

**A summary of Consumer Scotland’s Consumer Principles in the context of the future retail market in response to Ofgem’s discussion paper on the future of domestic price protection**

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Price protection

Since its introduction in 2019, the energy price cap has played an important role in protecting consumers. Initially designed as a safeguard against the loyalty penalty, it later acted as a vital price protection mechanism during the period of unprecedented price rises in the wholesale market. However, energy markets are changing, and these changes will result in new and different ways for households to use and pay for energy. In its discussion paper<sup>1</sup>, Ofgem recognises that the future of pricing needs to be looked at in the round – including the structure of billing, making standard default tariffs more flexible, understanding the needs of those who are struggling or vulnerable, and protecting those who are not actively engaged in the market.

Consumer Principles in the future retail market context

The Consumer Principles are based on frameworks that have been developed over time by both UK and international consumer organisations. Reviewing policy options against these principles enables the development of more consumer-focussed policy and practice, and ultimately the delivery of better consumer outcomes. The retail market is the main interface between consumers and the energy system.<sup>2</sup> It is therefore a critical enabler of consumer choice and participation as the energy system decarbonises. For this response, have used the Consumer Principles as a lens through which to review the changes required in the future retail market, of which the future of price protection is a part:

<b>Consumer Principle</b>	<b>Future retail market context</b>
Access	Consumers feel enabled to access the benefits of future retail market offerings, and are protected where they cannot or choose not to
Choice	Consumers have sufficient choice (e.g. when choosing tariffs, technology, etc.) that works for them and their circumstances
Safety	Consumer protections that keep pace with market developments and maintain essential safeguards
Information	Consumers are empowered to make informed decisions related to new market arrangements
Fairness	Consumers are part of an inclusive energy market designed to meet the varying needs of consumers, including sufficient price protection
Representation	Consumers can be active participants in how goods and services are designed and delivered, including through advocacy and advice
Redress	Consumers have routes to redress in the future market when things go wrong, underpinned by reformed standards of practice

In a market as fundamental to the success of the economy and the wellbeing of citizens as the retail energy market in Great Britain, the importance of safeguards to maximise benefits and mitigate risks for consumer interests must be integral to any reforms, including in the design of future price protection. As such, we consider that Ofgem should place consumers at the centre of this process, and suggest this is achieved by:

- Reviewing policy options against the Consumer Principles, to provide a framework to enable the development of more consumer-focused policy and practice, and ultimately the delivery of better consumer outcomes
- Setting out a clear articulation of intended consumer outcomes, including a distributional analysis of the socio-economic impact of any reforms which are then tested against a range of different consumer archetypes

#### Future price protection proposals

Ofgem describes its existing price protection arrangements as having three key parameters – **flat, universal and stringent**. Attempting to deliver all three key parameters is likely to be increasingly challenging in a retail market with increasing customer diversity and the need for trade-offs. As such, the regulator proposes relaxing any one of the three parameters in the design of future price protection. Consumer Scotland welcomes this discussion and we recommend that any analysis of policy options gives a central focus to positive consumer outcomes, and has the utilisation of the Consumer Principles as part of its policy development process.

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<sup>1</sup> [Future Price Protection Discussion Paper | Ofgem](#)

<sup>2</sup> [Delivering a better energy retail market: a vision for the future and package of targeted reforms \(HTML\) - GOV.UK \(www.gov.uk\)](#)