment meters) need prompt and significant regulatory action.

1.3 However, regulatory action is not the only vehicle for determining and improving supplier performance. In a competitive market, suppliers compete on quality of service as well as on price. It would seem helpful if the FWP were to explore how Ofgem can enable and encourage customers to understand and bear in mind variations in quality of service.

1.4 To explain, regulatory action is costly, and even a few additional staff devoted to monitoring and enforcing customer standards mean an additional few hundred thousand pounds on the Ofgem bill, which is paid for by customers. This also means an additional compliance cost burden on suppliers that will similarly need to be reflected in prices to customers.

1.5 The quality and standards that Ofgem chooses to enforce reflect its own best assessment of what is appropriate at the time. Over time, certain aspects may get overlooked, as is suggested may have been the case. In contrast, a competitive market is an ongoing discovery process in which suppliers are continually experimenting with new ideas to reduce cost and/or improve quality of service, trying to find the balance that customers prefer. Simultaneously, customers are constantly evaluating the service they receive and some, at least, move around to try what other suppliers can offer. Of course, what constitutes the best quality of service, and how quality ranks against cost, is likely to vary by type of customer, and also to evolve over time.

1.6 So whereas Ofgem certainly has a role in "promoting, mandating and regulating the right behaviour" (FWP p 15), the FWP should not forget the role of the competitive market in enabling the discovery of what kinds of supplier conduct customers themselves prefer.

1.7 As regards vulnerable customers, for example, the proposal is to "look for areas where we could intervene further to support them" (FWP p 11). But let the FWP look, too, for areas where Ofgem could facilitate the competitive market supporting vulnerable customers in making their own choices.

1.8 In some cases, perhaps the best solution is for some customers to move to suppliers that offer better service, than for Ofgem to insist that all suppliers improve their service. Further, should all suppliers be required or expected to offer all services to all customers?

1.9 Customer organisations such as Which? and Citizens Advice, as well as consumer voting organisations such as Trustpilot, play a valuable role in informing customers about the quality of service provided by each supplier. I have elsewhere developed an Overall Customer Satisfaction (OCS) Index, published at intervals in Cornwall Insight's *Energy Spectrum* (see Annex 1) which calculates the average score of each supplier on the above three metrics plus a measure of the Ofgem complaint statistics. Some suppliers, notably Octopus Energy, have scored consistently highly over the last three years; other suppliers, alas, have not.

1.10 Ofgem has previously encouraged customers to shop around for better prices, and (for example) graphed the average prices by large and small suppliers. As just noted, it also publishes complaints statistics by supplier and by size of supplier. Could the FWP perhaps explore ways in which Ofgem could further encourage and enable customers to shop around for better service by linking its discussions of price and complaints and other measures of customer service?

2. Financial resilience requirements

2.1 The FWP proposes to "implement and further develop a regime to deliver a resilient energy supply market including an effective capital adequacy regime" (FWP p 14). Recent measures include "financial stress tests, strengthening of monitoring and oversight of suppliers, strengthening the market entry process, and extensive use of our compliance and enforcement powers" (JB p 6).

2.2 There is no doubt that some such measures were needed, given "a number of lessons, highlighted by the Oxera report and recent parliamentary reports" (JB p 6). However, as with regulatory action generally, as just noted, this also has downsides, in terms of raising costs to Ofgem and suppliers, which are ultimately paid for by customers. Heavier handed regulation can also limit innovation and competition.

2.3 JB recognises this trade-off: "… there is a balance to be struck here We do not want to create a cosy market where inefficient incumbents are not challenged, where innovation is stifled – particularly when change is needed in the way retailers work. But equally we need to ensure new entrants are properly capitalised, can cope with

volatility and the pace of change we need to see, and do not unnecessarily exit the market". (JB p 7) Unfortunately, there is no recognition of this tradeoff in the FWP.

2.4 Again, I would argue for recognising and encouraging the role of the competitive market in facilitating innovation and discovering what customers actually prefer, rather than relying on the regulator to prescribe what it deems appropriate, influenced heavily by the experience and media discussion at one particular time. Two examples will illustrate my argument, one brief, one more substantial.

2.5 Ovo thought of offering to pay interest to customers on their credit balances, and did so. No one had thought of this before, or at least had not tried it. Would it be of any interest to customers? The answer was Yes, it was very popular with Ovo's customers (and has been so with their customers in Australia too). It was precisely the kind of beneficial innovation that competition enables. But subsequently, other suppliers were found to have exploited their customer balances so Ofgem's new rules are cracking down on this. Are the new rules going to allow such experimentation in future?

2.6 Hedging is a more technical issue. Traditionally, the six large incumbent suppliers hedged for an average of about a year ahead (Ofgem publications indicate a focal point maximum of 18 months). That enabled these suppliers to maintain their Standard Variable Tariffs for about a year at a time, with some flexibility as to when they changed them, including some flexibility to compete with each other to avoid being first to increase prices or last to reduce them.

2.7 But hedging is costly, in terms of operational and collateral costs. So, over time, many new entrants adopted different practices, such as Bulb hedging for about six months ahead, other smaller suppliers for three months or perhaps not at all. These entrants offered lower tariffs, especially in the period up to mid-2020 when wholesale prices were broadly stable or falling.

2.8 Which duration of hedging was best? Many less active customers seemed to prefer the roughly one-year stability chosen by the large suppliers. But other more active customers preferred the lower prices offered by other suppliers, at least during the longish period just mentioned when wholesale costs were broadly stable or falling. In the absence of a price cap, these latter customers would then have had to decide whether to stay with their less hedged suppliers as and when these suppliers were forced to raise their prices, to reflect the increase in wholesale costs. So customers in the competitive market would have determined which suppliers survived, reflecting the hedging polices they adopted (as well as various other factors).

2.9 In the event, the way Ofgem set the price cap from 2019 onwards meant that it was virtually impossible for a supplier to survive without hedging according to the price index formula, which meant for a year or so ahead. So since then it has been Ofgem's price cap policy, rather than customer preferences, that has determined supplier hedging and supplier survival. Many smaller less hedged suppliers exited the market (although, again, other factors including other supplier practices were also relevant).

2.10 Given the very problematic experience to date with the price cap (more on this below), it is a concern that a specific FWP objective is – or was - "an ambition for requirements to be closely informed by the capital employed by the Price Cap" (FWP p 14). But fortunately there is now some belated recognition that the price cap "has

costs as well as benefits" and should be replaced by "a better, more flexible way to protect consumers' interests" (JB p 12). So we may hope that the ambition just noted – for requirements to be informed by price cap requirements - will be abandoned.

2.11 My concern remains that Ofgem's ongoing reaction to recent events, and also its vision for the future, will unduly influence its policy towards resilience, without sufficient regard for customer preferences. For example, it is argued that "Ultimately, we have a responsibility to ensure the retail market is as robust as it can be" (JB p 7). But surely not: it is always possible to make the market more robust by insisting on (e.g.) more capitalisation, but more capitalisation means higher costs to suppliers hence higher prices to customers. Surely customer preferences need to be considered here: how much robustness do customers want to pay for?

2.12 And surely the answer differs between customers: if some customers prefer lower prices despite a higher risk, shouldn't the competitive market be allowed to provide that? Some suppliers may indeed choose to be "better capitalised and resilient, able to offer a wider range of smart, easy-to-use products and services" (JB p 7). But other suppliers may prefer to focus on lower-cost provision of basic products and services. Why should all suppliers be required to be up-market, with the additional costs that that involves? Perhaps the FWP could explore ways in which Ofgem could help to inform (and perhaps advise) customers' choices of suppliers and services?

2.13 One possible counter-argument, in favour of significantly increasingly resilience for all suppliers, is that the risks of suppliers failing fall on customers generally rather than on the specific customers of failing suppliers. That's a fair point, but it reflects a policy decision that Ofgem took some years ago. If a small supplier with 40,000 customers were to fail, owing each customer £100, Ofgem might stand to get 40,000 letters of complaint. But if Ofgem indemnified these particular customers and spread the whole (40,000 x £100 = £4m) cost over all 40m or so GB energy customers, would any of these customers notice that it cost them 10p each? This enabled Ofgem to encourage customers to switch to the lowest price suppliers without consideration of whether such suppliers were financially riskier. Unfortunately, the cost of this policy to customers eventually ran into the hundreds of millions of pounds (possible billions if Bulb is included).

2.14 This same philosophy apparently still prevails, as reflected in the objective "that customers are shielded from the impacts of supplier failures as far as possible" (FWP p 14). But should they be thus shielded? Why? Surely not to reduce criticism of Ofgem? But should Ofgem encourage customers to choose the lowest price suppliers without considering whether cheaper suppliers might be more risky? This policy creates an externality, encouraging customers to put costs and risks on other customers, and discouraging them from playing a role in monitoring and determining the kinds of suppliers that enter and operate in the market. Again, perhaps the FWP could consider how better to inform customers about the comparative financial viability of the various suppliers seeking their custom.

2.15 Finally, the FWP notes an objective "regarding proposed ringfencing of Renewables Obligation receipts, to introduce an effective system of monitoring and

compliance in time for the first milestone checks at the end of June 2023" (FWP p 14). About time too: the failure of Ofgem and BEIS to deal with this issue many years ago is indefensible. Ofgem's own estimate it that it has cost customers some £290m, and the House of Commons BEIS Committee (19 July 2022) reports a consensus in the industry on the need for more frequent payments (*Energy pricing and the future of the energy market*, Third Report of Session 2022-23, HC 236, para 122, p 44).

3. Profitability and the future of the price cap

3.1 The FWP contains a proposed framework diagram that identifies four consumer interests, of which the fourth is resilience, and it says that this has the characteristic "The sector attracts sufficient long-term investment to deliver consumer interests". Of the dozen sub-objectives, the first is "prevent excessive profits", the last is "ensure sector is investable" (FWP p 8). There is no further discussion of any of this in the FWP, nor any attempt to relate "investable" to profits or the price cap.

3.2 The FWP mentions the price cap in the context of ensuring that prices are fair, and cross-references its Programme of Work for the Price Cap. Neither of these documents indicate any concern about profitability or any reservations about the nature or effects of the price cap.

3.3 In contrast, JB has substantial discussion of both profitability and the price cap.

3.4 For example, on profitability JB asserts that "we need fundamental change in our retail business model and the policy and regulation that sits behind it … as we move through the energy transition we need companies need [sic] to be able to create clear offers to customers to encourage us to use our energy differently. This can only be achieved by well capitalised and reasonably profitable companies." (JB p 3) This in turn needs retail market reform, which means "First, building a market of financially robust, well capitalised companies, able to invest and partner with those bringing new smarter innovations into the market. And that does mean a market where profit [sic] are reasonable." (JB p 6)

3.5 On the price cap, he reviews the aims and experience of the cap and concludes that "the price cap therefore has costs as well as benefits for customers " and "It is my view that we should be exploring more flexible ways of achieving the aims of the price cap, and comparing the costs and benefits of these with the legislative framework we have today" (JB p 12).

3.6 The FWP is, quite simply, hopelessly inadequate on the issue of supplier profitability and the role of the price cap. In contrast, JB presents a welcome recognition of the need for adequate profitability and of some of the negative effects of the price cap. He makes the moderate but nonetheless sensible suggestion that the price cap be modified. The FWP should take both points on board.

4. The mistaken case for the price cap

4.1 In my view, the price cap has been even more problematic than JB acknowledges. This section seeks to explain why the price cap was a mistake and also notes the importance previously attached (but subsequently overlooked) to it being temporary.

4.2 It is said that "The price cap was designed with good intentions. It was targeted at the legitimate concerns that the industry had been, in effect, overcharging those of us who did not shop around and, equally, prevented a drive for greater efficiency amongst suppliers." (JB p 10-11)

4.3 The CMA was indeed concerned that too few customers shopped around, which it considered enabled the "Big Six" suppliers to retain their high market shares despite their higher costs. But as I have argued elsewhere ("The challenge of removing a mistaken price cap", *Economic Affairs*, 41(3) October 2021, pp 391-415), the CMA failed to acknowledge that markets take time to evolve, and in fact this market was evolving relatively rapidly. For example, whereas the "Big Six" suppliers supplied 99% of the domestic electricity market from 2004 until 2012, by the time the CMA reported in 2016 there were some 40 competing suppliers that had taken around 15% market share and they were still growing fast, doubling their market share in the next three years. Moreover, the large suppliers were investing heavily in new systems as they attempted to become more efficient (although in the event these new systems proved much more costly than expected). There was certainly no aim or ability to "prevent a drive for greater efficiency among suppliers".

4.4 The CMA calculated what it claimed was a customer detriment at over £1bn per year, and nearly £2bn in 2015. Most of this was alleged cost inefficiency. The CMA's more conventional estimate of excess profits was £303m. My own calculation was around £170m per year in the previous 8 years, only about £7 per household per year. However, the £2bn figure was widely cited in the 2017 General Election and most political parties felt obliged to advocate a price cap.

4.5 The CMA had in fact argued against a price cap: "The majority of us believe that attempting to control outcomes for the substantial majority of customers would – even during a transitional period – run excessive risks of undermining the competitive process, likely resulting in worse outcomes for customers in the long run. This risk might occur through a combination of reducing the incentives of suppliers to compete, reducing the incentives of customers to engage and an increase in regulatory risk." (CMA 2016 para 251 p 59)

4.6 Professor Cave, in a note of dissent, did argue the case for a temporary price cap, but again with an emphasis on the importance of it being very temporary. He noted that "the short duration of the cap (two years or so) reduces the risk that it will become unworkable as a result of unforeseen events" (CMA 2016 para 8 p 1417).

4.7 In the event, the price cap was allowed to run on longer than this, and it did indeed become unworkable as a result of unforeseen events. The FWP should consider the implications of this for the remaining period of the price cap.

5. The actual consequences of the price cap

5.1 It is said that "In a stable market, the price cap worked well." (JB p 11) Perhaps initial experience suggested this, insofar in the period from January 2019 to early 2020 the existence of the price cap was claimed to protect vulnerable customers and those who did not shop around, while significant price discounts were still available in the market for those who did shop around.

5.2 However, wholesale prices were in fact gently declining over the period September 2018 to about May 2020 (see Ofgem graphs of gas and electricity day ahead prices). Because the price cap was set in advance, suppliers were able to buy at lower prices than the price cap assumed. In other words, insofar as the price cap seemed to work well, it was because it was not effective.

5.3 After May 2020, the situation changed radically. Wholesale prices started increasing rapidly and after about October 2021 the market became very unstable. As JB (p 11) points out, an inflexible price cap in a volatile market increases suppliers' financial risks and holding more capital to manage these risks increases costs to suppliers and to customers.

5.4 JB explains that, to maintain stability in a volatile market, Ofgem had to introduce temporary measures like the market stabilisation charge, which in effect charges customers for taking on new customers from rival suppliers. "Frankly, this is something none of us would like to see in the market, but with the volatility we have witnessed, alongside a blunt price cap, it is needed to maintain market stability and protect customers from the unnecessary cost of unnecessary failures in the market. As structured in legislation, the price cap therefore has costs as well as benefits for customers" (JB pp 11-12).

5.5 All these points are valid, but the situation is actually much worse than JB describes. For example, whereas once there were over 70 retail suppliers, now there are only two dozen, and they all price at essentially the same level. There is no longer a functioning competitive market: whereas once there were hundreds of different tariffs at a wide range of durations and prices, now all the remaining suppliers price their standard variable tariffs at or within a few pounds of the price cap, and the market for fixed tariffs is basically non-existent. Switching has not merely decreased, it too is now virtually non-existent – and, indeed, switching is actually discouraged by Ofgem, as JB ruefully acknowledged.

5.6 Supplier profits are a thing of the past. They were never excessive: from 2010 to 2016 the average pre-tax margin of the six large suppliers (per Ofgem figures) gradually increased from 3% in 2010 to plateau at 4.5% in the three years 2014 to 2016, then fell slightly to 4.2% in 2017. Since then it's been downhill all the way: the average margin for such of the six suppliers as remained fell to 2.7% in 2018 then to minus 1.5% in 2019, minus 1.0% in 2021 and minus 2.55% in 2022.

5.7 Why would any sensible company invest in such a market, particularly when Ofgem shows no tangible recognition of the need for adequate returns? Why indeed? The answer is that even well-funded established companies are increasingly deciding not to invest in this market. Engie (formerly Gaz de France) pulled out of the retail market

in 2020, followed by suppliers backed by such established companies as Vattenfall, Mitsui and Gulf.

5.8 Increasingly, the price cap has been cited as a reason for withdrawal. For example, in May 2021 it was announced that "bp and Pure Planet form tech partnership, enabling energy consumers to make smart home and mobility choices". But just five months later Pure Planet left the market, explaining that "Due to the global energy crisis, record high wholesale energy costs, and the restrictions placed on us by the Ofgem Price Cap, we were unable to keep operating Pure Planet."

5.9 Only a week ago, it was announced that "Shell mulls household energy exit: review of retail supplier puts 2,000 jobs at risk" (*The Times*, January 27, 2023, p 33). This was despite Shell doubling its profits to a record $40 bn. The new chief executive has launched a review of the household supply business, which has 2000 employees and 1.4 million customers. "He said that 'despite a few years of trying to make that work … the market conditions are just structurally not there for us to be able to create the return we expect', citing the government's energy price cap" (*The Times*, February 3 2023, p 42).

5.10 The FWP needs to come to terms with this reality, and address it.

6. Ofgem and the price cap

6.1 Further questions might be asked about Ofgem's belated recognition of the problems created by the price cap. For example, why did Ofgem not flag up these concerns and advise against – or at least question - continuation of the price cap? Recall that Ofgem was required by the Act to report each year on whether the conditions for effective competition were in place and whether the tariff cap should be extended for another year. These were two separate questions: the answer to the second one would certainly be informed by the answer to the first, but not determined by it.

6.2 Views may differ about Ofgem's assessments of competition: they seemed to me unduly mechanical and pessimistic. But Ofgem gave no reason for repeatedly advising that the price cap should be continued. Ofgem would have been aware of the concerns of the CMA and of Professor Cave about a price cap lasting more than about two years. Yet Ofgem apparently gave no warning to the Secretary of State, or to others, of the serious disadvantages of the price cap that increasingly became so obvious and acknowledged. Were these disadvantages not identifiable earlier, if not at the time of Ofgem's first report in August 2020 then at least by the time of its third report in August 2022?

6.3 It is surely time to call it a day on the price cap. After noting that the price cap has costs as well as benefits, JB concludes "It is my view that we should be exploring more flexible ways of achieving the aims of the price cap, and comparing the costs and benefits of these with the legislative framework we have today." Given the overwhelmingly serious costs and disadvantages of the price cap, should the FWP not be focusing on alternatives to it as a major work stream?

Nutwood

Is quality of service affected **by an energy supplier's** financeability?

Professor Stephen Littlechild

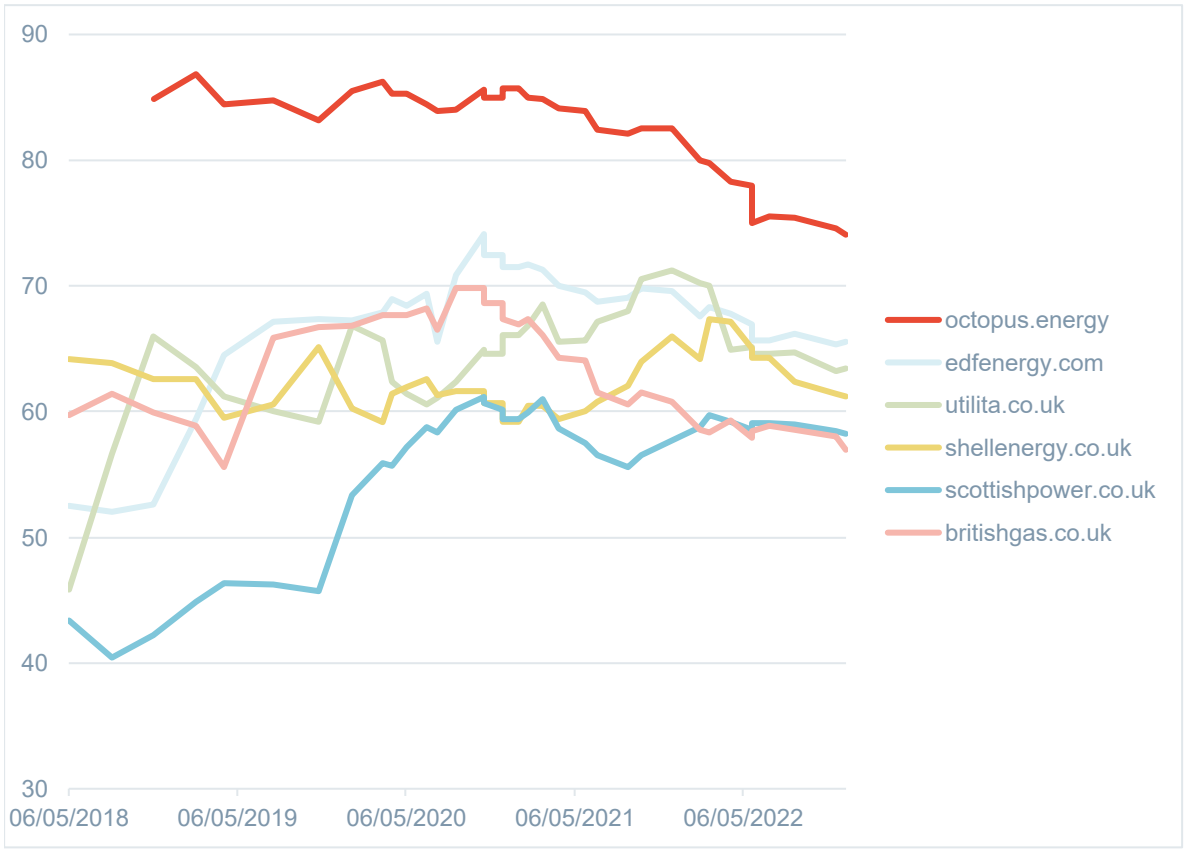
Professor Stephen Littlechild, former Director General of Electricity Supply (1989-98) and now Associate of the Energy Policy Research Group at the University of Cambridge, describes how suppliers' positions in the Overall Customer Satisfaction (OCS) League have evolved over the longer term.

Energy suppliers have always been characterised by differences in quality of service provided to customers as well as, until recently, very different prices. Recently, many suppliers have gone bust and Ofgem is cracking down on some remaining suppliers. Will this affect the quality of service provided by suppliers?

The Overall Customer Satisfaction (OCS) score is an average of four different measures of customer satisfaction, as reflected in Ofgem complaints scores, the ratings of Which? magazine and Citizens Advice, and the views of customers themselves on Trustpilot.

Figure 1 shows the evolution of OCS scores for six established and presumably well financed suppliers, over the last four and a half years. For the five most 'traditional' suppliers, the main features have been generally improving quality of service from early 2018 to late 2020, with narrowing range (scores initially ranging from about 40 to 65, later ranging from about 60 to low 70s). Over the last couple of years there has been a slight decline in scores (perhaps initially reflecting the stresses of COVID-19) and a further narrowing of the range (from high 50s to 65). Of these five traditional suppliers, EDF and Utilita have emerged at the top (around 65),

Figure 1: OCS scores for six major suppliers



Source: Professor Stephen Littlechild

Shell Energy is now mid-range, while Scottish Power and British Gas, despite some earlier improvements, offer the lowest rated customer service (scoring in the high 50s).

Then there is the amazing Octopus Energy, simply a cut above other suppliers, scoring no less than about 85 for the first couple of years. Although its score has declined to 75 in the last couple of years, possibly reflecting the stresses of significant growth, it still scores 10 clear points above any other major supplier. Compared to this demonstrated achievement, the scores of the other major suppliers do seem a little mediocre.

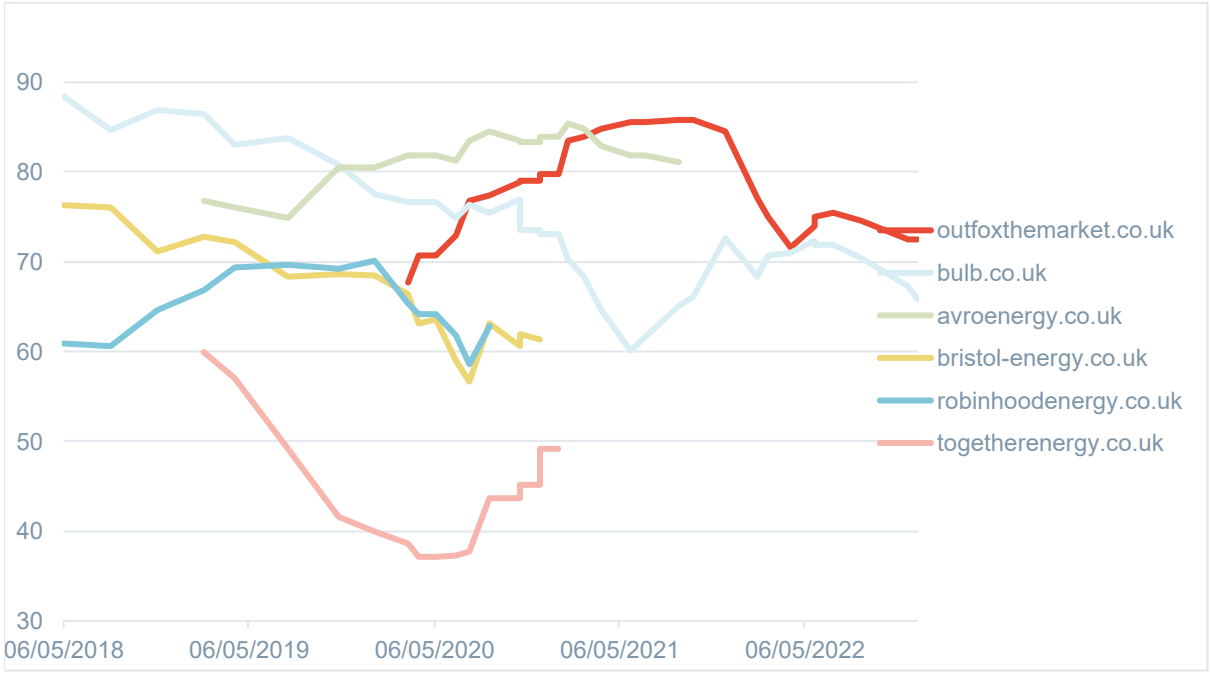
Figure 2 contrasts the scores of six smaller suppliers, five of which have fallen by the wayside. Together Energy soon became problematic and its OCS score plummeted from 60 to below 40, recovering slightly but not up to 50. Bristol Energy and Robin Hood Energy were sponsored by local authorities: the former started particularly well with a score around 75, and for a year or so they scored around 70. But by the time they left the market their scores had fallen to 60 – admittedly, matching the scores of Scottish Power and British Gas today, but approximating the lowest rather than highest customer scores in the market.

In contrast, consider the other three smaller suppliers. Avro was scoring between 75 and 85, and generally improving, throughout its two-year life. Bulb Energy started out scoring nearly 90. Admittedly it declined steadily and fell to 60 in early 2021 but it recovered to around 70 in early 2022. Although declining to 65 now, that score still ranks with the best of the established suppliers excluding Octopus Energy, and it will be interesting to see what Octopus Energy can do for it.

Finally, consider OutfoxtheMarket, presently the subject of Ofgem's attention to its financial backing. Its OCS score rose from just under 70 in early 2020 to the mid-80s in early 2021 and for the last year or so has been firmly above 70. It is now comparable to Octopus Energy, indeed.

So the relationship between financial funding and quality of customer service is mixed. Most of the established major suppliers provide customer service that is consistent but not outstanding. Some of the entrants provided poor service and/or could not sustain good service. But other entrants, notably Octopus Energy but also Avro, Bulb Energy (initially) and now OutfoxtheMarket, have provided significantly above average customer service. Their contributions have gone beyond challenging the incumbents on price: they have shown how to provide better service for customers too. It would be unfortunate if the Default Tariff Cap restrictions, and tightening the screws on financial backing, prevented new suppliers from providing such improvements in customer service.

Figure 2: OCS scores for six new entrant suppliers



Source: Professor Stephen Littlechild