

Will Fletcher
Energy Market Investigation Project Manager
Competition and Markets Authority
Victoria House
Southampton Row
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15 April 2016

Dear Mr Fletcher

**Co-operative Energy response to the CMA Energy Markets Investigation -
Provisional Decision on Remedies**

We welcome the opportunity to respond to your Energy Market Investigation – Provisional decision on remedies report, dated 17 March 2016

We commend the CMA's findings that the actions of the large energy companies have had an adverse effect on competition (AEC) that has been detrimental for customers. We also broadly welcome the provisional remedial actions, and believe that the CMA should be bolder in focusing actions at the large suppliers who benefitted through the AEC.

We have focused our detailed response on those elements of the remedies that may have a significant impact on customers, and the competitiveness of the market.

If you require any further information related to our response or any of the other measures please contact Richard.Masterton@cooperativeenergy.coop in the first instance.

Yours sincerely,

Ramsay Dunning
Group General Manager



Cooperative Energy response to the Provisional decision on remedies report

Removal of the simpler element of Retail Market Reform.

Customers may be presented with a confusing array of complex tariffs.

We partially agree with the CMA that the RMR requirements have on balance stifled some innovation. We agree that the measures to remove restrictions on discounts and bundled products could remedy this. We do not agree that removing all tariff restrictions is in the interests of customers. The tariff restrictions were implemented by Ofgem to address market complexity. It was not simple for consumers to assess their options when choosing a tariff.

In our previous responses we highlighted the risk of a return to a profusion of multiple tariffs and the consequential customer confusion this may lead to. We think it sensible and proportionate to limit suppliers to no more than six tariffs. This would enable increased innovation and still limit potentially confusing tariff offerings.

It is our view that changes to the “simpler” tariffs element of RMR will necessitate speedier changes to other aspects of RMR than envisaged in the provisional decision. We encourage the CMA to expedite the transformation of the overly prescriptive information requirements for customer bills and annual statements.

Ofgem Programme to promote customer engagement

Changes to customers bills and statements should be implemented swiftly.

As we have previously argued the complex, confusing and lengthy nature of energy bills is a barrier to consumer engagement. Prior to the RMR requirements coming into force our bills won awards and recognition from the consumer organization ‘Which?’ for their clarity and easy to understand format whereas we now have substantially reduced flexibility to implement our desired customer-friendly text or format.

We believe that the significant length of the bill document at present results in consumer disinterest. The provision of more concise and relevant information could reduce the bill length substantially. Complying with prescriptive billing and communication requirements came at a substantial cost for us as a smaller supplier in terms of system changes and the associated financial spend.

We accept that there may be some limited prompts that regulators will want to prescribe. We welcome the Ofgem led programme to review these de-minimis requirements, but share industry concerns that this could delay innovation and improvements to customer communications. This concern arises from the asymmetry and uneven timescales between the removal of the simpler elements

of RMR and the pace at which the Ofgem led programme of research will progress.

We are concerned that change through the Ofgem programme will not progress with sufficient pace to make a difference to customer engagement. As an alternative way forward we propose that Ofgem fast track the definition of the elements of the existing bill that they feel should be kept. All other prescriptive elements could then be removed along with restrictions on formatting. The establishment of the Ofgem led programme could then clearly focus on improving customer engagement, and the areas of potential change highlighted by the CMA.

Ofgem Customer Database

Concerned that customers will be frustrated by unsolicited calls.

We have concerns that the Ofgem customer database is, firstly not appropriately targeted, secondly will frustrate consumers through unsolicited contacts, and finally will increase costs disproportionately on smaller suppliers.

Our first concern is one of equitability and proportionality of the measure. We agree that such a measure may be appropriate for customers of the larger energy suppliers. The CMA clearly identifies that these suppliers benefitted from the adverse effect on competition. As a smaller supplier we have had to gain each of our customers since entering the energy market. Our customer base has demonstrated it is actively engaged in the market, and continues to exercise that active choice to remain with us. The remedy makes no such distinction and does not appropriately target the underlying market imbalance that led to the adverse effect on competition.

We agree with industry and press concerns that unless there are appropriate controls put on the database customers could be overwhelmed by unwanted contacts. It is not currently clear how the data of the individual customer will be protected from a Data Protection Act perspective. The accepted best practice is that customers generally “opt in” to receive prompts and additional information. The approach taken by the remedy is the opposite of this: customers will have to make a decision to “opt out”. We are also extremely concerned that potentially vulnerable customers will also be included on the database.

Finally the cost of contacting customers, by post, to opt out of the database scheme will be borne by suppliers. This will disproportionately affect smaller suppliers that do not have the same economies of scale as the large energy suppliers. This will increase the costs to serve customers and potentially impact on the competitiveness of tariffs offered by smaller suppliers. We suggest the CMA revisit this requirement and enable customers to opt out via email or other electronic means.

PPM Transitional regulated tariff

Welcome the priority given to Prepayment Customers.

Cooperative energy support the findings of the CMA that households using traditional prepayment meters tend to be less active in the market and are potentially more vulnerable. We agree that a transitional regulated tariff for traditional PPM will benefit this customer group that finds it harder to access the market. A concern we have over the medium term is that this measure may discourage customers from readily adopting Smart meters. It is foreseeable that traditional PPM meter customers will perceive the regulated tariff as a “protection” that accompanies the meter type. In such circumstances the customer may be very reluctant to accept changing to a smart meter. This would defeat the objective of the remedy, and undermine public perception of the smart meter roll out programme.

We are also mindful that there are often difficulties in accessing the homes of customers, particularly those who are vulnerable and/or in debt, as is the case with many PPM customers. We therefore feel that any obligation upon suppliers should require them to ‘take reasonable steps’ to apply the principle to roll out smart meters to PPM.

Measures to encourage Price Comparison Websites

We agree with the CMA that Price Comparison Websites (PCW) have a facilitating role to play in providing a marketing channel through which customers can compare offerings across the energy supply market. It is therefore regrettable that some of the CMA’s proposals remove transparency and consumer protection measures of the Confidence Code that were introduced to build consumer trust.

Removing Confidence Code Obligations for Price Comparison Websites

Measure will decrease transparency for customers

We disagree with the CMA’s remedy to remove the obligation on Price Comparison Websites to display whole market tariffs. Removal of the Confidence Code requirement to cover the whole of the market will reduce transparency for consumers. We have long highlighted the unfair practices and opacity present when only partial market comparisons are provided to consumers. These practices often hide the best deals available in the market. Indeed we feel that accession to the Confidence Code should be mandatory for all energy PCW’s.

Since it has already been introduced, we do not believe the whole of the market obligation has been impractical for PCW’s to comply with. It is also clear that this would not impinge on PCW’s ability to innovate in the market, or negotiate bespoke tariff offerings and incentives with different suppliers. To remove the whole market obligation is a retrograde step that is not in the interest of customers.

Enabling switching through Price Comparison Websites

Measure may improve switching and requires additional data protection safeguards to ensure customer privacy is respected.

Enabling PCW's to facilitate switches could benefit consumers in that switching may be initiated more efficiently. Where switches have been initiated with incorrect information (erroneous transfers) the responsibility for managing the resolution process would need to lie with PCW's.

We do have general concerns around PCW's having access to industry data and the potential for abuse of this through inappropriate marketing to domestic consumers in future. We believe clear additional data protection measures need to be introduced, for example the caveat that PCW's destroy specific customer data once the switch has been finalised. There is also merit that regulation through a principal based approach should apply to PCW's to appropriately protect consumers. We feel this could be achieved by making adoption of the Confidence Code mandatory for PCW's that market energy products.