

**Q1** Do you consider that future price protections in the REC should be aligned with PR19?

If so, how do you consider this would be best achieved in the context of the options for future protections in the REC (see section 3.4)?

Please explain your view.

Yes we believe they should be aligned with PR19.

On balance we believe that a PR16-based option is the best option. Whilst we would welcome a new bottom-up cost model to provide more accurate cost apportionments, this would be time consuming and onerous to little benefit. We believe that ultimately all this would show is that the cost-base used in PR16 was under-estimated due to factors already identified such as customer acquisition costs and MOSL costs.

On the other hand if we had a PR16-based option that allowed for considerations such as MOSL costs then we could create an economically fair and appropriate control to protect customers under the REC beyond 2020.

**Q2** What is your view on our proposed assessment framework?

Please explain why you take this view.

We agree with the proposed assessment framework. It covers the key points of the REC.

**Q3** Do you agree that we should adopt a **PR16-based control** for **SMEs** who are **transferred customers**, that is, using the existing price levels as the starting point for the level of price protection, with any necessary adjustments?

Please explain your view and provide supporting evidence.

Yes. As detailed in Q1 we believe this would be the most efficient and appropriate method to adopt.

**Q4** Do you agree that we should adopt a **PR16-based control** for non-transferred **SMEs** who are **otherwise eligible exit area customers**, that is, using the existing price levels as the starting point for the level of price protection, with any necessary adjustments?

Please explain your view and provide supporting evidence.

Yes. As detailed in Q1 we believe this would be the most efficient and appropriate method to adopt.

**Q5** How do you suggest we should roll forward the PR16 controls for SMEs?

Please explain your view and provide supporting evidence.

We feel that the proposal under 3.4.3.1 is reasonable. We believe the market could achieve a positive outcome for the market by keeping average bills in line with inflation but increasing retail margins. This could be achieved by including the MOSL costs as an additional cost category, but this being offset by efficiencies delivered in the wholesale PR19 controls and any retail efficiencies. This would increase the opportunity for competition in the market.

**Q6** Do you believe that we should make different adjustments for different usage bands?

Please explain your view and provide supporting evidence.

Yes we believe there should be different adjustments for different bands. Whilst this is potentially more complex it will increase cost reflectivity and open competition. It is evident from the current switching stats that it is skewed to the major users and making adjustments for different bands may improve this.

**Q7** If currently non-exited companies exit the retail market after March 2020, what form of control should apply to their transferred customers?

Please explain your view.

We believe that PR19 should continue to apply.

**Q8** What approach to price protection do you suggest we adopt for **transferred customers** who are **not SMEs**?

Please explain your view and provide supporting evidence.

We believe that the gross margin caps should continue to apply. It is evident that these controls have provided a basis for switching in the market.

**Q9** What approach to price protection do you suggest we adopt for **eligible exit area customers** who are **not SMEs**?

Please explain your view and provide supporting evidence.

We believe PR19 should apply on the premise that the controls are set at gross margin caps (per Q8/9).