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Sent via email to energymarket@cma.gsi.gov.uk

Dear Will,

Energy Market Investigation – Provisional Decision on Remedies.

I am writing in response to the above document to set out Haven Power Limited's (Haven's) views on the CMA's provisional decision on remedies following the Energy Market Investigation.

Haven Power is a Drax Group company and is a non-domestic electricity supplier that has been supplying Small Medium Enterprises (SME), since 2007. In 2009, we entered the Industrial & Commercial (I&C) sector and have been steadily growing our customer base in both areas and currently supply ~25,000 and ~9,600 MPANS in the SME and I&C sectors respectively. We have grown our business to this size over a number of years by using a variety of sales channels including telesales, face to face, third party intermediaries (TPIs) and by developing direct relationships with consumers [REDACTED]. This variety provides us with a broad spectrum of views of the microbusiness related issues that you have been investigating and the provisional remedies set out in your document.

Broadly speaking, Haven Power is supportive of the CMA proposals. We believe that restricting the temporary safeguard tariff to domestic consumers with prepayment meters is a sensible approach. We do however suggest that the restriction should only apply to existing arrangements and be tightly drafted in order that innovation in this area is not stifled. We see significant potential for the development of new products based on Smart Meters and it is important that these are not hampered by the temporary safeguard tariff.

We are pleased to see proposals around clarifying Ofgem's statutory objectives and duties. Ensuring a consistent approach to policy and regulation is critical to both effective competition and restoring investor confidence.

Following feedback provided on mandatory half-hourly settlement for domestic and smaller non-domestic customers, it is encouraging to note that Ofgem is being asked to conduct a full cost benefit analysis of the proposals, including the assessment of the distributional implications for customers to ensure decisions are made on an informed basis. We support a move to HH settlement (HHS) but are concerned about the costs and the impact on vulnerable customers many of whom we expect are significant users at times of peak prices. We are also pleased to see a more evidence based approach to interventions such as RMR would be employed in future, with Ofgem establishing an ongoing programme of identifying, testing and implementing measures to promote engagement. This should help to avoid a repeat of some of the ill-judged decisions that are now being overturned. The CMA should however be mindful of the burden and opportunity cost to suppliers in implementing significant interventions such as HHS.

We are disappointed that the proposal for rules governing the information TPIs are required to give to customers is not being taken forward, particularly in light of slow progress made to date with Ofgem's code of conduct for TPIs. [REDACTED]

There are clear benefits to customers in being able to see the costs TPIs are charging for their services and as customers begin to shop around to seek better value from TPIs this will promote greater competition in the TPI market.

The proposal for the introduction of locational transmission loss factors is in our view a mistake. Transmission losses make up a very small amount of customers' overall electricity costs; this change will introduce further costs on suppliers (for example for pricing system changes and quotation production costs) which are disproportionate to any benefit for customers.

Views on proposed remedies and associated questions

We would like to take this opportunity to set out our views on individual remedies together with the associated questions. We would also like to draw your attention to the timeframes proposed for some of the remedies. There are a large number of changes already underway within the industry and further extensive change already committed. Suppliers are devoting significant time and resource to these, often at the expense of consumer-benefitting innovation. System changes often take months to design, build and test properly, especially when suppliers are reliant on third party service providers. Rushing out new systems and processes can rely on manual workarounds with the inevitable higher costs and scope for errors and result in poor customer experience, which will inevitably lead to complaints and further damage to the industry's reputation.

Price transparency remedy

We are disappointed to see that the proposal to publish microbusiness tariffs is being taken forward. We are not convinced that the requirement to publish acquisition and retention tariffs will provide greater transparency to microbusiness customers. Haven's business is built on establishing relationships with customers and offering bespoke products to suit their individual needs. This model does not lend itself to on-line price quotation. A "price cap" could arise as an indirect result of this remedy because we would expect published prices to be less competitive than a microbusiness could achieve by negotiating directly with a supplier or via a third party. We assume you are neither seeking to ban negotiation nor to limit contract prices to those that have been published – it would be very helpful if this was made clear. It should also be noted that published prices may not be available to all business customers. Non-domestic suppliers may choose not to contract with certain types of business, for example high risk business types or customers based at home. It would make for a disappointing consumer experience if a microbusiness customer found an appealing tariff, only to be told it wasn't available to them.

Although the proposed segment of customers is easier to define than Ofgem's microbusiness definition, it may not be obvious to a customer whether they fit the criteria for an on-line quote. If, as the CMA report suggests, customers are not credit checked in advance of obtaining a quote, there is further opportunity for poor consumer experience when the customer finds they are not eligible for the tariff quoted or they are expected to pay a security deposit in advance.

We note that there is potential for suppliers to negotiate and offer discounts on quoted tariffs, but would welcome more clarity on how that would work in practice.

Providing third parties with access to ECOES

We acknowledge that allowing PCWs access to the electricity central online enquiry service (ECOES) database will allow them to facilitate switching for customers and hopefully reduce the number of erroneous transfers. In our view, the access should be with explicit authorisation from the customer with controls on ECOES that are rigorously monitored to prevent abuse. ECOES usage must be monitored to ensure that the data is not being used without customer permission.

The database remedy

We welcome the idea of a database for the purpose of sharing the details of customers on default tariffs and would urge an early introduction of this. We see real potential to reach out to disengaged customers using this resource. Disengaged customers are the biggest AEC, and this proposal could result in the biggest prize. It should create momentum and we are excited by the idea of engaging with prospective new customers and introducing them to the products that Haven has to offer.

It is important to remember however that, by the nature of the customers in question, the details suppliers hold for some of them may be vague. We can only supply the information we hold for the database, and there is a chance it may not be accurate if for example there has been a change of tenancy. Respect for customer data is paramount in ensuring trust and building relationships, so we are pleased to see that customers are being given the opportunity to opt out of marketing. Postal communication seems a sensible approach, as the risk of abuse is greater with telephone marketing. As with ECOES, access to this database requires strict controls. A project of this nature has the potential to backfire. It would be hugely damaging for the industry if customers were bombarded with nuisance calls and other unpopular marketing tactics leading to this project becoming “the new PPI experience”.

The anticipated timescale of 2018 is disappointing, especially as the database is proposed as a temporary measure. This is one area where earlier implementation could see consumers benefiting quickly.

We note from the CMA report that Ofgem’s 2013 figures indicated 45% of electricity microbusinesses were on default contracts. Though this figure may have decreased following the introduction of RMR and ending of fixed term rollovers by the big 6 suppliers, we would be interested to learn whether the CMA has a view on the number of microbusinesses who have been on these contracts for more than 3 years so that we can plan our approach accordingly.

Auto-rollover remedy

We are pleased to see that you do not intend to ban automatic rollovers, as we firmly believe abolishing them would lead to an increase in customers being charged out of contract rates. Rollovers are a valuable choice for microbusinesses provided the supplier is clear about the terms at point of sale. We see this proposal as an opportunity for Haven to engage with microbusinesses on rollover contracts with other suppliers. The removal of no-exit clauses may however backfire and result in lower customer engagement at the point of renewal since the imperative for action is reduced. In addition, the new rules around rollover contracts (specifically the lack of any lock in and the longer time window over which prices have to be held open) will change suppliers’ approach to hedging, resulting in a general increase in the prices that these consumers pay.

We would welcome clarification on the prohibiting of termination fees on rollover contracts. This rule should only apply if the customer chooses to leave their contract. In our view, if the supplier has to terminate the contract (for example, because of non-payment) they should be allowed to charge the relevant termination fee. It is also unclear whether suppliers would be permitted to object to customer transfer during the rollover period if the customer had submitted a 30 day termination notice but transfer had been requested before the 30 days expired. In our view this is an important safeguard and such objection should be allowed.

Our main concern around the auto-rollover remedy is the proposed timescale. The CMA report states that, as regards future auto-rollover contracts, the proposed order would take effect immediately upon publication of the CMA's order. As mentioned above, suppliers are already battling with an extensive programme of industry changes. The auto-rollover proposals would require changes to systems and processes that simply cannot be put in place in the short time available. We really require a minimum of six months to make and test these changes and to design and implement new hedging strategies and ideally a nine month period.

I hope our response is useful. Please contact me using the details below if there is any aspect you would like to discuss further.

Yours sincerely

June Mallett
Regulation Manager