

17 February 2022

Darren Jones MP
Chair, Business Energy and Industrial Strategy Committee
House of Commons
London, SW1A 0AA

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Following your Committee's evidence session last week, I wanted to drop you a short note to let you know that Centrica has announced today that it has taken immediate steps to protect credit balances, so British Gas customers can always have comfort that the money they pay up front for their energy is properly protected and it is not being used to fund day to day business activities. As a responsible, sustainable supplier, we identify customer deposits and currently hold £294m in a separate bank account - I want our customers to know we have robust measures in place and be confident that their money is safe with us.

The current UK energy market crisis has seen a large number of suppliers use customers' credit to fund unsustainable commercial models and subsequently collapse, resulting in the disappearance of more than £500 million of UK consumers money (including the Bulb Special Administration). As we have outlined in our written evidence to your Committee, Centrica are of the firm view that had a robust framework for financial resilience been in place for energy suppliers ahead of the increase in commodity prices seen in the second half of 2021, many of the supplier failures seen in recent months could have been avoided.

We were pleased to see Ofgem acknowledge in front of your Committee that it is of vital importance that the regulatory framework ensures suppliers have resilient business models to manage financial risk, so that the risk of supplier failure is not unduly borne by consumers. However, we believe this sentiment must now be followed with swift and decisive action in the adoption of the necessary legal and regulatory framework.

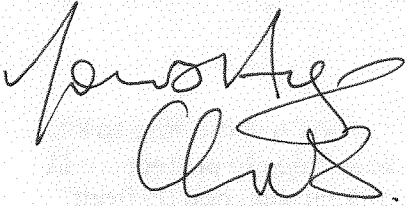
A key element of this framework should be the introduction of clear and enforceable obligations that will protect customers' credit balances and we hope that on the back of our announcement Ofgem will introduce a legal requirement for all energy suppliers to do the same. Specifically, Ofgem should ensure that:

- energy suppliers cannot use their customers' credit to subsidise unsustainable commercial models; and
- there are robust sanctions for those suppliers who fail to ensure that customer credit balances are properly protected, ranging from an immediate prohibition on active and passive sales to ultimate licence revocation if measures are not adopted within a reasonable timeframe

Such action is particularly urgent as, with the increase in the price cap from 1 April, the direct debits of energy customers will also increase. As a consequence, the level of customer deposits at the end of this summer will be materially higher than last year.

The cost of energy company failures, including the lost consumer money, is added to the energy bills of every UK consumer and was responsible for 10% of Ofgem's recent price increase, so we can't afford to miss another opportunity to implement a regulatory regime that provides meaningful protection for the finances of energy consumers. As you know, consumer trust in energy companies has been damaged by the recent crisis and reform is urgently needed to rebuild confidence in the sector.

I hope this update is useful and if you would like to discuss this or any other issue please do let me know and I would be happy to arrange a meeting.

A handwritten signature in black ink, appearing to read 'Chris O'Shea', written in a cursive style.

Chris O'Shea
Group Chief Executive