

Project Manager
Competition and Markets Authority
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Southampton Row
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By Email

7TH April 2016

Dear Sirs,

Energy Market Investigation – Provisional Decision on Remedies

We welcome the remedies proposed by the CMA for the microbusiness energy sector. So long as these proposals, when implemented, do not restrict the microbusiness customer's ability to negotiate their energy rates, and create a workable quotation tool, we believe the proposed remedies will effectively promote and assist with microbusiness customer engagement. Our more detailed views are provided below.

Microbusiness - Price Transparency Remedy

We agree with the proposed definition of microbusiness to be used for this remedy. It will allow the remedy to function in an effective manner, and for the vast majority of small business customers. From our discussions with microbusiness consumer groups, we know that having ready access to suppliers' microbusiness tariffs would be helpful to them, particularly where they may not have the time or resource to carry out a full energy tender or hire the services of a consultant.

However, it is essential that those same customers are not prevented from being able to negotiate a bespoke price should they wish to. We believe it is not the CMA's intent to restrict microbusiness customers' ability to negotiate on their energy prices, but as it is not 100% clearly stated in the report, we feel this needs clarification. It is also essential to ensure the drafting of the remedy does not cause confusion or produce so many results in the online search for the consumer that it is unworkable. We have addressed these two points below.

1. Clarify to ensure there is no restriction on microbusiness' ability to compete with larger business

If a microbusiness customer is prevented from negotiating its energy price, its ability to compete with neighbouring businesses who are part of a larger group would be damaged. For example, at the moment, a sole trader café owner has the ability to negotiate an energy contract price in exactly the same way and to the same extent as the site belonging to an international coffee chain next door. If the ability of microbusiness customers to negotiate their energy price was removed, smaller retailers will be at a cost disadvantage on the high street compared to large international chains simply because they have been classed as a

microbusiness – even though they may have the same energy profile, meter type and consumption level. We do not think this is the CMA’s intent, but feel it would be worth the CMA making this clearer in the final report.

2. Clarify the meaning of ‘all available tariffs’ and accompany with an obligation to have at least one microbusiness ‘tariff’ available

We feel it would be helpful for the CMA to be more specific about the meaning of ‘all available tariffs’ so as to ensure there is no confusion and that microconsumers using the online quotation tool remedy are not overwhelmed with prices.

In the energy sector, particularly for customers that switch regularly, most contracts have a price that has been agreed between the supplier and the microbusiness on a bespoke basis. The remedy needs to be clear that these bespoke prices are not classed as ‘tariffs’, otherwise the remedy would become unworkable (since the supplier would need to publish 1000s of prices on the website), and the quoting tool would become unhelpful to the consumer (as they would be presented with 1,000s of prices to choose from when searching for a quote).

We would recommend that the remedy is worded such that there is a license obligation on suppliers to create, and have available at all times, one or more tariffs (‘Tariffs’) that can be made available to microbusiness customers (whether new customers or existing customers), and then to oblige suppliers to ensure that all of these Tariffs, (as are applicable to a particular customer by region, meter type etc) are made available to consumers in an online quotation tool.

We would also like to note a few technical points which will need to be taken into account for the drafting of the final remedy:

- Para 9.74a: The proposal that bespoke / telephone quotes can only be given as single price/standing charge is contradictory to the remedy proposed in Para 78 of the summary document (ie that moving to HH settlement will allow suppliers to offer innovative time-of-use prices that reduce their customer’s bills by shifting consumption to cheaper time period.)

Microbusiness customers who negotiate with their supplier are looking for ways to actively reduce the costs for their business. It is inappropriate to limit the ways that suppliers can develop products for them to help them to do so. Again, this would limit their ability to compete with larger chains of similar types of business outlet, and would make the investment in their smart meter rather pointless.

It is worth pointing out that STOD tariffs are nothing new. Ten years ago most people understood that an Economy 7 boiler and a tariff which allows them to shift consumption to the evening and night would help them save money. Unfortunately that understanding seems to have been lost. If we are to realise the benefits of the multimillion pound nationwide smart meter rollout program and the moving of these domestic and

microbusiness smart meters into half hourly settlement, it is essential that STOD tariffs are promoted in the future, not discouraged.

- Para 9.70: Suppliers cannot necessarily pin down the customer premises' via ECOES/SCOGES as the customer name is not shown on these databases. An exact address is needed. Otherwise there will be a rise in Erroneous Transfers (where a neighbouring property is registered by accident). These Erroneous Transfers already occur on a fairly regular basis across the industry, despite efforts to prevent them, and whilst they can be easily remedied supplier to supplier over the period of a few weeks, they cause a lot of dissatisfaction and distress to the customer who intended to switch but didn't and to the customer who switched out of the blue without their permission, in the meantime. A remedy should not be put in place which might increase the incidence of Erroneous Transfers - particularly with a move to shorted switching windows mooted in which there is no time to pick up these issues and correct mistakes prior to the switchover date – so care will be needed to prevent this.

Microbusiness - Auto-rollover Remedy

Over the last few years, following detailed discussion with several key microbusiness consumer groups, the majority of suppliers in the energy sector altered their product list to remove auto-rollover contracts. Whilst this method of working, through voluntary agreements, had a successful outcome, the disadvantage is that it leaves a confused patchwork of rules and product, and with consumers not necessarily knowing whether the supplier they are dealing with is covered by the voluntary agreement arranged by the consumer groups or not. Hence we feel it is appropriate that the voluntary agreements are replaced with clear legislation that captures all suppliers and protects all microbusiness consumers.

Microbusiness - Ofgem programme to promote microbusiness customers' engagement

We support this remedy, as we feel that the RMR work carried out by Ofgem in the microbusiness sector has been very successful, demonstrably raising an understanding amongst microbusiness customers of their contract terms and contract end date.

The Database Remedy

We support this remedy, but are uncertain how it will be viewed by consumers groups, so we will look to their responses to form our view.

If you would like to discuss any of our response in more detail please feel free to contact me.

Yours faithfully,

Gemma Newsham
Head of Regulations