



Project Manager  
Competition and Markets Authority  
Victoria House  
Southampton Row  
London  
WC1B 4AD

7 April 2016

By email

Dear Sir

**Energy Market Investigation – Provisional decision on remedies**

Flow Energy is pleased to respond to the CMA's provisional decision on remedies to its energy market investigation.

Flow is a small independent supplier which entered the domestic energy market in 2013, since when we have been building our customer base. Broadly Flow welcomes and supports the CMA's provisional decisions, further detail is attached.

If you wish to discuss any of the points raised please contact me.

Yours faithfully

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Managing Director

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## General Comments

Flow Energy does not consider that there are any fundamental flaws in the GB retail energy market but that more could be done to improve levels of customer engagement. This, we believe, can be best achieved by suppliers, the regulator and bodies such as Citizens Advice working together to bring to customers' attention the benefits of switching.

## Domestic Remedies

### Withdrawal of simpler choices component of RMR

Flow supports the removal of the simpler choices component of RMR as we believe that this will allow us to innovate in our tariff offers.

### Reform of Settlements in gas and electricity

Flow supports the introduction of half-hourly settlements in electricity. This will allow customers with innovative home and heating products to be rewarded by the appropriate cost signals for shifting or reducing power loads at appropriate times. Hybrid heating and microCHP boilers, such as the one Flow has introduced to the market, allow self-generation and dynamic load reduction to take advantage of cost signals at times of system peak loads. With regards to Suppliers' access to half-hourly data, we note that the Smart Energy Code is aligned with the energy supply Standard Licence Conditions (SLC47) and with the EU General Data Protection Regulation due to come into effect in 2018.

Flow also supports the implementation of Project Nexus in October 2016 and is actively taking part in market testing to ensure our systems will be ready.

### Principles-based regulation

Flow supports the concept of principle based regulation as we consider that this will allow suppliers to be increasingly flexible and innovative in the range of products that can be made available to customers; however, we would wish to better understand how the 'value for money' aspect of tariff comparison would work.

### Customers on restricted hours (electricity) tariffs

Typically, restricted hours (electricity) tariffs are used to support electrical space and water heating. Customers have two meters, one for heating and one for general domestic use. As a small supplier it is difficult to establish what the operating hours of the heating load are and consequently we are not in a position to offer these customers a competitive price.

Whilst it would be possible to supply both meters on a standard, single-rate tariff, it is not clear that this would be to the customer's benefit in all cases as they might end up paying a higher rate for their heating load.

### Ofgem controlled database of 'disengaged customers'

We have some concerns with this proposal. Flow places great importance on the security of customer data and that it is only used for the purposes for which it was provided to us. In particular we would not wish to see marketing material sent to customers that had expressly directed that they did not want to receive such information.

We also have concerns about the use of such data and the requirements of the Data Protection Act and the forthcoming EU General Data Protection Regulation.

We also consider that if suppliers were actively marketing to these disengaged customers it could lead to an excess of communications that could lead to further disengagement.

Flow would however support, with appropriate controls, marketing by either Ofgem; government (central or local) or Citizens Advice to these customers. This will be of particular value now that Citizens Advice has launched a commission free comparison website and Flow would wish to see this being actively marketed to disengaged customers. We would see value in Citizens Advice being marketed as a more generic trusted information service rather than a destination only used at time of problem resolution.

### Prepayment Customers

Although Flow does not currently supply customers through prepayment meters, we are putting in place the capability to do so using Smart Meters. We do not consider that a transitional price cap is the best means of providing protection for these customers who are likely to consider that the safeguard tariff offers them protection and means that there is no point in engaging in the market. A more appropriate move may be to cap those customers on long term legacy pre-payment infrastructure.

### Price Comparison Websites (PCWs)

Since suppliers stopped direct sales, PCWs have become the most effective means of acquiring customers. However, these are not without cost to customers due to the high level of commissions leading to the introduction of exit fees.

There are few regulatory restrictions on PCWs, the key one being that they are capable of assessing all tariffs from all suppliers. Flow considers that this is a key criteria for these sites as is the requirement for the sites to show whole of market results; without these, public trust in the results will be undermined.

If PCWs are able to negotiate exclusive deals with suppliers, it would reinforce the need for the Citizens Advice comparison service to be capable of providing a whole of market analysis; of both suppliers' tariffs and PCW offers.

Flow is concerned that customer information provided to suppliers by PCWs is often of poor quality and for this reason we would support PCWs having access to SCOGES and ECOES. However, we note that access to gas meter point information is a User Pays service under the Uniform Network Code to which PCWs are not a party. Similarly, ECOES is governed and funded through the Master Registration Agreement to which PCWs are not parties. There should in parallel be some regulatory pressure on PCWs to validate sales in a similar way suppliers are expected to do during face to face selling.