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Mr Will Fletcher
Project Manager
Energy Market Investigation
Competition & Markets Authority
Victoria House
Southampton Row
London WC1B 4AD

Re: Energy Market Investigation – Provisional Decision on Remedies

7.4.16

Dear Mr Fletcher,

[Make It Cheaper](#) welcomes the opportunity to respond to the CMA's Provision Decision on Remedies. As an award-winning service provider and consumer champion representing energy customers across the UK - from the smallest household to commercial premises consuming up to a million pounds worth of gas and electricity a year – Make It Cheaper is in a unique position to consider the Remedies and their implications¹. Indeed, the Make It Cheaper Group includes an Ofgem Domestic PCW Confidence Code member (www.UKPower.co.uk) and the largest customer-base of micro and small businesses (SMEs) out of all the brokers / Third Party Introducers (TPIs) in the UK². As such, we are happy to continue to provide information and assistance to the CMA in its investigation. However, this response to the document published on 10th March 2016 is restricted to several key Remedies that focus on microbusiness engagement and where we believe more clarification would be beneficial.

- 1. Price Transparency Remedy**
- 2. Database Remedy**
- 3. Access to ECOES Remedy**

1. Price Transparency Remedy

This remedy needs to specify more details around tariffs. For example, is the CMA proposing that microbusiness customers will still have access to negotiated tariffs through TPIs alongside acquisition and retention tariffs? If so, would every negotiated tariff need to be made available to all microbusinesses via suppliers' websites? Make It Cheaper, for example, provides its non-domestic customers access to very attractive (negotiated) tariffs but these may be subject to certain criteria and may often expire within 24hrs. These contracts are often negotiated in bulk on the written authority of customers.

If negotiated tariffs are not included in the remedy, it would appear to be contradictory to the Domestic remedies that allow more innovation – e.g. through the removal of the whole market obligation for Confidence Code members and ability to negotiate exclusive tariffs. Without the ability to sell negotiated prices, the role of, and breadth of services provided by, TPI/PCWs may diminish in an environment where there is no place for creativity and discounts. A consequence could be a further reduction in engagement levels. Additionally those customers who currently benefit from negotiated prices would find their costs increasing.

1. Make It Cheaper won the title of 'Consumer Champion' at the [Energy Live Consultancy Awards](#) in 2013 & 2014 and 'Best Customer Service' in 2015.
2. Make It Cheaper is currently ranked No.1 in the [Cornwall Energy Index of SME Brokers](#).

Alongside the deemed and OOC tariffs, the suppliers should be obliged to publish the price for Variable tariffs. Indeed with the rollover ban, most of the microbusinesses have been/will be placed into Variable contracts if they do not do anything (i.e. do not send termination). Additionally, they should display 1, 2 and 3 year fully fixed price contract offers – i.e. as prices can differ significantly between, say, a one year and a three year contract in the same way as they do for fully fixed versus pass through.

Considering the decision to move towards an online quotation tool and potentially a sign-up / fulfilment process, we assume the CMA has gathered evidence from the suppliers already offering these services (i.e. five of the Big 6) around engagement levels – both to their own existing customers and among existing customers of rival suppliers. Our own experience shows that while customer interest appears high, actual customer engagement and sign-ups are very low.

For clarity, we believe that making it easier for micro-business customers to access and understand what prices are available is an important step of improving the market. Our own research indicates that these customers have little awareness of how much a unit of power/gas costs, and this can lead to customers agreeing to excessively high prices from suppliers and intermediaries. Easy price discovery should remedy this, and customers can choose to take a price offered online, or should be able to use an intermediary to negotiate a better deal if one can be attained.

As a final point on the Price Transparency remedy, we do not share the opinion that it will provide sufficient transparency around commission levels and mitigate the risk of excessive fees. The suitable solution for this – and therefore increase customer engagement through better transparency - is for commission disclosure to be an obligation of an Ofgem-managed TPI Code of Practice. This needs to be given more prominence in the CMA's remedies and a clear timescale for when this will be in place.

So in summary:

- a) Is the CMA proposing that customers/TPI can still negotiate prices?**
- b) To what extent will negotiated tariffs have to be made available to all?**
- c) Will Variable tariffs be included alongside Acquisition and Retention tariffs?**
- d) Will length of contract be a mandatory secondary data input?**
- e) Will prices quoted be fully fixed?**
- f) What engagement have suppliers reported from their online quotation tools?**
- g) Will commission transparency be a feature of the TPI Code of Practice?**
- h) When will Ofgem be implementing the TPI Code of Practice?**

2. Database Remedy

In reaction to this remedy we anticipate suppliers will step-up their marketing efforts with their existing customers that are included in the database. This may – or may not – be in the customer's best interests. For example, it could include 'assumptively migrating' their dormant customers onto slightly-better-than-default tariffs. We would be interested to know how the CMA proposes to monitor/prevent this. We would also like to understand more around the decision to include in the data only those customers that have been on default tariffs for three years or more – as any period of time from the first day onwards will be of detriment to the customer/benefit to the supplier.

Rather than subjecting dormant customers to a potential barrage of marketing literature from the multitude of alternative suppliers, we would propose that Ofgem re-runs the successful "Be An Energy Shopper campaign". This campaign for residential customers in Jan 2015 directed them towards TPI/PCW Code of Practice members.

This will not only make each of the respective Codes more attractive to existing TPIs and new entrant PCWs, but provide a richer outcome for the customer with access to a broader - and potentially negotiated - range of offers. Furthermore, PCW/TPIs will make sure customers are prompted to stay on competitive rates after their initial tariff/contract period expires – thereby maintaining engagement.

For this remedy to work, we reiterate the need for a timescale for Ofgem to implement a Code of Practice for non-domestic TPIs. As mentioned in our letter to the CMA dated 5.8.15³: “...many of the remedies proposed will only work properly *when* there is a Code in place” and, as welcome as the CMA’s investigation has been, it has also been the cause for progress to have halted since March 2015.⁴

So in summary:

- a) **How will marketing to default customers by incumbent suppliers be monitored and restricted?**
- b) **Why is there a barrier of three years for including default tariff customers in the database?**
- c) **Will the database be open to Code members to engage default tariff customers?**
- d) **If so, when will Ofgem be implementing the TPI Code of Practice?**

3. Access to ECOES Remedy

As advocated in our letter to the CMA dated 5.8.15³ and subsequent exchanges, we believe that wider access to ECOES data is an important step towards switching attempts having a higher success rate. However this remedy alone does not provide TPIs with **all** the data required to enable them to offer the best deals and the best level of service to their customers.

Our own experience with micro-businesses, supported by industry analysts including Ctrl-Shift (The Rise of the Consumer Empowering Intermediary – report for Consumer Futures Jan 2014) is that a key lever to raising engagement in this market is the accelerated development of Consumer Empowering Intermediary Services. These services reduce barriers to action by allowing intermediaries to access information about their account and usage patterns, in order to then present back the best possible options to the customer and then, where appropriate/authorised to, take action for them.

In this regard, significant improvements could be made with the ‘Letter of Authority’ process that allows TPIs/PCWs to obtain information on behalf of their customers from incumbent suppliers.

LOAs support engagement because they allow TPIs to provide competitive quotes without the need for the customer to source and provide current tariff information themselves. They also circumvent transfer Objections – and multiple Objections – that prevent transfers and lead to a poor customer experience.

While some suppliers do recognise LOAs and will cooperate accordingly with TPIs information requests, there remains a wide range of inconsistency in the quality and timeliness of information provided. To compliment the access to ECOES remedy, the CMA would do well to mandate suppliers to accept LOAs and adhere to strict timeframes within which to provide customer representatives with the necessary information at the appropriate quality level. Better still would be the creation of in an industry-wide data repository where this information can be held, allowing high volume and fast access without human cost or error (perhaps using the MIData platform). Any concerns around TPIs abusing LOAs could be removed by specifying behaviours expected as Code of Practice members.

3. https://www.ofgem.gov.uk/sites/default/files/docs/2015/03/open_letter_tpi_principles_march_2015_for_web_0.pdf

4. https://assets.digital.cabinet-office.gov.uk/media/55e6bd33e5274a55ff000024/Make_It_Cheaper_resp_to_PFs.pdf

So in summary:

- a) Will suppliers be required to provide customer information to TPIs via LOAs?**
- b) If so, what information and timescales will suppliers be required to meet?**
- c) Will consideration be given to an industry wide data repository or an extension to Mi Data?**
- d) Will LOA rules be included in the Code of Practice expected behaviours?**

I would like to re-iterate our ongoing support of the investigation and look forward to hearing from you.

Yours sincerely

Jonathan Elliott, Founder & CEO