Why Price Cap PPMs?

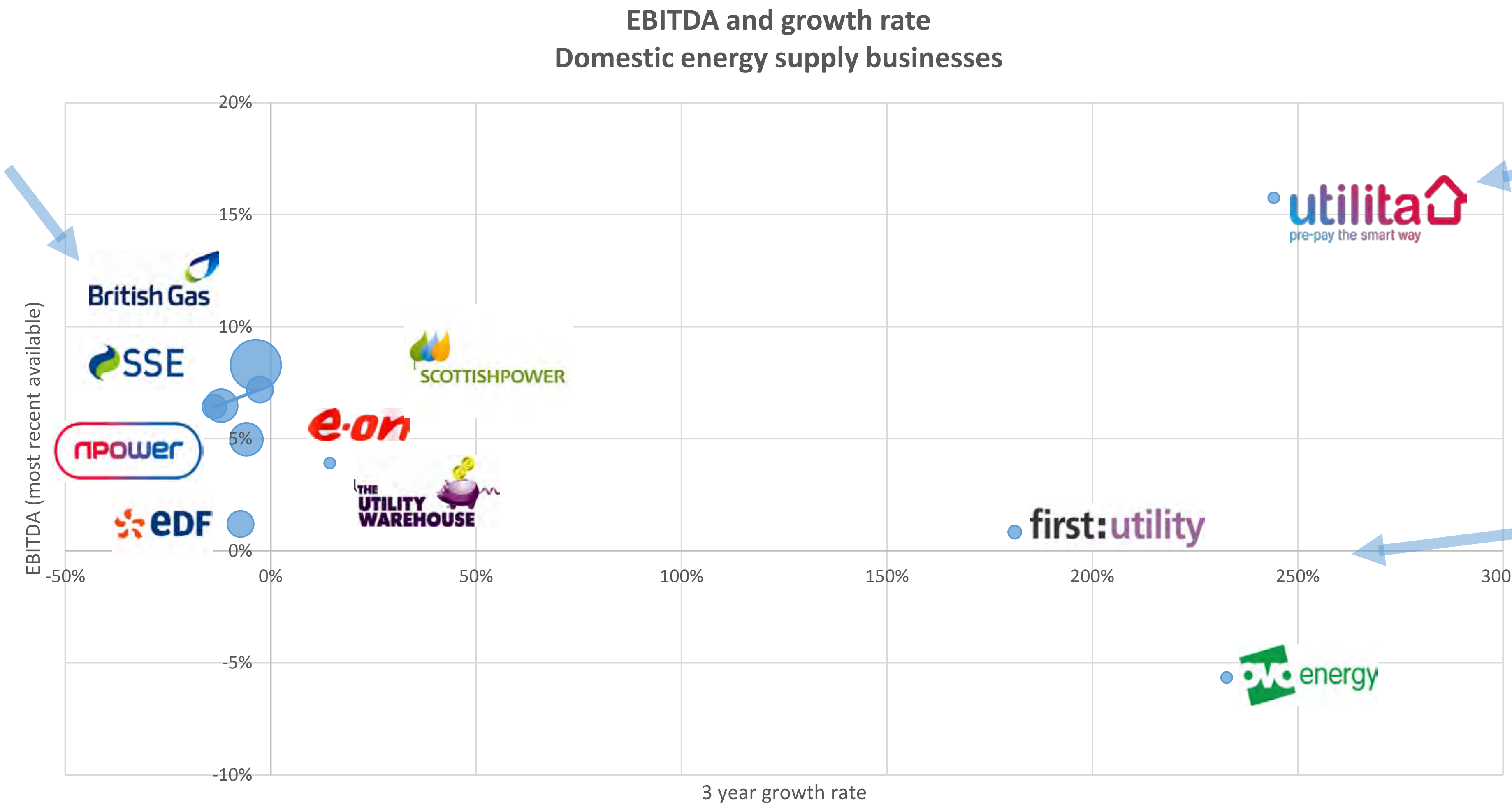
Bill Bullen, CEO Utilita

Status of Energy Supply Market

15% PPM

100% PPM

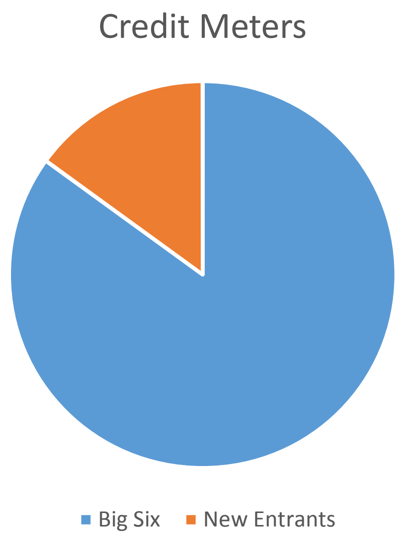
<5% PPM

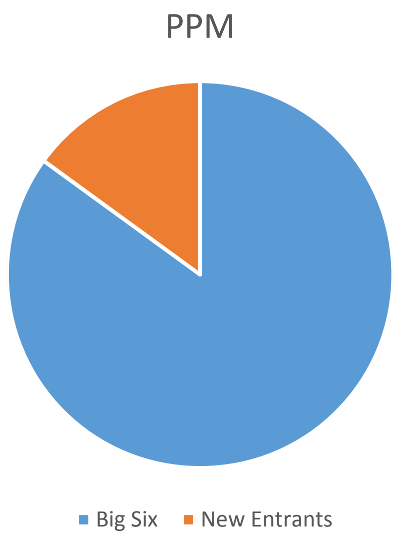


NB The CMA concluded that PPM had higher cost of acquisition and lower engagement

Penetration in Credit vs Pre-pay Meters

Share of credit market supplied by New Entrants is 15%

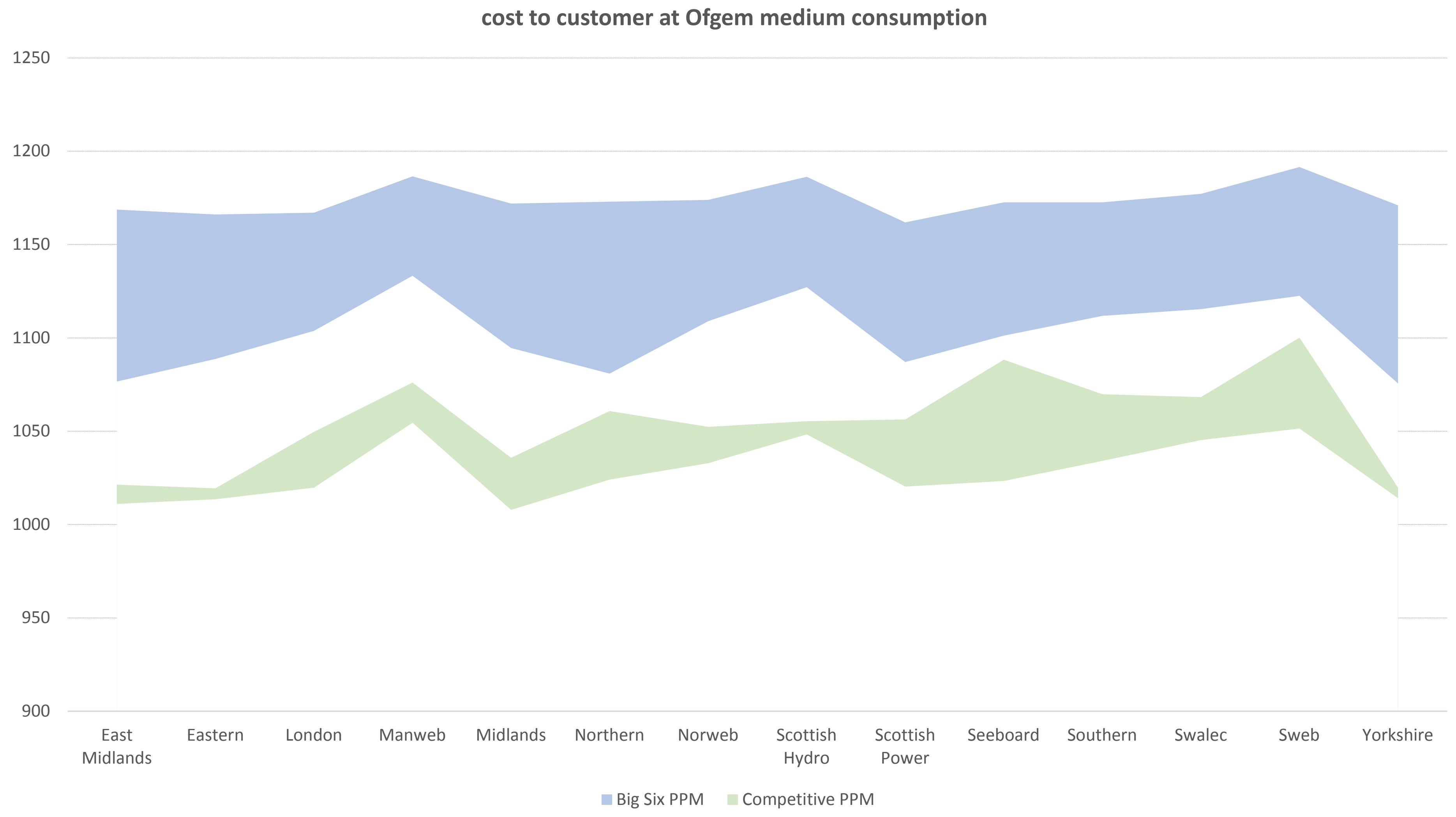




Share of ppm market supplied by New Entrants is also 15%

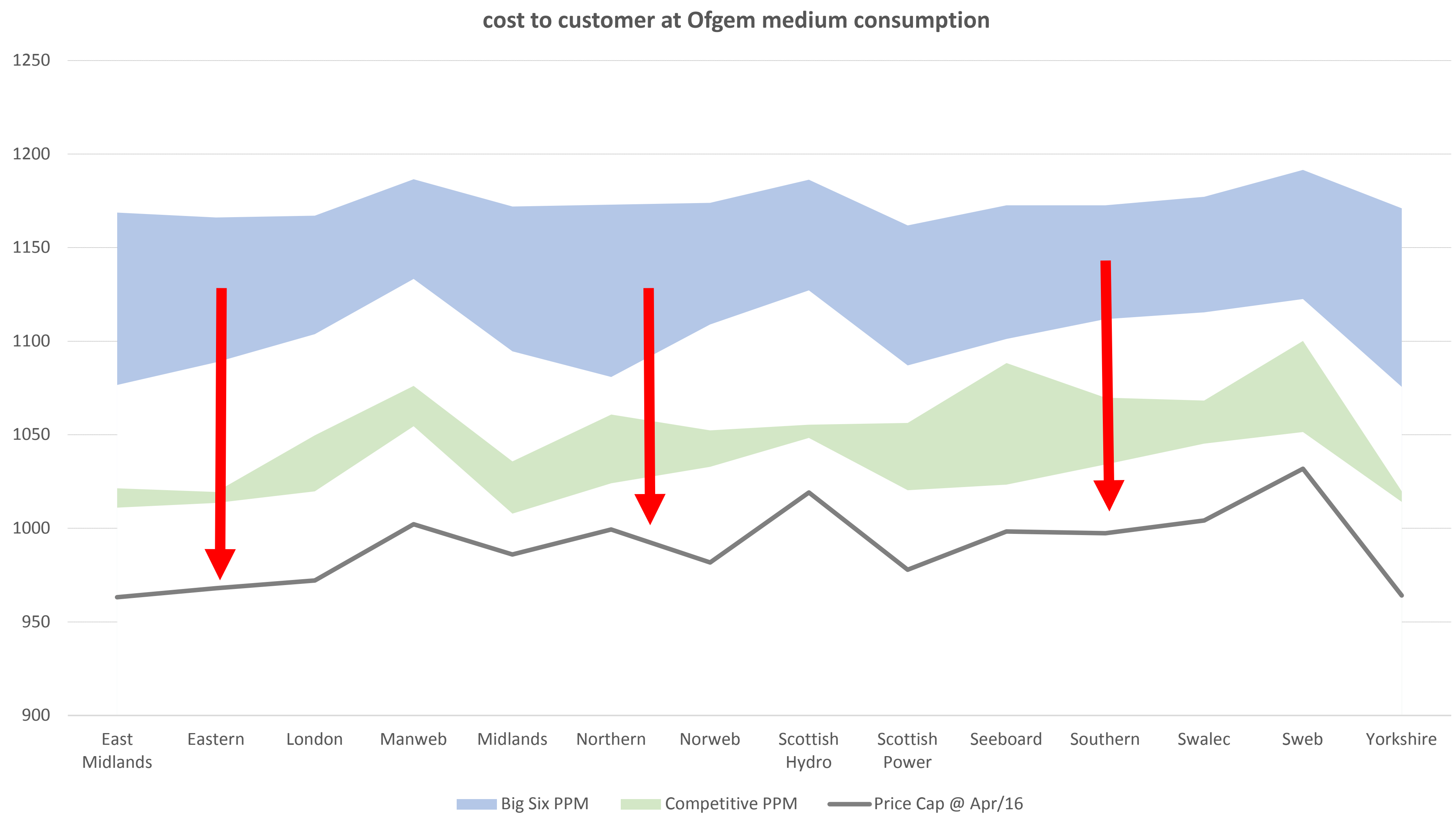
Data as at 31st July 2016

Big Six vs New Entrant PPM Prices



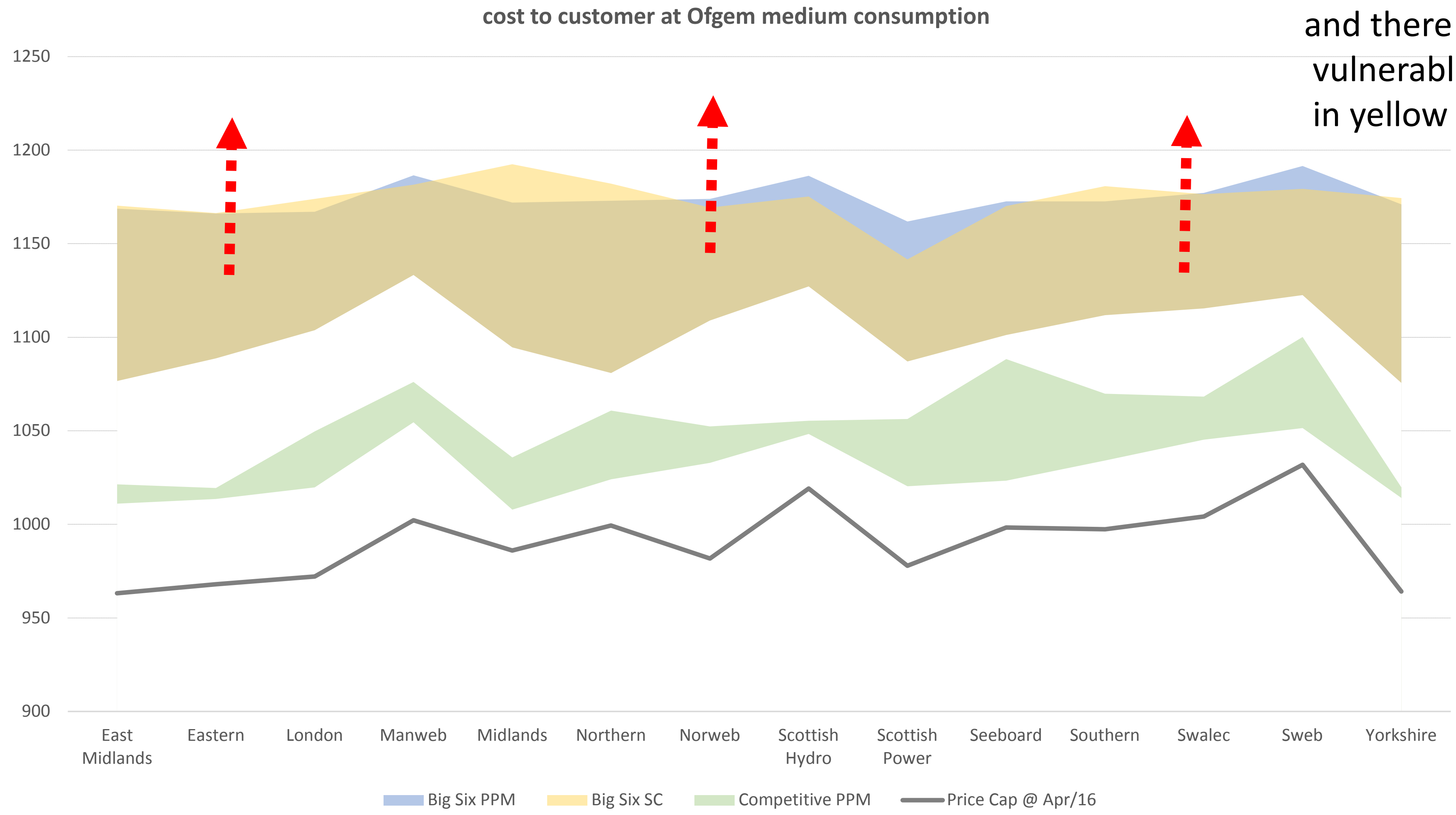
Pre-pay market is around 3.8 million Big Six (Blue) and 0.7 million New Entrants (Green)

Price Cap is Significantly BELOW the New Entrants



Price Cap will cost the Big Six around £650m

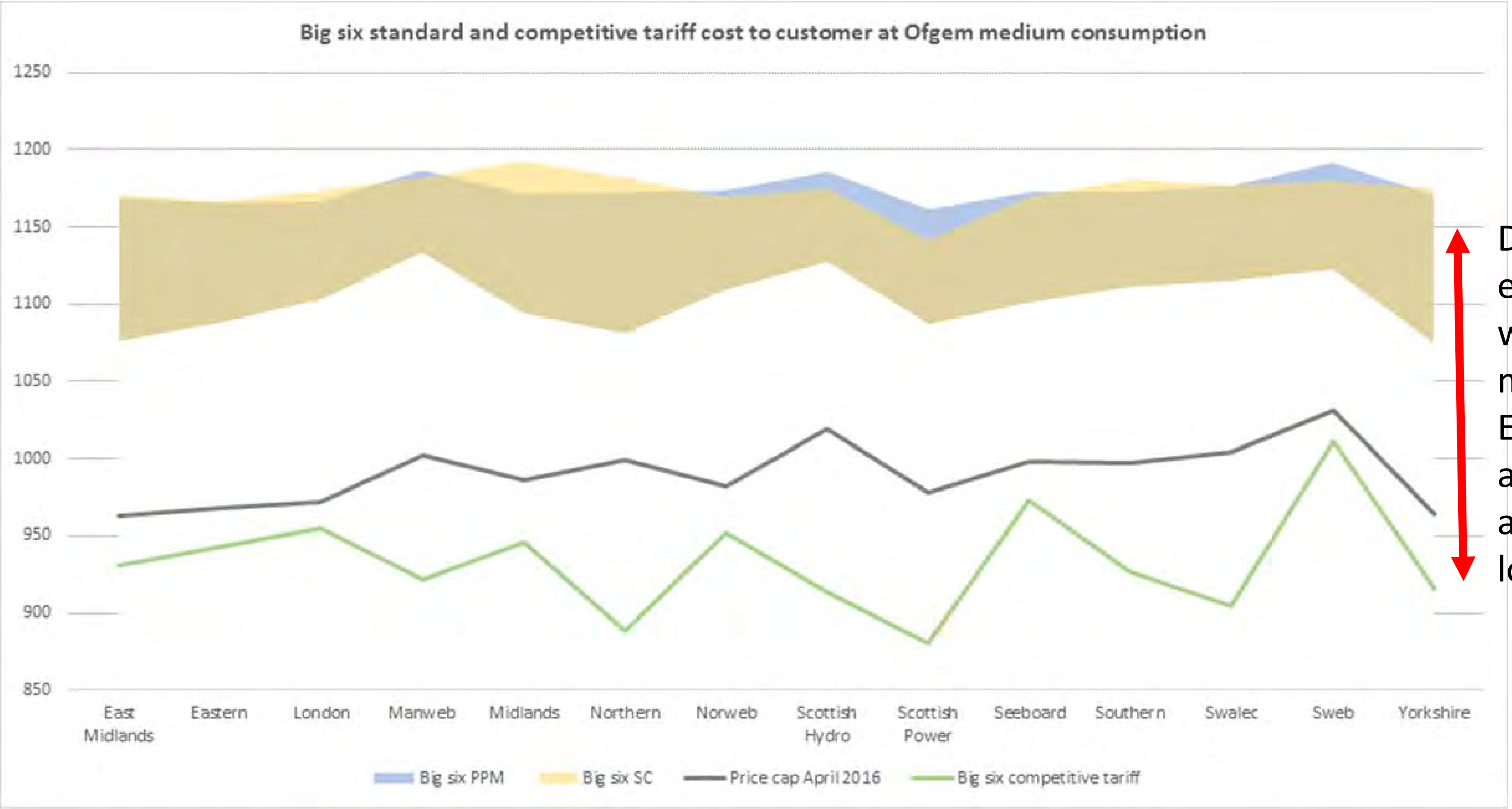
Big Six C/C Prices Virtually Same as PPM



and there are more vulnerable customers in yellow than blue!

Benefit to 7.5 million C/C customers would have been around £1,200m, instead it may cost them

Differential Pricing by Big Six



Differential NOT explained by wholesale price movements Especially after allowing for acquisition and loss costs

This evidence would suggest that there is a case to be answered regarding dominant players exploiting their position

No Rationale to Differentiate the PPM Market

- The issue is the ability to sign a DD mandate NOT the metering
- Just as much competition in PPM market
  - Proportionally more smart meters in pre-pay households
- More customers on low incomes in C/C (should all vulnerable customers should get protection
- Differential pricing by the Big Six is higher for credit meters than PPMs
- More potential for unintended consequences unless cap applies to entire market (prices for C/C customers could go higher)
- SMETS 2 exclusion – what is that all about?
- There will be no end to the price cap…..