

19th August 2015

Will Fletcher, Project Manager
Energy Market Investigation
Competition and Markets Authority
Victoria House
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London
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By post and by email to energymarket@cma.gsi.gov.uk

Dear Mr Fletcher

Energy Market Investigation

We refer to the Notice of Possible Remedies published by the CMA on 7th July 2015.

We wish to bring to the attention of the CMA a further factor which we believe is relevant to competition within the Energy Market and which we consider to be detrimental to the interests of consumers.

As you know, energy providers are required to provide the facility for their customers to pay bills in cash and to top-up their pre-payment meters in cash. They do this primarily through one of three 'over the counter' payment networks: the Post Office, Paypoint and Payzone. Cash payment is much more prevalent amongst the most vulnerable members of society, including the unbanked, the unemployed, the elderly and the rurally isolated ("Vulnerable Consumers").

The licence terms require the energy providers to provide this cash payment facility within 1 mile of 95% of the population in urban areas and within 5 miles of 95% of the population in rural areas.

However, not all outlets are able to take cash payments for all energy providers (for example, because some energy providers have exclusive contracts with the payment networks). For any given individual consumer, their nearest Post Office, Paypoint or Payzone outlet may or may not be able to help them. In many small villages, for example, there may be only one retail outlet. That outlet may not be able to deal with transactions for all energy providers because it is part of a payment network which does not have a contract with a particular energy provider. For any consumer in this position, this has three main impacts:

- They may need to travel to reach a retailer that does take cash for their particular energy provider.
- They are limited in their ability to switch suppliers, if switching would mean that they had to travel to a different retailer to pay their bills.
- Since rebates (cash out) are only available from Paypoint, they may need to travel to collect any rebate due.

In short, any exclusion of an 'over the counter' payment network from processing cash payments for any energy provider will have an adverse effect on some consumers. The above factors have a

disproportionate impact on Vulnerable Consumers in particular, who may find travel difficult. This is particularly obvious in rurally isolated communities with weak public transport links, and indeed for anyone for whom the cost or inconvenience of travel is a barrier.

We note that one of the remedies being considered by the CMA resulting from its Energy Market Investigation is that of requiring energy providers to prioritise the roll-out of Smart Meters (Remedy 5). We understand and welcome the advantages that more widespread use of Smart Meters will bring to the energy market generally. We therefore support the proposed remedy to prioritise the roll-out of Smart Meters.

However, whilst Smart Metering should make some elements of this situation less challenging, the energy providers will still need to provide the facility for cash (both pre-payment and post-payment) through networks of retail outlets. The propensity of many Vulnerable Consumers to switch supplier will still be determined by where they can go to pay cash.

We would also point out that some energy providers insist on providing all three networks to their consumers. They do this because they recognise the importance of convenience and customer service, particularly to their most Vulnerable Consumers. However, a number of other energy providers do have exclusive contracts. In the regulated utilities market, this behaviour is having a substantial, detrimental effect on consumers, particularly Vulnerable Consumers, affecting both their ability to pay conveniently and their ability to switch suppliers easily.

Representatives from Payzone attended a meeting with Ofgem on 30th July 2015, at which some of the issues raised in this letter were discussed. Ofgem recognise our concern that Vulnerable Consumers who have prepayment meters might find it difficult to switch suppliers.

As stated above, it is Vulnerable Consumers who we feel are most at risk of being disadvantaged by any exclusive contracts in the retail network market for energy provider cash payments. Therefore our view is that competition within such market is also an important element of promoting competition in the energy market. In turn, this will help to benefit consumers (particularly Vulnerable Consumers) and make it easier for consumers (particularly Vulnerable Consumers) to switch suppliers.

Accordingly, we would recommend (in addition to the CMA's current proposed remedies) a remedy which prohibits energy providers from entering into exclusive contracts with retail network providers for cash payments and which outlaws any existing exclusive arrangements.

We believe that the detrimental effects to consumers and the barriers to switching we have outlined above are unnecessary. We also believe that they can be easily addressed. The remedy we have proposed would help to remove certain disadvantages which currently exist for consumers within the energy market and would help to make it easier for Vulnerable Consumers to switch suppliers.

Should you need any further information, or if we can otherwise assist the CMA with its investigation, then please do not hesitate to contact me.

Yours sincerely

Simon Newton
Commercial Director
For and on behalf of Payzone UK Limited