

## Appendix 17.1: Price transparency remedy

### Contents

|   | <i>Page</i> |
|---|-------------|
| Parties' responses to the Remedies Notice.....  | 1           |
| Summary of evidence regarding the design considerations (after the initial comments on the Remedies Notice but before the provisional decision on remedies) ..... | 9           |
| Parties responses to the provisional decision on remedies.....  | 36          |

1. This appendix, which relates to the price transparency remedy, first sets out parties' initial comments to the Remedies Notice. Thereafter, it lists the detailed submissions (from parties), which we received before the publication of the provisional decision on remedies. Finally, it lists the key submissions to the provisional decision on remedies and our response to these points.

### Parties' responses to the Remedies Notice

2. In the Remedies Notice, we consulted on a remedy that stipulated the 'introduction of a new requirement in the licences of retail energy suppliers to provide price lists for microbusinesses on their own websites and to make this information available to PCWs.' Subsequently, a number of parties submitted responses, which we have summarised below in this section.

### Ofgem

3. Ofgem said that the price transparency remedy was likely to have the strongest impact in addressing the feature of actual and perceived barriers in accessing information. It added that the remedy could also support competition in the microbusiness segments of the retail energy markets.<sup>1</sup>
4. Ofgem believed that this remedy could better enable microbusiness customers to make direct tariff comparisons, where suppliers provided automatic quotes on websites (with price list updates to PCWs alongside this).<sup>2</sup>
5. Ofgem also pointed out a number of design considerations that would need to be taken into account:
  - (a) there was no duty to supply in the non-domestic sector;
  - (b) most suppliers did not offer off-the-shelf tariffs in the microbusiness segment;

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<sup>1</sup> [Ofgem response to provisional findings](#), remedy 7a, p1.

<sup>2</sup> [Ofgem response to provisional findings](#), remedy 7a, p1.

- (c) tariffs were more complex than the domestic sector, for example fixed and pass-through elements;
- (d) the extent to which the obligation applied to microbusiness or the wider non-domestic sector;
- (e) issues with identifying microbusiness customer; and
- (f) if prices were published, customers might rely on these, forgoing a lower rate they could have negotiated.

## **Centrica**

6. Centrica said that while it agreed that price transparency and comparability greatly benefited consumers, it believed that it would be confusing and therefore counterproductive for suppliers to publish their full lists of microbusiness prices.<sup>3</sup> BGB currently had approximately [X] discrete electricity price points to reflect variations in: location/region, profile class, meter type, standing charge, time pattern regime and consumption band. And this was before factoring in contract duration. It therefore proposed that automated online quoting tools would provide more flexibility than price lists, enabling suppliers to provide more tailored and cost-reflective quotes.
7. Centrica believed that the most effective way to improve price transparency would be through online quoting systems. It added that it would be inappropriate and ineffective for the remedy to limit suppliers' ability to offer more tailored and cost-reflective pricing, both online and offline. It also supported product differentiation and innovation.
8. Centrica recognised the important role that TPIs and PCWs could play in servicing customer needs and promoting engagement. Centrica said that it already provided prices to TPIs, whether they used them for offering price comparison services or other broker services. In the right circumstances and with the appropriate governance framework, Centrica said that it would be willing to allow PCWs to remotely access its online pricing tool so that PCWs would have real-time access to microbusiness prices. Centrica suggested that alternatively, a simpler approach would be for suppliers to provide prices to PCWs in an agreed format, which were updated on a daily basis and would remain valid for an agreed time period.

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<sup>3</sup> [Centrica response to the Remedies Notice](#), remedy 7a.

## **EDF Energy**

9. EDF Energy said that increased price transparency for customers was important to increase engagement and so it supported both the publication of prices and making this information available to PCWs. It believed that this remedy should go beyond current supplier activity. For example, EDF Energy already published prices for its 'Freedom' tariff on its website and made fixed-price contract rates easily available through a simple online 'Quote & Buy' platform.
10. EDF Energy believed that the current microbusiness definition was applied inconsistently by suppliers due to its complexity. It proposed that the CMA make a recommendation to Ofgem that the microbusiness definition be simplified to only include profile class 3 and 4 meters and the gas equivalent (ie for customers with metering and billing arrangements similar to domestic customers) for business customers of up to five sites, therefore removing all other criteria from the current definition. EDF Energy was of the view that this remedy should further be restricted to single-site customers because this was the starting point for all suppliers' definitions of an SME, and would cover the majority of microbusiness customers. In its view, any attempt to extend this remedy beyond these customers could result in confusion through additional complexity.
11. In relation to the design of the remedy, EDF Energy said that a simple, consistent format (ie no additional add-ons, pass-through costs or complex restrictive clauses) with a defined scope (ie microbusiness definition restricted to a single site) to enable like-for-like comparisons would be effective and easy to use. It said that this could also facilitate the growth of PCW services, which would significantly reduce the search costs for customers.

## **SSE**

12. SSE welcomed the remedy as a means of increasing transparency and engagement in the market as long as the requirements on suppliers were reasonable and proportionate, so as not to unnecessarily restrict or burden suppliers and increase their costs. The costs of implementing this should be relatively low. Furthermore, while SSE believed that availability of pricing information was not a barrier to PCW activity in the non-domestic market, SSE said that it would be open to sharing information with PCWs entering the market.
13. SSE strongly believed that an online quoting system would be the most effective means of implementing this remedy. It said that prices for micro-business customers depended on a number of factors including: meter type,

profile class and region, which meant that price matrices were required to identify a price for a specific customer. It stressed that while matrices (price lists) could be published in document form on each supplier's website, it was unlikely that customers would find these documents particularly helpful.

### **Scottish Power**

14. Scottish Power said that it considered the price transparency remedy was likely to be a proportionate response to the high search costs faced by microbusiness customers in engaging in the market. Subject to review of the detailed rules that were proposed, it would support the implementation of this remedy.
15. Scottish Power said that this remedy would be very helpful for PCW services to develop in the microbusiness segment. It said that the main barriers to search and switching were: (a) the time cost of this process, given the limited transparency over tariffs currently available in the market; (b) the narrow switching windows and notice requirements that some outgoing suppliers insisted on; and (c) the sometimes significant commissions and poor advice charged and given by some TPIs. Because of the complexity, microbusiness customers often relied on TPIs to search on their behalf but they were not always well served.
16. Scottish Power said that while an automated quoting service would be likely to be beneficial (and something that suppliers would have an incentive to provide once they published tariffs), it would not be sufficient on its own. In order to allow PCWs to function, it was necessary to create and supply to the PCWs a price list that enabled the PCW to generate quotes. The search cost of finding a number of company websites and going through a quotation process on each one would be significantly greater than accessing a PCW.

### **RWE**

17. RWE was concerned that there were a number of difficult hurdles that would need to be overcome and which were too great to make the remedy of published price lists (as originally proposed) workable or proportionate, unless it was limited to a subset of simple products. RWE believed that it would be important to retain the negotiated model as well, so that suppliers were able to retain some flexibility in their pricing to suit customers' individual circumstances or requirements as well as reflect a supplier's levels of risk. RWE also said that price lists should be limited to those customers with straightforward requirements (eg single sites, consumption similar to domestic, etc).

18. In RWE's view, many customers were likely to be better served by products more closely adapted to their needs and negotiated directly with a retail energy supplier or through a TPI. It considered that a more effective remedy would be to require retail energy suppliers to provide clear product descriptions of all available products, with information on features and benefits, terms and conditions and even who the product would benefit, on their websites. RWE said it could be accompanied by information on how to obtain a tailored quote, which could be fulfilled in a number of ways:
- (a) by calling the supplier;
  - (b) via a TPI where appropriate; or
  - (c) possibly online for some simple products.
19. RWE agreed that energy suppliers should be permitted, in principle, to fulfil this requirement by providing an automated quoting service on their websites, as this might reduce perceived search barriers for some customers. That said, RWE believed that an automated quoting service was again only likely to be practicable for a limited subset of simple products and prices only.

#### **E.ON**

20. E.ON said that simply providing price lists online for each supplier would not be particularly helpful to engage microbusiness customers, given the diversity of time-of-day tariffs, contract lengths and differing pricing approaches adopted by suppliers. However, it said that providing price lists to PCWs would encourage the development of their services. It might also improve consistency among PCWs and suppliers' own quoting tools to ensure that quotes were provided in a consistent fashion.
21. E.ON believed that an online quotation tool that provided more customer-specific pricing information for customers would make pricing comparisons easier. It added that those quoting tools would then form the information basis for commercial PCWs to use to provide broader market-wide quotes in a similar fashion to the insurance industry. It gave the following example. The customer would visit the PCW, input a set of standardised information which the PCW then used to access individual supplier (and TPI) quoting services to provide a list of quotes. E.ON was already aware of at least one participant in the market seeking to do exactly this.

## **Good Energy**

22. Good Energy told us that it already provided tariff sheets for microbusiness customers and that it would welcome other suppliers doing the same so that PCWs could assist microbusiness customers to find the right tariff. It said that many of the barriers to engagement for microbusiness customers were the same as those for domestic customers, and thus they needed the same support to switch, including allowing innovation to create attractive products for different types of microbusiness customers but explained in a clear and consistent manner.

[✂]

23. [✂] told us that wholesale prices could be very volatile and the prices offered changed very quickly. This would make it difficult for suppliers to keep their sites current and even more difficult for potential customers to take the inertia into account. Therefore, it said that a knowledgeable TPI could advise on this and a proven honest one could be trusted to do this.

## **Chartered Institute of Procurement & Supply**

24. Chartered Institute of Procurement & Supply (CIPS) said that microbusiness customers were not energy experts and that they had to operate their business on a day-to-day basis. It added that price lists could be useful for microbusiness customers by developing confidence and engaging customers. However, they could also confuse microbusiness customers when they try to understand the impact of the prices from the list. It could therefore be difficult to compare prices between different suppliers.
25. CIPS said that there should be an automatic quoting service on the energy suppliers' websites and that it should be mandated for all energy suppliers. This would also aid greater transparency leading to the opportunity of microbusiness customers being able to more effectively compare prices should they wish to go directly to energy suppliers.

## **The Utilities Intermediary Association**

26. The Utilities Intermediary Association (UIA) said that the price transparency remedy would work if the domestic market were to be redefined to include the smaller end of the microbusiness customers (by size). It would not work under Ofgem's definition. The UIA said that the requirements of this remedy would be best served through the use of an online portal.

### ***Drax (Haven)***

27. Drax said that the price transparency remedy should require suppliers to publish prices for products that they offered and not for all products available in the marketplace. It added that, although this would limit the number of published prices, there would still be a significant number and it believed that simply publishing the prices would not necessarily make it easy for consumers to compare - consumers might even suffer from information overload.

### ***Corona Energy***

28. Corona Energy told us that it did not offer tariffs to microbusiness customers and therefore, like many other suppliers, could not provide online price lists. As an independent energy supplier, it said it only offered bespoke contracts/tariffs for a variety of businesses in the microbusiness/SME market. Bespoke tariffs enabled it to tailor contracts as close as possible to the prevailing market prices with metering and network costs built into the prices. Furthermore, it clarified that not all purchase decisions were made by customers solely on price. Customer service levels, online access, non-price commercial terms and added value services were all considerations for customers when deciding on an energy supplier. It said that none of this information could be provided in price lists and therefore it would be difficult to make direct comparisons.
29. In terms of an online quoting system being an option to satisfy this remedy, Corona said that this would be preferable than demanding price lists but it believed that the costs associated with providing such an automated quoting system would far outweigh any benefit delivered to the customers. The information that could be gained from such a system was already available by talking to suppliers directly or using TPIs.

### ***Eggborough***

30. Eggborough told us that it was largely supportive of the stated aim of improving transparency but noted a number of difficulties that led it to question whether this remedy would work in practice. It noted the following points:
- (a) There were a large number of variables, which would make standard price lists very large and complex.
  - (b) Smaller suppliers would struggle to meet any requirement to provide online quoting services.

- (c) There was no duty to supply non-domestic customers and therefore, publishing tariffs that all businesses might not be eligible for, could cause confusion.

### ***Federation of Small Businesses***

31. The Federation of Small Businesses (FSB) told us that it fully supported proposals to publish price lists for microbusiness customers. It added that if done well, this remedy would provide microbusiness customers with an excellent platform to compare tariffs quickly and easily. It added that a majority of its members said that their energy bills and associated tariffs were currently difficult to understand and compare. Four in five FSB members also said that published tariffs would benefit their business by lowering the significant opportunity costs associated with searching for a new deal.
32. The FSB said that published prices should be done in a way that allowed energy companies to compete transparently not only on cost per unit, but also on quality of the additional services they provided (eg energy efficiency, customer service, innovation and technology). However, it clarified that the introduction of published tariffs should not necessarily preclude individual negotiations.

### ***Gazprom***

33. Gazprom said that a requirement to provide a price list for microbusiness customers would likely either lead to greater complexity and confusion for consumers, or a socialised/generic price that would reduce cost-reflectivity (at a time when other policy initiatives were looking to promote it). However, Gazprom said that an online quoting service should be sufficient for fulfilling the requirements of this remedy.

### ***Inenco***

34. Inenco did not believe that price lists were the solution. It told us that it believed the next step in helping to develop business engagement must be driving up the credibility of the TPI market. It said that this should be done through measures such as increased regulation and a confidence code introduced and managed by Ofgem. Inenco also said that online quoting services were already widely available.

### ***Make It Cheaper***

35. Make It Cheaper told us that it saw this remedy as an essential development, not least to increase engagement but to increase the conversion of SMEs



attempting to ‘click-to-buy’ and switch online. It added that it was also vital that customers who wished to shop around by negotiating with suppliers or speaking with a TPI were still able to do so as they would doubtless find cheaper prices.

### ***Ovo Energy***

36. Ovo Energy told us that it agreed with this remedy. Its experience of the microbusiness segments of the retail energy markets was that it was less transparent than the domestic market. It added that requiring energy suppliers to publish price lists should improve the level of transparency in this section of the market and as such improve market outcomes.

### ***Utilities Savings Ltd***

37. Utilities Savings Ltd told us that business prices were too complex for price lists and that it would only further confuse and discourage customer engagement. It said that bespoke prices of contracts, where available, were usually cheaper and could change daily or even hourly (especially gas).

### ***The Industrial and Commercial Shippers and Suppliers group***

38. The Industrial and Commercial Shippers and Suppliers (ICoSS) group told us that it was not feasible to publish or provide ‘tariff’ prices for the microbusiness segment as energy suppliers did not utilise set prices for such customers. It instead said that each quoted price varied according to the needs of the customer.

### **Summary of evidence regarding the design considerations (after the initial comments on the Remedies Notice but before the provisional decision on remedies)**

39. Following the submissions received to the Remedies Notice (and before the publication of the provisional decision on remedies), we consulted concerned parties such as suppliers and Ofgem on the design of the price transparency remedy. We have listed their responses below.

### ***Parties’ views on their preference for online quotation tools, compared to price lists***

40. Most suppliers told us that online quotation tools would be a more appropriate channel compared with price lists. They also added that online quotation tools would have additional benefits such as:

- (a) They would allow suppliers to offer quotes for tariffs with higher consumption and greater complexities, thus capturing a greater proportion of the microbusiness segment.
  - (b) They would also allow PCWs to link up to supplier online quotation tools.
  - (c) They would factor in the reality of frequent price changes of contracts in the microbusiness segment. For example:
    - (i) Centrica told us that it currently reviewed its prices for changes every [redacted];
    - (ii) Scottish Power told us that it changed its acquisition and renewal tariffs every [redacted] weeks between 2007 and 2015;
    - (iii) EDF Energy said that it changed its prices for fixed-term products [redacted];
    - (iv) SSE said that it generally updated its prices [redacted], or within a shorter time period during periods of market volatility; and
    - (v) RWE said that it changed its prices [redacted] for its online channel and daily for telesales.
41. Centrica told us that it supported the development of online quotation tools, which allow customers to get comparable prices across the market easily. It said that its own research showed that many microbusiness customers preferred minimal contact with their energy suppliers, and online tools allowed them this flexibility.
42. Scottish Power supported price lists but said that it would only be appropriate for customers below 50,000 kWh a year of electricity consumption and 150,000 kWh a year of gas consumption, and limited to profiles 3 and 4. Similarly, EDF Energy supported price disclosure for small business customers in profile classes 3 and 4, with a further limitation to single-site metered premises.

***Parties' views on information inputs in order to obtain a quote***

43. EDF Energy told us that supplier online quotation tools currently varied significantly in functionality from simple lead generation forms to modified quotation tools. Microbusiness customers needed to input varying degrees of information in order to get a quote. For example, certain suppliers had lengthy

and onerous information input requirements that asked for information that did not necessarily contribute to price production.<sup>4</sup>

44. We understand that the postcode<sup>5</sup> (one of two primary information inputs), is the key to determining the price of a contract in the microbusiness segments. According to Centrica, the postcode (followed by address selection) allowed suppliers<sup>6</sup> to obtain the MPRN for gas in most cases. It also allowed the supplier to obtain the supply number, MPAN core, profile class, meter time switch code and line loss factor for electricity in most cases. This information provided details of the assumed profile of the customer's consumption (based on the profile class) and details about its meter type (ie whether the customer had a single or multi-register meter). It also enabled suppliers to calculate costs such as DUoS, which were required for accurate price production. It noted that if a supplier was unable to obtain the necessary information from the address, then it had the option to ask a customer to provide<sup>7</sup> their MPRN or MPAN, which they could find on their bill.
45. EDF Energy added that the key information that a supplier needed was the MPRN and MPAN, and that the software built into its online quotation tool allowed it to obtain these details via ECOES when a microbusiness entered its postcode and confirmed an address. EDF Energy also clarified that If the microbusiness only wanted to know the quote price (unit rate and standing charge) based on the supplier's standard payment method and frequency, it would not be essential to ask for consumption (or annual spend), and only the postcode/address would suffice.
46. However, RWE said that it was not possible to offer accurate quotes based on primary and second order inputs due to technical and legal challenges. RWE also sought to highlight issues of accuracy/reliability of information, data quality, complexities of metering, complexities of tariff type, product selection, payment type and credit score – all may require consideration across the range of products and as primary sources of information.
47. We also consulted on whether a telephone and online quotation could be based on the same information for the Relevant Segment. The general feedback from suppliers was that it could be based on the same information. However, they clarified that larger businesses preferred to contract on the phone.

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<sup>4</sup> For example, salutation, first name and last name.

<sup>5</sup> Once a microbusiness enters its postcode, it should be able to select its address.

<sup>6</sup> Using Xoserve (for gas), ECOES (for electricity) or another third party provider of meter information.

<sup>7</sup> This could be provided online or over the phone.

**Parties' arguments in favour of profile classes 3 and 4 for electricity and small supply points for gas**

48. Most suppliers suggested that the remedy should focus on profile classes 3 and 4 for electricity and small supply points for gas. In addition, based on submissions from Ofgem and suppliers, we understand that profile classes 3 and 4 for electricity and small supply points for gas would include a significant majority of microbusiness customers as per Ofgem's definition.
49. In terms of proportions, Ofgem told us that its data suggested that a significant majority (88%) of non-domestic electricity customers were included in profile class 3 and 4 meters. It estimated that 6% of non-domestic electricity customers were in profile class 5 to 8 meters though there may also be a small number of microbusiness customers on profile class 1 and 2 meters. With respect to the supply of gas, Ofgem told us that 64% of total non-domestic gas meter points had small supply points.
50. Similar, albeit higher, representations were also made by the suppliers in relation to coverage of profile classes 3 and 4 for electricity and small supply points for gas. We have summarised these representations:
- (a) Centrica told us that [X]% and [X]% of its total non-domestic electricity customers and gas customers respectively were included.<sup>8</sup>
  - (b) Scottish Power told us that [X]% and [X]% of its electricity and gas microbusiness customers respectively were included.
  - (c) SSE told us that [X] to [X]% of its microbusiness customers were included.
  - (d) E.ON told us that [X]% and [X]% of its total SME electricity and gas meter points respectively were included.
  - (e) RWE told us that [X]% and [X]%<sup>9</sup> of its electricity and gas customers respectively were included.
  - (f) Ecotricity told us that [X]% of its microbusiness customers were included.
51. We also note that currently, the smaller end of microbusiness customers (by size) are on domestic contracts and consequently have the benefit of

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<sup>8</sup> We note that Centrica referred to small supply points for gas as gas band 1.

<sup>9</sup> RWE referred to small supply points as volume band 1.

protection offered to domestic customers. These non-domestic customers also benefit from price transparency of tariffs.<sup>10</sup>

52. Centrica, EDF Energy, Scottish Power, [REDACTED], E.ON,<sup>11</sup> Ecotricity<sup>12</sup> and Opus Energy told us that they considered profile classes 3 and 4 for electricity to be an appropriate reference and starting point for scoping this online price transparency remedy for microbusiness customers. They said that they could provide online quotes for these profile classes. These parties<sup>13</sup> also recommended consumption thresholds within profile classes 3 and 4.
53. Centrica, EDF Energy, Ecotricity and Opus Energy also told us that they considered small supply points<sup>14</sup> (up to 73,200 kWh a year) to be the appropriate reference and starting point for scoping the remedy. These parties said it was also the gas equivalent to profile classes 3 and 4 in electricity. This was largely based on the settlement process – annual consumption between 73,201 kWh and 293,000 kWh a year was classified as gas band 2 by XOSERVE.
54. However, other suppliers suggested a higher consumption threshold to be the appropriate reference. For example, Scottish Power suggested a gas consumption threshold of 150,000 kWh a year. [REDACTED] said that the gas equivalent was customers with a threshold of 293,000kWh a year, which was the same as Ofgem’s microbusiness definition.
55. EDF Energy added that profile classes 3 and 4 and small supply points would ensure that the correct audience was covered. Extending it beyond these customers might result in confusion. It added that profile classes 3 and 4 for the Relevant Segment would be a simple solution and that it was already in place for EDF Energy and several other suppliers.
56. Centrica told us that restricting this remedy to profile classes 3 and 4 with a single site and Gas Band 1 with a single site would make it simpler for PCWs to develop and reduce barriers to entry. This would also remove the requirement to receive and process more detailed price data associated with customers who had more complex requirements.

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<sup>10</sup> Centrica told us that its smaller microbusiness customers were not on domestic contracts. It offered non-domestic customers non-domestic contracts unless it was a case of a mixed use premises where the relative proportion of consumption between home and business use meant that the premises was classified as domestic.

<sup>11</sup> E.ON also suggested including microbusiness customers on profile classes 1 and 2. It also considered 55,000 kWh per year to be the other important element with regards to the scope of this remedy.

<sup>12</sup> Ecotricity clarified that if the remedy were to be implemented, then it should only apply to profile classes 3 and 4.

<sup>13</sup> With the exception of Opus Energy.

<sup>14</sup> EDF Energy referred to it as small gas meters and Centrica as gas band 1.

57. Centrica also highlighted that under industry change P272, all profile classes 5 to 8 (with a smart meter that was communicating half-hourly data) would move to half-hourly settlement by April 2017 and their profile class will update to 00. Centrica added that it did not provide online quotes for half-hourly customers due to customers wanting a more bespoke product offering and pricing structures. This resulted in significant technical challenges, the most significant of these is the upload of the half-hourly data itself which requires validation, which could take several interactions with the customer. Therefore, Centrica was unable to fully automate this process for online quotations. It also said that its evidence suggested these customers preferred a more relationship-based sales process. Given these proposed challenges, Centrica argued for the exclusion of all half-hourly customers from the remedy.
58. E.ON explained the practical difficulties of providing online quotes for profile classes 5 to 8. It said that the costs of metering and other distribution costs determined by distribution network operators were driven by profile class. These costs could be determined for profile class 1 to 4 meters and hence could be used for an online quotation tool, but became site specific for profile classes 5 to 8, making it impractical to provide online quotes for customers with these meters.
59. Dong Energy said that it was delighted with the 'Relevant Segment' definition of microbusiness customers.
60. Ecotricity said that the appropriate segment could either be profile classes 3 and 4 for electricity and small gas supply points.
61. Haven Power suggested that this remedy should be applied to single-site profile classes 3 or 4 microbusiness consumers with consumption less than 50,000 kWh a year. It would be simple for customers to understand and easy for suppliers to administer.
62. Opus Energy said that profile classes 3 and 4 for electricity and small gas supply points had no underlying costs that were structured in any way more complex than dual rate, so any further complexity was at the choice of the supplier should a smart meter be installed.

***Parties' submissions on consumption thresholds***

63. Most suppliers (and Ofgem) suggested that the Relevant Segment should have lower consumption thresholds than those under Ofgem's microbusiness definition. For electricity, most suppliers converged on approximately

50,000 kWh a year.<sup>15</sup> However, some parties such as [X], EDF Energy and Opus suggested that there should be no consumption threshold for the Relevant Segment.

64. Similarly, for gas, most suppliers converged on 73,200 kWh a year. However, Scottish Power, EDF Energy and SSE suggested higher consumption thresholds of 150,000 kWh a year, 175,000 kWh a year and 293,000 kWh a year respectively.
65. Centrica told us that it could provide quotes up to the following consumption thresholds:<sup>16</sup>
  - (a) Gas – up to 732,000 kWh a year, other than daily-metered sites.
  - (b) Electricity – up to 690,000 kWh a year, other than Profile Class 0.<sup>17</sup>
66. Centrica confirmed its position that a consumption threshold for the remedy of 50,000 kWh per year for electricity would be a reasonable proxy for profile class 3 and 4, and 73,200 kWh per year for gas (equivalent to Gas Band 1).
67. Scottish Power argued for a consumption threshold for gas and electricity. It said that profile classes 3 and 4 could potentially include customers with relatively high consumption and spend levels (several tens of thousands of pounds a year) who would be in a position to negotiate bespoke terms with their suppliers. It therefore suggested a consumption threshold of 50,000 kWh a year for electricity and 150,000 kWh a year for gas, above which the proposed remedy would not apply and suppliers would be free to deal with customers on a bespoke basis. It said that supply points aligned to the current settlement processes. However, this would be less relevant following the introduction of the 'Nexus' settlement reforms. It also said that there were a number of microbusiness customers whose annual gas consumption could exceed 73,200 kWh a year.
68. EDF Energy told us that consumption was not an essential piece of information to deliver a quote if prices were to be based around profile class 3 or 4 with single simple electricity meters. However, it currently had a consumption threshold of 175,000 kWh a year for gas.
69. SSE said that there should be no consumption threshold specified for profile class 3 and 4 electricity customers with single site/meter and without half-

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<sup>15</sup> Only one party, Ecotricity, which does not have an online quotation tool, suggested a consumption threshold of 100,000 kWh.

<sup>16</sup> Note that these consumption thresholds are significantly over Ofgem's microbusiness consumption thresholds.

<sup>17</sup> Under industry change P272 all profile classes 5 to 8 (with a smart meter that is communicating half-hourly data) will move to half-hourly settlement by April 2017 and their profile class will update to 00.

hourly settlement. This was because profile classes automatically contained a consumption element. SSE told us it could provide online gas quotes to customers with a consumption threshold of up to 293,000 kWh a year, if the required information was provided by the customer.

70. E.ON said that the remedy should only include online quotes for single meter points with a consumption threshold of 55,000 kWh a year for electricity (profile classes 1 to 4) and 73,268 kWh a year for gas. E.ON said that above this threshold for gas, costs started to become more site specific, and therefore it was impractical to provide online quotes. However, it also said that it would be possible to provide online quotes for electricity to customers with consumption up to Ofgem's microbusiness threshold of 100,000 kWh, although it suggested this would be impractical as customers above the consumption threshold of 55,000kWh per year (or with profile class 5 to 8) became increasingly more sophisticated, looked for bespoke pricing and hence had a strong preference for direct contact with their suppliers.
71. [✂].
72. Ecotricity said that once it created an online tool, it could provide quotes up to Ofgem's microbusiness thresholds of 100,000 kWh a year for electricity and 297,000 kWh a year for gas.
73. Opus Energy said that there should be no consumption threshold set in the remedy for profile classes 3 and 4 and small gas supply points.
74. Haven Power said that 50,000 kWh a year for electricity was the likely maximum for which prices could be published online.

### ***Parties' views on characteristics of larger microbusinesses***

75. We note that the upper bounds of energy consumption based on Ofgem's definition would typically cost a business around £10,000 per fuel (before VAT).<sup>18</sup> Therefore, we consulted the suppliers on consumption thresholds over which businesses start displaying characteristics akin to those of larger businesses. These characteristics include the need for bespoke contracts (typically negotiated through offline channels), cost pass-through or half-hourly settlement.
76. Centrica said that electricity customers in profile class 5 and above and customers in Gas Band 2 and above displayed characteristics similar to larger

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<sup>18</sup> Final report, Appendix 16.1, paragraph 16 – Q1 2012. Ofgem (2012), [The Retail Market Review – draft impact assessment for the updated proposals for businesses](#).



businesses (eg half-hourly settlement, complex tariff structures, cost pass-through, etc). This equated to consumption of more than 50,000 kWh a year for electricity and 73,200 kWh a year for gas, and annual expenditures of about £7,000 and £3,000 respectively. Centrica said its research showed that customer behaviour changed when expenditure rose above these levels, ie customers began to display characteristics that were more similar to those of larger-consuming businesses.

77. Scottish Power did not consider that there was a straight-line correlation between consumption and the kinds of characteristics of large businesses. However, it said that consumptions over 50,000 kWh a year for electricity and 150,000 kWh a year for gas moved away from the simpler more 'domestic like' characteristics.
78. EDF Energy said that the current Ofgem microbusiness threshold of 100,000 kWh a year for electricity covered a wide range of customers, and would include some customers that were on profile class 5 to 8 with maximum demand meters and more complex requirements. However, it added that metering arrangements, not consumption, determined characteristics between small and large businesses.
79. SSE said that it considered factors other than consumption were better indicators of the threshold above which businesses started displaying characteristics similar to larger businesses. Effectively, SSE viewed customers in profile classes 5 to 8, half-hourly metered, group electricity customers, and monthly billed gas customers to be larger businesses.
80. E.ON said that profile class was a key indicator for electricity, and those customers within profile class 5 to 8 displayed characteristics similar to larger business. Similarly for gas, businesses over a consumption threshold of 73,268 kWh a year started displaying such characteristics.
81. RWE said there was no simple way to ascertain when businesses started displaying characteristics akin to larger businesses. It said that consumption and company size might have some correlation, but in many cases, it did not hold either.
82. Gazprom said that businesses with gas or electricity consumption greater than 30,000 kWh a year were more akin to larger businesses.

### **Parties' views on simple meters**

83. As set out in Section 17, paragraph 17.20, the Relevant Segment would only include simple meters, which we define as: single rate (1); off-peak (1); day/night (2); day/evening/weekend (2); day/evening/weekend/night (3).<sup>19</sup>
84. In terms of practicalities, we understand that suppliers would be able to identify simple meters for the purposes of this remedy. They would be able to do so once a microbusiness customer entered its primary information input – specifically, postcode – into the online quotation tool. We also understand that suppliers would be able to provide online quotations in the cost-effective manner for microbusiness customers having up to three meter registers.
85. Suppliers gave a number of reasons for the exclusion of seasonal time of day (SToD) meters that contributed to our decision to exclude them from the Relevant Segment. In summary, they said SToD meters would:
- (a) not lend themselves well to online quotation tools;
  - (b) constitute an insignificant proportion of microbusiness customers and Relevant Segment;<sup>20</sup>
  - (c) be moved onto half-hourly settlement in the near future;
  - (d) increase the complexity and costs of the online quotation tools; and
  - (e) not be PCW friendly because they would have to build more complex systems.
86. Centrica told us that all microbusiness customers had one of the following meter and related tariff types (the number of meter registers is set out in brackets):
- (a) Single Rate (1);
  - (b) Off-Peak (1);
  - (c) Day/Night (2);
  - (d) Day/Evening/Weekend (2);
  - (e) Day/Evening/Weekend/Night (3);

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<sup>19</sup> The number of meter registers is set out in brackets.

<sup>20</sup> Ranging from 1 to 4% of suppliers' SME customers.

- (f) Seasonal Time of Day 4 Rate (4);
  - (g) Seasonal Time of Day 5 Rate (5); and
  - (h) Seasonal Time of Day 6 Rate (6).
87. Centrica told us that it currently provided online quotes for single-to six-rate tariffs (meter registers), time-of-use tariffs and seasonal tariffs. It also provided quotes for profile classes 5 to 8 (non-half-hourly only), and multi-registered meters. However, as far as the remedy was concerned it supported the inclusion of three standard time-of-use tariff options (a single rate, a day/night rate, and a day/night/evening/weekend rate) in online pricing tools for customers to select (ie non SToD). Centrica added that [X] of its microbusiness customer base were on SToD meters. Centrica told us that the SToD tariffs involved a greater degree of price permutations to be uploaded due to the time-specific nature of some of the charging periods. SToD had profile classes from 5 to 8 and would be converted to half-hourly settlement between November 2015 and April 2017. Centrica said that providing quotes for these customers after they were moved onto half-hourly settlement would require a costly redevelopment of its system.
88. Scottish Power defined complex metering arrangements as metering arrangements other than standard and two rate (Economy 7). It said that complex metering accounted for a very small proportion of microbusiness consumers, and it might be disproportionately expensive to build automated quote facilities for such a small number of customers. It said that it may be more appropriate for such customers to call suppliers to obtain a quote. Scottish Power also said it might not be able to provide online quotes for customers with complex metering arrangements. However, in profile classes 3 and 4, it was unlikely that there would be many such meters.
89. EDF Energy told us that it could provide online quotes for the meters identified in the Relevant Segment at no further cost. It also said that it only had 200 microbusiness SToD meters, and that these customers constituted less than 0.1% of its microbusiness customer base. It told us that non-standard meter types (not Standard-single rate, Economy 7, evening/weekend, evening/weekend/night and off-peak) did not have a standing charge and unit rate format, and instead had multiple unit rates.
90. EDF Energy clarified that meters in profile classes 5 to 8 were non-standard. It said that these meters would most likely require bespoke quotes, and so should not be included within the scope of this remedy. In addition, they also required more complex set-up procedures, servicing requirements and/or product requirements. Extending the online tool (or published prices) to

include all of these factors would be difficult to deliver in a simple, accessible way. Also this would entail significant further development and costs which were likely to drive up the cost of this channel and make it more difficult and expensive for smaller suppliers to deliver a viable solution.

91. SSE told us that its current system could not provide online quotes for customers with non-standard meter types. Requiring it to do so would be very costly and implementation would likely be time consuming. It said that such customers accounted for approximately [X]% of its customer base. SSE said that its half-hourly customers were cost-assessed on a bespoke basis, site by site, based on the customer's half-hourly consumption, and were not covered by its online offer system. It added that quotes for half-hourly customers were based on historical half-hour consumption information provided by the customer rather than basic information. Submitting this online and having it analysed alongside live market prices in order to provide an online quote would be particularly complex. It said that any attempt to automate this process was likely to be very expensive (requiring an entirely new system linked to live market prices), time consuming and disproportionate. Therefore, it argued for the exclusion of half-hourly customers from the remedy. Because of this, the difficulties described for half-hourly customers above would apply to all profile class 5 to 8 customers (and to profile class 3 and 4 in due course, under remedy 13).
92. Opus Energy told us that the distribution companies had simplified their charging structures. Therefore it said that a supplier's decision to offer non-simple/complex meters was down to a commercial decision taken by that supplier. Over the last few years these had been simplified to align to single rate (all gas and profile class 3 for electricity) or dual rate (profile class 4 for electricity). Any further complexity (eg SToD meters) was at the option of the supplier. So Opus Energy did not see that this was a barrier for the implementation of this remedy. It added that there were some non-standard meter types in the gas sector which could be significantly more expensive than the standard types. It handled these by saying that a quote was subject to a standard meter type and that there might be a premium, should the customer's meter turn out to have more expensive non-standard features.
93. E.ON told us that it could not provide online quotes for customers with non-standard meter types because energy usage patterns made standardisation and automation difficult. It said that approximately [X]% of its customer base were on the non-standard meters. It added that complex meters should not be included within the scope of the remedy, as the cost to provide quotes to deal with that complexity would be disproportionate to the benefit for this niche group of customers.

94. Ecotricity said that some non-standard meter types required several variables and that an online quote might not be sufficiently accurate. It would also be costly to develop. It said that such customers on non-standard meter types represented an insignificant proportion of its microbusiness customer base.
95. Haven Power said that it was not in the interests of consumers to provide online quotes for non-standard meter types. This was a complex area and attempts at standardisation would, in Haven's view, likely result in a solution which was not in the interests of consumers.

***Parties' views on single meter points/sites***

96. Centrica told us that in order to promote transparency and usability while limiting systems costs, this remedy should apply only to single meter points/sites. It said that this would not prevent a customer with a number of sites from accessing an online price for each site in turn. It added that multi-site customers often had discrete requirements, which could not be readily reflected in a static online pricing tool (such as bespoke billing arrangements or sites with different contract lengths due to tenure at the premises).
97. Centrica added that customers with several sites often preferred a greater degree of personal account management because of the increased complexity of managing more than one site. Additionally, customers with multi-sites were typically more sophisticated buyers of energy and services. For example, it could be in the interests of a customer with a multi-meter site to split the supply between two or more suppliers (where the meters were not related). Additionally, the complexity of enabling a system to allow for multi-site customers would result in greater expense for both suppliers and PCWs to implement.
98. Therefore, Centrica suggested that the Relevant Segment be based on single meter points (for each fuel type). It said that this would aid flexibility and simplicity when comparing prices as it would enable microbusiness customers to select the most suitable offers.
99. EDF Energy told us that customers with multiple sites were more likely to have more complex requirements and that such customers seek to negotiate directly over the phone with a supplier or TPI. Therefore, extending the remedy to include multiple sites would create confusion through the volume of information that would be required. It added that the Relevant Segment should be based on a per meter basis as there might be different prices for each meter and these should be shown separately to the customer for ease of comparison. It also added that the SME market did not generally operate on a dual fuel model, gas and electricity prices should be displayed separately.

100. Scottish Power told us that it would be sufficient for the proposed remedy to apply only to single site, single meter point customers and that this would reflect the majority of customers. Suppliers could then choose whether to publish prices for multiple site/multiple meter point customers or whether to offer bespoke pricing, eg based on the total consumption across all sites.
101. SSE said that it currently only provided online quotes to single meter points/sites due to increased complexity and system limitations. It added that any requirement to do otherwise would most likely force a simplification of contract offerings which would increase wholesale market risk and potentially increase prices. SSE expected that multi-site customers were less likely to fall within profile classes 3 and 4, and therefore the Relevant Segment. However, in contrast to most other suppliers, SSE added that suppliers should be allowed to determine whether the Relevant Segment should be determined on a per meter or site basis based on the circumstances of the customer and the setup of its account, as different systems would be designed to deal with this scenario differently.
102. E.ON said that [redacted] and so adding multi-sites within the scope of this remedy would then capture its large I&C customers, who were more sophisticated buyers that require bespoke pricing of contracts – in contrast to the approach taken for microbusiness customers. Therefore, E.ON suggested that the Relevant Segment should be based on a per meter (for each fuel type) basis.
103. RWE said that there was greater complexity with multiple meter points compared with single sites. It highlighted that not all sites were the same; they might have different meter types, consumption patterns and classes, be in different areas, and have different start and end dates for sites in the portfolio. Where there were more variables in terms of the service that the customer wished to have, this could affect the pricing methodology (eg group billing options) and so where these meters could not be categorised as 'simple meters' they should not be mandated. Therefore, RWE recommended basing the Relevant Segment on a per meter basis so that if the remedy were to be implemented it should apply to only single meter points and single sites only.
104. Good Energy said that it supported single meter points for the Relevant Segment as it captured a vast majority of microbusiness customers.
105. Ecotricity said that if the remedy were to be implemented, then it should apply to single meter points, as they showed the total usage of the microbusiness in question.
106. Opus Energy said that this remedy should apply only to single site customers only.

107. Haven Power said that, for simplicity this remedy should apply only to single sites/meter points.
108. Gazprom told us that the Relevant Segment should be based on a per meter basis (for each fuel type) as this reduced the complexity of any solution and was more aligned with the likely nature of these smaller customers, ie that they will generally have one meter per fuel type. It added that this approach would also be consistent with recent industry changes, which had removed multi-metered supply points from gas central systems.
109. Corona Energy said that the Relevant Segment should be based on single meters, due to the complexity of bespoke pricing for multiple meter points.
110. Opus Energy suggested that the Relevant Segment should be based on a per site basis (may have multiple meters).
111. Dong Energy said that Relevant Segment should be based on single meter points. It added that a per site basis would be preferred to ensure simplicity regarding billing processes, market intelligence and data management, which it expected to be common across the industry.
112. ENGIE told us that the Relevant Segment should be based on single site/ meter points rather than multi-site on the grounds of simplicity.
113. CNG said that the Relevant Segment should be based on a per meter basis.

***Parties' views on whether the Six Large Energy Firms or all suppliers should be included within the scope of this remedy***

114. Based on recent and available data, we note that the market shares of suppliers in the microbusiness segment were less concentrated than in the domestic sector. The non-Six Large Energy Firms' market shares by volume were approximately 14% for electricity and 20% of gas. In addition, Scottish Power and EDF Energy had smaller shares of the gas market than some of the non-Six Large Energy Firms. The Six Large Energy Firms had approximately 86% electricity market share by volume in profile classes 3 and 4 in December 2014. Opus was the largest of the non-Six Large Energy Firms with 6.7% market share.<sup>21</sup> Similarly, four Six Large Energy Firms had approximately 80% gas market share by volume for consumption under 300,000 kWh a year in December 2014. The remaining firms were Gazprom and Corona Energy at 5% each, Total at 4% and Opus at 3%. Scottish Power

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<sup>21</sup> Final report, Appendix 16.1, Figure 5. Based on December 2014 Elexon data.

has a market share less than Opus.<sup>22</sup> Also, EDF Energy has just been selling gas since December 2014, and has relatively low volumes.

115. Centrica said that the prevalence of the Six Large Energy Firms in the microbusiness segment was lower than in the residential market (there were 29 suppliers in the SME market) and if the remedy were to apply only to the Six Large Energy Firms, then a significant proportion of the market would be excluded. Additionally, Centrica said that it would impose additional costs on suppliers based on their market position in the domestic market and not their position in the SME market.
116. Scottish Power said that non-Six Large Energy Firms had a much higher market share of the SME gas market than of the domestic gas market (39% versus 11% – Cornwall Energy). Therefore, requiring Six Large Energy Firms only to comply with the remedy may be discriminatory and confer a significant competitive advantage for non-Six Large Energy Firms. It also told us that for this remedy to work it would need to be sufficiently attractive for PCWs to provide comparison services and for microbusiness customers to use those services, which would be most likely to be achieved if all suppliers were scoped in.
117. EDF Energy told us that incorporating all suppliers would result in a consistent approach that would make it easier for microbusiness customers to navigate a price-transparent market, reducing their search costs and time. It added that uniformity of approach was key – and an inconsistent approach could present suppliers at either end of the spectrum with either a competitive advantage or disadvantage.
118. SSE told us it might lead to customer confusion if some suppliers were required to publish prices for microbusiness customers (ie via an online tool) but others were not. It added that this might in fact have a detrimental impact on competition, as customers might simply contract with the suppliers that provided this service, for convenience.
119. E.ON told us that the remedy should apply to all suppliers in order to provide the greatest level of transparency, particularly considering the significant market share of other non-Six Large Energy Firms in this market. However, E.ON recognised that some small suppliers might not want to incur the additional cost of building and maintaining an online quotation tool. If this was the case, suppliers should provide prices to PCWs to enable a quote to be provided in a consistent fashion.

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<sup>22</sup> Final report, Appendix 16.1, Figure 7. Based on December 2014 CMA analysis.



120. RWE told us that, notwithstanding it did not consider the AECs found by the CMA to be supported by the evidence, the remedy's objective was to improve engagement for all customers across the segment and so, if introduced, should apply to all suppliers regardless of size.
121. Ovo Energy said that, having read the CMA's questions, it had nothing further to contribute. It did, however, remain supportive of the price transparency remedy. It would also support any other remedies that the CMA was minded to propose that would seek to improve transparency in the microbusiness segment.
122. Opus said that it fully supported the requirement for suppliers to make an acquisition price available to microbusiness consumers on their website and to provide these acquisition prices to PCWs so they could easily be compared by consumers. It said that these informational remedies would bring immediate benefit to consumers by improving transparency of pricing levels and supporting engagement.
123. Corona Energy said that this remedy should not be implemented for the non-Six Large Energy Firms. It said that price transparency via online quotation tools<sup>23</sup> was not feasible for non-Six Large Energy Firms and that it would be too costly. Corona Energy said that it would not be able to provide any quotes online because it changed the prices of its contracts nearly daily and there were too many other variables. It added that changing the industry marketplace to one of pure price competition would make it harder for smaller suppliers to compete with the larger suppliers. In addition, the small size of the microbusiness segment compared with the domestic market made online quotation tools unnecessary and expensive on which the costs could not be recovered. It also said that if this remedy was implemented, exiting the microbusiness segment would become a consideration given the costs associated with the return in this segment.
124. Gazprom said that it did not believe the proposed remedy would be effective. However, if the remedy were to be implemented, then only the Six Large Energy Firms should be included. This was because they were the only players in the non-domestic market with 'sticky' customers. Gazprom said that unlike the Six Large Energy Firms, it was a competitive supplier, which had acquired all its customers from the competitive market. It also said that price transparency would create barriers to entry because the Six Large Energy

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<sup>23</sup> In its [response to the Remedies Notice](#), Corona Energy told us that online quotation tools would be more appropriate than price lists to increase price transparency.

Firms would be able to react to visible prices offered by non-Six Large Energy Firms.

125. Ecotricity said that this remedy should only apply to large suppliers. It did not support this remedy for non-Six Large Energy Firms because of the significant costs they would need to incur to develop new systems.
126. Haven Power said that the requirement to build online quotation tools should only be limited to the Six Large Energy Firms. In addition, it recommended that suppliers be given the freedom to choose how they publish their prices (ie no requirement to do this via an online quotation tool) provided that they were readily available to PCWs.
127. Total said that this remedy would be better targeted at the Six Large Energy Firms as they were the only suppliers that had some customers that had never switched supplier. All other suppliers were new entrants to the competitive market and therefore all their customers had switched at least once and were familiar with the concept of switching to get a better or different deal.
128. BES Utilities told us that this remedy should not apply to any supplier. However, should the CMA wish to proceed with this proposal, it felt that the Six Large Energy Firms would be best placed to champion this, as they already had in place the mechanisms to provide online quotations to prospective customers.

***Parties' views on the inclusion (within the scope of the remedy) of all new and existing customers***

129. Centrica told us that, with the exception of those who will be settled half-hourly, it could, in the future, provide online quotes to all customers (in profile class 3 and 4 and gas band 1) including new and existing. [REDACTED].
130. EDF Energy told us that it was currently developing a functionality to enable existing customers to transact sales online. This was due to be delivered in Q2 2016, with an estimated cost of £[REDACTED]. It already provided quotes for all customers, and new customers were able to transact the sale online.
131. Scottish Power said that it currently did not have an online quotation tool. However, upon building one, it would be able and willing to provide quotes to all customers including new and existing.
132. SSE said that it currently provided online quotes for all customers (new and existing) in the identified segment, (excluding multi-site or multiple meter point

customers in profile classes 3 and 4, providing that they provided the required information), and could continue to do so.

133. E.ON said that it did not currently provide quotations for existing customers as it engaged with them through proactive and clear communications at contract renewal and therefore there was no commercial driver to provide this. However, investment in its quotation tool could allow the provision of quotes for all customers.
134. RWE said that it was technically feasible to offer prices to customers online for both acquisition and renewal. However the majority of products sold in this market were subject to price negotiation, taking into account aspects of customer circumstances and prices available in the wholesale market.

### ***Parties' views on contract/tariff types to be disclosed***

135. [X] Centrica said that [X].
136. SSE said that the inclusion of the evergreen contracts in the online quoting system would require a system change which would significantly increase the costs and timescales for implementation. [X]
137. RWE said that it could not publish prices for any of its products for micro-business customers. This was because it offered bespoke products, not tariffs. These products were subject to normal commercial negotiation between the customer and RWE. The final price would vary from customer to customer. As such 'price' did not exist until it was agreed between both parties.
138. E.ON said that it would be able to disclose prices for its contracts including deemed, out-of-contract (OOC) and evergreen. It added that evergreen contract disclosures could be useful for customers to consider as a possible alternative to a fixed-price plan, although it questioned the value of quoting deemed and OOC prices as these were in place for specific customer circumstances.
139. EDF Energy said that it could publish the prices of all of its contract types, including evergreens.
140. Ecotricity said that it would be willing to disclose prices of all its standard rolling tariffs.
141. Opus said that it could disclose acquisition contract prices on its online quotation tool. In addition, it could also disclose its deemed and OOC contracts on its website.

### ***Parties' views on credit checks***

142. Centrica said that it published quotes using its online quotation tool with a disclaimer relating to credit checking.
143. EDF Energy said that it provided quotations with the disclaimer that the price would be subject to a credit check. It added that the credit check would impact the customer's eligibility for that price and they may be offered an alternative product instead. It clarified that it would not necessarily refuse to supply a customer with unsatisfactory credit score. It stressed that adding credit checking into the quotation process would slow the quotation process down and this could act as a barrier (to price discovery) if the customer was reluctant to go through this, particularly if it had to go through multiple credit checks to get prices from a range of suppliers.
144. Scottish Power told us that any quote was subject to the customer agreeing to and passing a credit reference check. Where a low credit score had been referred internally for reassessment, it may offer to enter into a contract subject to payment of a security deposit.
145. SSE said that it did not perceive credit risk to be acting as a barrier, as it already published prices subject to caveats on the requirement for credit checks.
146. E.ON said that quotations could be given with an appropriate disclaimer around credit checks, which was its current policy.
147. RWE confirmed that it could provide online quotes subject to credit checks and therefore agreed with the CMA that its proposal did not restrict suppliers from charging less credit worthy customers a different price.
148. Ecotricity told us that it would support a remedy that allowed quotes to be disclosed without making credit risk a barrier, ie the quote would be subject to a credit check. This was also in line with its current practice.
149. Opus Energy said that it could provide a quote with a disclaimer stating it was subject to the credit check. It said that if the customer was subsequently found to have a poor credit standing, then a premium to the standard price would be quoted to the customer prior to the registration of the site taking place.
150. Haven Power said that it could quote 'subject to credit check', however this would be misleading to customers.

### ***Parties' views on single prices and comparability***

151. Scottish Power said that a single price (ie not a range of prices) should be offered for each standard and non-standard tariff, similar to the domestic sector. This should be subject to channel-based promotions.
152. EDF Energy told us that the online quotation should be a simple and non-negotiable transactional process.
153. SSE said that its online quotation tool could quote a single price (rather than a range), for a given contract and payment method. However, if tariffs presented were limited to a single tariff structure, it would severely restrict customer choice and would most likely result in the best value quotes for customers being removed.
154. Ecotricity said that it supported the quotation of a single price (rather than a range of prices) for a given set of inputs.
155. Centrica, EDF Energy and Ofgem made the following suggestions to aid with comparability.
156. Centrica said that once the appropriate product had been selected, suppliers should provide a 'Key Facts' document and an online link to the terms and conditions specific to that product. In addition, all online quotation tools should be transparent about what was included and excluded in the price.
157. EDF Energy said that the key features of the product should be disclosed in a consistent format in addition to the prices. These features should include contract length, end date, details of exit fees if applicable, details of any discounts applied, payment method and qualifying criteria. It added that prices should have no additional add-ons and/or pass-through costs.
158. Ofgem told us that suppliers should disclose what charges were included in the quoted price. This would include information on whether the micro-business would incur any additional costs such as 'pass through' and other fees.

### ***Parties' views on the validity of a quote***

159. [✂].
160. EDF Energy told us that it would keep the quote valid for as long as the price was valid and the customer circumstances did not change.
161. Scottish Power told us that a quote would remain valid as long as the contract and price remained in place and the customer's circumstances did not

change. In practice, Scottish Power would reconfirm a customer's details and circumstances at the time of issuing a contract.

162. SSE said that it could keep its quote valid for as long as it did not change the price for a given contract, which was dependent on the level of price volatility in the market at the time.
163. E.ON said that it could not guarantee to honour a quote for longer than the current business day due to changes in the underlying price. However, it said that prices for its fixed plans typically changed on a monthly basis between 2007 and 2015.
164. Ecotricity said that it could keep its prices valid as long as the price of the contract did not change. It had changed its prices only eight times from 2007 to 2015.
165. Opus Energy said that it could keep the quote valid while that acquisition price was still available on its website. It said it had changed its internal prices on a daily basis from 2007 to 2015.
166. Haven Power said that if it had to hold a quote for a period of time, it would have to apply a risk premium and prices would rise. It said it had changed prices as often as two or three times each week, such as in 2008.

### ***Parties' views on PCWs***

167. The Six Large Energy Firms and several non-Six Large Energy Firms supported the entry and expansion of PCWs in the microbusiness segments. They were also willing to overcome functionalities on their online quotation tools that could prevent a PCW from obtaining a quote on behalf of a customer. Moreover, they were also willing to provide information to PCWs in a standardised format.
168. We held discussions with a number of PCWs:
  - (a) EnergyLinx for Business is a PCW active in the non-domestic space and discloses the prices of over 25 suppliers (not the whole of the market). It said that it would be willing to expand its online services as a result of the price transparency remedy.
  - (b) [redacted], a possible new PCW entrant [redacted], told us that it saw the microbusiness segments of the market moving towards online transparent prices, and that it was encouraged by our remedy. It told us that it had obtained funding, that it had had discussions with several suppliers and that it aimed to launch its service in 2016.

- (c) Make it Cheaper told us that if microbusiness customers were to become more engaged, it would consider re-entering the market. At the time of its response, it only operated a telephone based service for non-domestic customers.
- (d) uSwitch and Energy Helpline said that they focused on the domestic market.
169. Centrica preferred the direct interface approach for information transfer (between suppliers and PCWs) on the grounds of efficiency due to automation. It supported the increase in commercial PCWs and believed that the ending of auto-rollovers (with fixed-term Rollover Periods) would provide the right conditions for PCWs to emerge. It currently provided full price books to TPIs and said that it could do the same for PCWs. It did not consider that there would be any issues in it providing prices to PCWs in a standard and consistent format although it said that any requirement for standardisation should not prevent suppliers from adapting, adding or removing products from the market.
170. Centrica also said that suppliers should provide their pricing files to PCWs in an agreed flat-file format. These would be updated on a daily basis and would remain valid for an agreed time period. However, it said that the best long-term solution would be to allow PCWs to have remote access to its online quotation tool in order for them to have real-time access to microbusiness prices.
171. EDF Energy supported the manual approach for information transfer (between suppliers and PCWs) via a secure portal. It told us that its online quotation tool posed no barrier to the development of PCWs. It would also be willing to provide PCWs with price lists.
172. Scottish Power told us that it could design its new online price quotation tool in a way that would allow PCW entry and expansion including the use of credit reference checking. It would also be willing to provide prices (or information in a standardised format) to any PCW, subject to its standard commercial terms.
173. SSE told us that some of its processes with PCWs were automated, but that it may be possible to enhance this through an interface with PCWs, as greater automation would allow PCWs to develop. It said that it had consistently and positively engaged with PCWs that were looking to enter this segment and provided prices to existing PCWs.
174. E.ON told us that issues with functionality on its online quoting tool could be overcome, and that it could provide information to PCWs in a standardised format. It added that the key issue for PCWs was to ensure consistency of

pricing methodologies across the market to ensure that customers could compare like with like.

175. RWE told us that it could overcome any functionalities on its online quotation system that may prevent a PCW from obtaining a quote on behalf of a customer, however there would be an associated cost to reflect the levels of complexity that would need to be overcome. The product would also need to be standardised in order to ensure like for like comparisons.
176. Ecotricity told us that if the remedy were implemented, it thought suppliers allowing access to PCWs would mean less work for suppliers.
177. Energy said that harmonising prices across channels would lead to cross subsidization, which would be a fundamental and interventionist policy that would cause harm to those microbusiness customers that were engaged and for which competition was working. In addition, it would damage TPIs and reduce overall levels of engagement by bringing to them a new source of harm.
178. Haven Power said that it did not support any harmonisation of prices across channels.
179. Parties also made a similar point about harmonising prices between internal (telephone sales, online) and external sales channels (PCWs, TPIs).
180. Centrica said that this would reduce customer choice and as it would be less able to price its contracts on offer in a cost-reflective manner because different sales channels had different operating costs. It added that it could cost suppliers different amounts to work with different TPIs (not limited to different commission levels). It also said that harmonisation would also restrict TPIs' commission from being recovered through the energy price. Therefore, there was a risk that this could impact competition in the TPI market and could stifle innovation among TPIs by reducing opportunities for the provision of value-added energy management services.
181. [✂]
182. SSE said that if the prices offered by TPIs and PCWs were limited to the same as those offered directly by the supplier, this would reduce the commercial incentives for TPIs and PCWs, and could also lead to a reduction in customer engagement.
183. E.ON said that harmonisation would not reflect the different cost bases of different channels.



184. RWE said that its broker commissions were added to the price as uplift. If prices were to be harmonised then this implied that broker channel commission costs would need to be recovered across all prices. RWE believed that prices should reflect the route to market that the customer had chosen.
185. Gazprom opposed harmonisation and said that suppliers should be allowed to offer more competitive cost-reflective pricing.
186. Opus Energy said that harmonising prices between internal and external sales channels might harm the development of PCWs and restrict TPI activity.

***Parties' submissions of the estimated set up costs to build an online quotation tool***

187. [REDACTED] estimated that the modifications to its online quotation tool for the remedy were likely to cost approximately [REDACTED] within 12 months, depending on the scope of the remedy. [REDACTED]. It said that if half-hourly customers were mandated, its development costs would rise to [REDACTED] with additional expenditure required to maintain application performance standards as a result of storing and processing more data.
188. Most recently, [REDACTED] told us that it would not face any additional costs to comply with the remedy. However, it had already budgeted for certain costs (not concerning this remedy) – its projected costs were about [REDACTED] for the next phase of development and with additional enhancements that might be developed this could increase to [REDACTED] over the next 18 months. It had spent approximately [REDACTED] developing its new quotation tool over the last 12 months.
189. [REDACTED] did not currently have an online system. However, in order for it to develop one to comply with this remedy, it estimated that it might cost approximately [REDACTED], and might take six months to deploy. It subsequently increased its estimate to [REDACTED] for a system that would provide quotes for simple meters with up to three meter registers, as per the Relevant Segment.
190. [REDACTED] said its new online quotation tool, which would be operated by a third party, would appear to comply with the remedy so any additional costs should be minimal. In relation to online quotation tools on supplier websites, [REDACTED] said that if the CMA were to allow suppliers to determine their required information inputs, then the changes required to its online quoting tool would be minimised and it would take [REDACTED] around [REDACTED] months to modify its online quotation tool. However, it also said that if the CMA were to require suppliers to provide quotes based on specified information inputs (postcode and consumption), then [REDACTED] online quoting tool would require significant new

development. In this case, [redacted] estimated its costs to exceed [redacted] plus business change costs, taking a minimum of [redacted] months to complete. It added that quoting for half-hourly customers would require a new system linked to live prices and would not be practical or possible without a complete system replacement. [redacted] also told us that its current business-as-usual costs (not concerning this remedy) for the online quotation tool were in the range of £[redacted] over the next [redacted] months.

191. [redacted] estimated the costs of the online quotation tool to be in the order of approximately £1 million and would take at least [redacted] to deliver. It added that its company-wide system operating cost was around [redacted], of which the online quotation tool was just one part.
192. [redacted] found it difficult to give a firm view of potential costs to adjust its online quotation tool, given the remedy. However, it said some of the options that the CMA seemed to be considering might require a change to or even replacement of [redacted] billing systems at a likely cost of tens of millions of pounds. [redacted]. However, subsequent to the consultation on the Relevant Segment, [redacted].
193. [redacted] told us that it already had an online quotation tool for electricity customers in profile classes 3 and 4 on a single rate or Economy 7 meter, which could be accessed by entering postcode and usage only. On the assumption that no other prescriptive requirements appeared in the final remedy then there will be minimal costs. Good Energy did not currently provide quotes for business gas, but should this change then amending the quotation engine should be reasonably straightforward. [redacted] told us [redacted].
194. [redacted] told us [redacted].
195. [redacted] told us that the costs of building an online tool would be [redacted] and would take 6 to 12 months to complete.
196. [redacted] said that it did not have an online quotation tool. Therefore the costs of developing or buying a new system would be significant.
197. [redacted] did not currently have an online quotation tool. It estimated the costs of developing an online tool at between [redacted].
198. [redacted]
199. [redacted] told us that it did not believe that this remedy was feasible for a variety of reasons and any decision to proceed with the proposals would require significant investment in IT infrastructure, processes and additional staff. Given the already considerable burden placed on suppliers by a number of

complex, long-running and resource-intensive industry changes, as well as, in BES Utilities' case, the development and implementation of a new CRM and billing database, it considered that such a remedy at the present time would almost certainly lead to consumer detriment.

200. [REDACTED] told us that it believed that its current online quotation tool may need to be modified to meet all the functional requirements set out in the proposed remedy. However, without sufficient time to undertake a full review [REDACTED].
201. [REDACTED] said that costs to develop an online system for the Relevant Segment would take approximately seven to nine months in total. Development would be done using agile methodology, providing an initial draft version in four months. It estimated that the cost for this would be [REDACTED].
202. [REDACTED] told us that it had not planned to develop an online quotation tool. It was also unable to provide a quote because it said that there were too many unknown variables.

***Parties' (certain independent suppliers and TPIs) concerns about the remedy***

203. Dong Energy said that it welcomed the CMA's consultation document and fully supported the CMA's proposed remedy to encourage greater price transparency and competition within the microbusiness segment. It added that the remedy could indeed induce more competition in this area and offer microbusiness customers a better market overview as well as a good alternative to TPIs.
204. Corona Energy told us that it offered bespoke contracts that enabled it to tailor contracts as close as possible to the prevailing market prices with metering and network costs built into the prices. An online quoting tool's costs would far outweigh the benefit delivered to the customers.<sup>24</sup> Ecotricity, Utilities Savings Ltd (a TPI) and ICoSS (a trade body for I&C customers) made a similar point about bespoke contracts.<sup>25</sup>
205. [REDACTED]
206. Total said that forcing tariffs into the non-domestic market was not in the best interests of consumers. It added that it was preferable to allow suppliers to continue with the existing practice of offering bespoke quotations allowing them to take into account prevailing market conditions and underlying costs as this was more likely to be in customers' best interests. This was because a

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<sup>24</sup> [Corona Energy's response to the Remedies Notice.](#)

<sup>25</sup> [Responses to the Remedies Notice.](#)

bespoke quotation would attract lower risk premia and was therefore likely to be the best price that the customer could be given for their required service.

207. BES Utilities told us that it did not operate an online quotation facility for microbusinesses and felt strongly that this was neither feasible nor beneficial for consumers.
208. [✂]
209. Inenco told us that increased regulation of TPIs, not price transparency, would increase engagement.<sup>26</sup>

### **Parties responses to the provisional decision on remedies**

210. In this section we set out the responses to the price transparency remedy that we have received in response to the provisional decision on remedies. We also note that a summary of these responses is set out in paragraph 17.28 of the final report.

### ***EDF Energy's submission on rate cards***

211. EDF Energy agreed that an online tool would be the preferable route to access prices for most consumers on the basis that online tools would be most up to date. It added that these online tools should ideally still be supported by the publication of simple rate-cards. It said this would be for the benefit of those consumers who were reluctant to use an online tool, which could be the case if they were a time-poor microbusiness.<sup>27</sup>
212. We are not minded to require suppliers to publish rate cards or price lists for reasons outlined in paragraphs 17.19, 17.49 and 17.50 of the final report). We believe that the simplicity of the online quotation tool (as specified in the design of the remedy) will allow even unsophisticated or time-poor customers to easily access and discover prices. For example, a customer will only need to enter two pieces of information in order to obtain a quote. We believe this will be far less time consuming than if a customer were to analyse rate cards (price lists).

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<sup>26</sup> [Inenco's response to the Remedies Notice.](#)

<sup>27</sup> [EDF Energy's response to the provisional decision on remedies.](#)

## **Scottish Power's, Haven Power's and Utility Warehouse's submissions on published prices**

213. Scottish Power told us that it would be concerned regarding the effectiveness of the price transparency remedy if the prices disclosed on the quotation tool or third party platforms were not final (so that customers could negotiate discounts on the disclosed price). It said that suppliers could potentially circumvent the remedy by disclosing relatively high prices and then offering lower prices in the form of discounts to customers who chose to negotiate. Consequently, microbusinesses could feel less confident using PCWs, since they would not be sure whether the PCW was quoting the best deal.<sup>28</sup>
214. Haven Power told us that it was not convinced that the requirement to publish the prices of contracts would increase price transparency. Moreover, it said that a 'price cap' could arise as an indirect result of this remedy because published prices would be less competitive than a negotiated prices (ie negotiated directly with a supplier over the telephone or via a third party). It added that it may not be obvious to a customer whether it would be eligible for an online quote.<sup>29</sup>
215. Utility Warehouse told us that any general published tariffs would have to include a 'margin of safety', and therefore this would lead to higher prices for the 'most attractive customers', with little benefit for the 'less established customers'.
216. We do not consider that the effectiveness of the price transparency remedy would be undermined by having negotiable prices. We note that suppliers will have an incentive to disclose prices that are competitive.<sup>30</sup> For example, a supplier that consistently disclosed higher prices (eg in the upper quartile compared to its competitors) for a given set of inputs, would likely achieve lower sales conversion rates<sup>31</sup> than a supplier that disclosed lower prices (eg in the lower quartile). Therefore, a supplier that wanted to be competitive and increase its market share would not have a strong incentive to disclose relatively high prices in the first place.
217. We do not believe that average prices or prices across the market would be higher as a result of this remedy, compared to a market (such as the one that currently exists) with a lack of price transparency where contract prices are individually negotiated. The disclosure of competitive prices would give

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<sup>28</sup> [Scottish Power's response to the provisional decision on remedies.](#)

<sup>29</sup> [Haven Power's response to the provisional decision on remedies.](#)

<sup>30</sup> Prices that are not relatively high compared to those of its competitors.

<sup>31</sup> Conversion Rate = Total Number of Sales / Number of Unique Visitors \* 100.

customers a useful benchmark on which to negotiate further (with multiple suppliers), or accept that competitive price as final.

218. The remedy will also lead to an increase in price transparency because suppliers will be required to disclose the prices of all their available acquisition and retention contracts (see paragraph 17.23 of the final report). Furthermore, the evidence that we have gathered suggests that suppliers will be able to easily identify customers in the Relevant Segment. Hence, even if customers in the Relevant Segment were initially unaware that they were eligible for online quotations, we note that such customers are more likely (than the larger ones who prefer to contract over the telephone) to seek online price disclosures. Moreover, once price transparency becomes the norm (as a result of our remedy), we believe that customers will make greater use of the online price disclosures through this positive feedback loop.

### ***RWE's and Haven Power's submissions on credit checks***

219. RWE said that it was concerned quoted prices would be subject to a credit check.<sup>32</sup> Instead, it proposed that credit checks be done before a price (quotation) was generated.<sup>33</sup> It justified its position on the basis that quoting prices before a credit check could lead to higher prices, as a result of the increased risk of suppliers not being able to ascertain a business customer's creditworthiness. It added that businesses with a good credit history would not necessarily get the best price available to them.<sup>34</sup> Haven Power told us that non-domestic suppliers may choose not to contract with certain types of business, for example high risk business types or customers based at home.<sup>35</sup>
220. RWE also said that a high number of product offers could be withdrawn following the credit check. It added that this could lead to customer frustration and increased customer disengagement as a result of misleading price comparisons.<sup>36</sup> Haven Power added that if customers were not credit checked in advance of obtaining a quote, there was further opportunity for poor consumer experience when the customer found they were not eligible for the tariff quoted or they were expected to pay a security deposit in advance. It also said that this 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.<sup>37</sup>

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<sup>32</sup> RWE considered this to be a post-sale activity.

<sup>33</sup> [RWE's response to the provisional decision on remedies.](#)

<sup>34</sup> [RWE's response to the provisional decision on remedies.](#)

<sup>35</sup> [Haven Power's response to the provisional decision on remedies.](#)

<sup>36</sup> [RWE's response to the provisional decision on remedies.](#)

<sup>37</sup> [Haven Power's response to the provisional decision on remedies.](#)

221. We note that prices will not necessarily be higher for customers (including those with good credit histories) if price quotations are generated before a credit check. First, a customer with a good credit history could obtain a better price (than that initially quoted) because the price quotations can be negotiated downwards (see paragraph 17.56 of the final report). A supplier could offer a lower price to such a credit worthy customer via its online tool (automatically) or offline channel as the customer will have the option of calling a supplier to negotiate a better price.<sup>38</sup> Second, if all suppliers are generating price quotations before a credit check (as the remedy stipulates), then this creates a 'level playing field' among suppliers, who will have an incentive to generate competitive (not relatively higher) prices (see paragraph 216 above).
222. We do not agree with RWE's contention that a significant number of offers would be withdrawn following a credit check. First, this statement incorrectly assumes a significant proportion of non-domestic customers would fail a reasonably designed credit check (ie customers would not be able to pay their energy bills). If this assumption were true, we would expect to see relatively low EBIT margins<sup>39</sup> (or negative EBIT margins) in the SME markets, which include the microbusiness segments. However, we observe that suppliers have earned the highest EBIT margins on their SME customers (includes microbusinesses), compared to I&C and domestic customers from FY 2009 to FY 2014.<sup>40</sup> We also observe higher average revenues and gross margins for smaller non-domestic customers compared to larger ones.<sup>41</sup>
223. Second, in instances where a customer failed a credit check, suppliers could use a number of ways to manage credit risk (see paragraph 17.58 of the final report) without necessarily withdrawing the offer. For example, a supplier could take a security deposit, and still contract at the quoted price. These options will not result in a disappointing consumer experience. Moreover, potential customers would already be aware that the quoted prices will be subject to a credit check, and this should manage their expectations.
224. Third, we also note that none of the other suppliers have objected to generating and disclosing the prices, before a credit check. We also observe that the other Six Large Energy Firms<sup>42</sup> that currently have online quotation tools disclose their prices of contracts, subject to a credit check. Hence, this

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<sup>38</sup> The design of the remedy also allows a supplier to take account of an existing customer's credit history.

<sup>39</sup> Bad debt charges would be included in EBIT margins, and thus reflect the financial performance from bad debt risk.

<sup>40</sup> Final report, Appendix 16.1, paragraph 162.

<sup>41</sup> Final report, Appendix 16.1, paragraph 175.

<sup>42</sup> Centrica, SSE, EDF Energy and E.ON.

approach currently adopted by these Six Large Energy Firms with regards to credit risk is consistent with the requirement of the price transparency remedy.

### ***Inenco's submission on the price transparency remedy***

225. Inenco said that the CMA had fundamentally misinterpreted the reason for the current state of competition in the SME energy market and the drivers of current levels of engagement. It therefore considered that there was a risk of the price transparency 'destroying switching' by putting 1,400 TPIs and a growing number of new entrant suppliers being put at risk. Inenco believed this was due to the Six Large Energy Firms being able to game the remedy by taking advantage of activity via online quotation tools on their websites. It said that this would result in customer engagement being reduced. It added that this would allow the Six Large Energy Firms to be able to withdraw existing TPI support and stop dealing with TPIs.<sup>43</sup>
226. We disagree with Inenco's position. For the avoidance of doubt, we are not restricting suppliers to contract with TPIs. Moreover, we are also permitting the price of the same contract to differ by internal and external channel. For example, each TPI could sell the same contract at a different price. Therefore, the requirement for suppliers to disclose the prices of the available contracts will not hinder the abilities of TPIs to continue to offer their services in the market.

### ***EDF Energy's submission on differing prices between TPIs and suppliers***

227. EDF Energy said that the CMA should consider the implications of suppliers not having control over what prices customers were actually quoted by TPIs due to the uplifts in price to cover commissions that were sometimes applied to prices quoted by TPIs. This meant that the prices shown may not be the same as those that were available direct from the supplier. It added that there was also no requirement on TPIs to display the prices provided to them by suppliers. According to EDF Energy, this demonstrated the need for consistency in regulation between suppliers and TPIs.<sup>44</sup>
228. We are not minded to regulate the prices between suppliers and TPIs. We note that the prices of available contracts can differ by channel. This will allow competition between channels, so that customers will be able to choose the lowest cost contract offered by a supplier and channel (see paragraph 17.50 and 17.56 of the final report).

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<sup>43</sup> [Inenco's response to the provisional decision on remedies.](#)

<sup>44</sup> [EDF Energy's response to the provisional decision on remedies.](#)



**Centrica, RWE's, Utility Warehouse's and Opus Energy's submissions on increased search costs**

229. Centrica told us that it supported this remedy. However, it had concerns about whether the proposed remedy would reduce search costs. It noted that the requirement to disclose 'all available' contracts could result in an extremely long list of available contracts which would not be helpful for customers.<sup>45</sup>
230. Centrica added that the list would increase exponentially if all permutations of possible contractual features (eg payment term), product bundles (eg service & repair contracts) and discounts (eg dual fuel, multi-site or online) - applicable to each of those basic structures - were required to be shown as discrete products. It said that this would result in very long lists of potentially hundreds of products. It added that it would constrain the ability to provide tailored services to meet any individual customer's bespoke requirements (eg different billing arrangements) as it would first have to make it available online.<sup>46</sup>
231. Therefore, Centrica suggested that the CMA consider either:
- (a) limiting the number of products/contracts suppliers are required to show from the primary inputs. For example, Centrica recommended a one-year fixed-price contract with standing charge and payable by direct debit because it said that the majority of customers on fixed-term contracts choose this product. It added that this product could then be tailored to reflect customer preference using secondary information; or
  - (b) allowing suppliers to increase the number of primary information inputs, such as by including payment type and contract type (eg fixed-term or variable), thus allowing products to be tailored to reflect customer choice at the start of the search process, enabling a shorter, more appropriate list of products and prices to be displayed. It could then be refined using secondary inputs.<sup>47</sup>
232. RWE also said that the microbusiness customers would encounter a long list of available contracts, based on the search results of the primary information inputs. RWE said that the contract start date and credit checks should be additional primary information inputs.<sup>48</sup>

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<sup>45</sup> [Centrica's response to the provisional decision on remedies.](#)

<sup>46</sup> [Centrica's response to the provisional decision on remedies.](#)

<sup>47</sup> [Centrica's response to the provisional decision on remedies.](#)

<sup>48</sup> [RWE's response to the provisional decision on remedies.](#)

233. Utility Warehouse told us it would be impractical to expect suppliers to list all available tariffs due to the number of different metering arrangements and consumption profiles and creditworthiness of each customer. It added that there was a risk that these rules could put suppliers off competing in the market, thus reducing customer choice.
234. Opus Energy said that bespoke contracts negotiated between the supplier and customer should be excluded from the scope of this remedy. This was because the online quotation tool would have to disclose the prices of thousands of contracts, and customers would find this unhelpful and therefore it would make the remedy unworkable.<sup>49</sup>
235. We are not minded to limit the number of products or contracts from the scope of this remedy. First, such a measure would hinder the key aim of this remedy, which is to increase price transparency of contracts. Second, we believe that the current design of the remedy will reduce, not increase, search costs (see paragraph 17.25 and 17.67 and of the final report). For example, a customer will be able to access the prices of all available contracts by just entering two pieces of relatively straightforward information; and customers will be able to easily filter the results by using the secondary information inputs. This will simplify the search and price discovery process, thus increasing price transparency. Third, the design of the remedy will also make the remedy workable both for suppliers and customers.
236. We are not minded to increase the number of primary information inputs. We believe that the requirement to disclose the prices of contracts with just two primary information inputs<sup>50</sup> would not confuse customers, nor would it prevent suppliers from selling bespoke contracts (eg with different billing arrangements). Hence, payment type, contract type, contract start dates, product bundles or any other field can be included as secondary information inputs (see paragraph 17.51 of the final report). This will filter the results (even if they are long) from the primary information inputs, thus making the tool easy to use and navigate for customers. Additionally, the customer will also have the option of calling the supplier if it wanted to tailor that individual contract even more.
237. We also note that if credit checks were included as a primary information input, it would significantly slow down the price discovery process because the microbusiness customer would have to enter a large number of inputs into the online tool, most of which would relate to the credit check. This would contrast with the current design of the remedy that requires only two primary

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<sup>49</sup> [Opus Energy's response to the provisional decision on remedies.](#)

<sup>50</sup> Postcode (followed by address selection) and consumption.

information inputs. Moreover, the supplier will also have the option to alter the price of an initial quote, if a customer failed a credit check.

***RWE's submissions on 'all available contracts'***

238. RWE said that it was essential that the design be clear about when a product was available to be quoted online. It added that the remedy design should make clear where a product had been designed to be sold exclusively offline, and that these products should not be listed on the online quotation tool. It gave examples of bespoke negotiated products that were sold through telesales or through TPIs that should fall outside the scope of this remedy. RWE's grounds for excluding these contracts (for these products) was that the prices agreed with the customers were subject to obtaining further information from them and would be bespoke between the supplier and the customer. It clarified that the negotiated aspect of such products meant that online quotation tools could not offer these products.<sup>51</sup>
239. We are not minded to incorporate RWE's suggestion into the design of the remedy.
240. First, if we were to do so, it would allow suppliers to circumvent the price transparency remedy. For example, suppliers could choose to sell most of their contracts 'exclusively offline' without having to disclose the prices of those contracts. For the avoidance of any doubts, we are not placing restrictions on suppliers selling contracts via their telephone sales or TPI channels. However, the remedy will require suppliers to disclose the prices of those contracts, which can differ by channel and be negotiable (see paragraph 17.51 of the final report). This will not only increase price transparency, but also allow competition by channel. Hence, it will not undermine telephone sales or TPI channels.
241. Second, customers in the Relevant Segment will be able to tailor contracts to make them bespoke to them by using the secondary information inputs as filters. Suppliers will be able to add in any number of secondary information inputs (see paragraph 17.51 of the final report).
242. Third, customers in the Relevant Segment primarily include the smaller end of non-domestic customers, who prefer straightforward contracts that can be automated in an online quotation tool. Non-domestic customers not in the Relevant Segment, such as the larger microbusinesses who prefer bespoke

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<sup>51</sup> [RWE response to the provisional decision on remedies.](#)

contracts, are not included within the scope of this remedy (see paragraphs 17.35, 17.36, 17.40, 17.42 and 17.43 of the final report).

243. Fourth, customers requiring further tailoring of contracts (than what is offered in the online quotation tool) could call the supplier to complete the quotation process.
244. Last, we note that in respect of purely the supply of energy, the key aspect that is negotiated between the supplier and customer is price, which can be disclosed in the online quotation tool. Additional services or bundled products can be incorporated in the secondary information inputs (see paragraph 17.51 of the final report). Therefore, we do not agree with the assertion that the 'negotiated aspect of bespoke contracts' prevents suppliers from disclosing the prices of such contracts.

### ***FSB's submission on limiting the number of contracts***

245. The FSB told us that all energy companies should be required to publish at least one comparable variable tariff, one comparable out-of-contract tariff and one comparable deemed tariff on their websites. It said this would provide a benchmark of top-end prices that could be directly compared across the market. It also argued for consistency of terms and conditions on such contracts.<sup>52</sup>
246. Our position is not to compel suppliers to sell and publish the price of any particular type of contract. This should be the prerogative of the supplier, who should be able to determine which market or niche to cater for. Moreover, suppliers will be required to publish the prices of all their available acquisition and retention contracts; and customers will be able to easily compare prices using the secondary information inputs as filters.

### ***SSE's, Centrica's and RWE's submissions on half-hourly settlement and the sunset clause***

247. SSE told us that half-hourly settlement for classes 1 to 4 risked creating excessive complexities and costs. It said that as currently designed, the proposed remedy would continue to apply once profile classes 1 to 4 moved to half-hourly settlement. It added that the requirement to provide quotes for all acquisition and retention tariffs/contracts (in the online quoting tool) for half-hourly settled microbusiness customers would likely prevent suppliers from introducing new tariffs (such as time-of-use tariffs) and increasing choice

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<sup>52</sup> [FSB's response to the provisional decision on remedies](#).

for customers. It added that it would be too complex to include all possible tariffs/contracts in the simple online quoting tool. SSE therefore suggested that the CMA introduce a review clause, ahead of the move to half-hourly settlement to reassess the practicality, effectiveness, proportionality, and potential disadvantages of this remedy.<sup>53</sup>

248. RWE suggested a sunset clause, for the price transparency remedy, that aligns with the introduction of mandatory half-hourly settlement. It said that simple online quotation tools would be less relevant following the introduction of mandatory half-hourly settlement, as customer consumption data would be needed to assess the suitability of different products and to provide quotes to them. RWE said that the CMA should make clear how the remedy would be changed in these circumstances.<sup>54</sup>
249. Centrica strongly disagreed with the inclusion of half-hourly customers in the price transparency remedy due to the complexity it would drive in the design if half-hourly data was required as an input, and its retrograde nature if half-hourly data was not required to be used as an input. As such, it also recommended the inclusion of a sunset clause to align with any mandatory implementation of half-hourly settlement for profile classes 1 to 4.<sup>55</sup>
250. For the avoidance of any doubts, the Relevant Segment excludes non-domestic customers that are half-hourly settled, as it includes non-domestic customers in profile classes 1-4, who are not half-hourly settled. We also note that there is currently no firm plan to move microbusiness customers to half-hourly settlement (see Section 12 of the final report). But if such a plan to move customers to half-hourly settlement were to be implemented, we note that there could be few or none non-domestic customers falling in profile classes 1 to 4. ie the profile class element of the Relevant Segment (see paragraph 17.76 and 17.80 of the final report) may no longer be appropriate. Nevertheless, we have not included a sunset provision with regards to the price transparency remedy. However, the Relevant Segment of microbusiness customers for this remedy may be subject to review (see paragraph 17.80 of the final report).
251. We have not included a sunset provision on two grounds:
- (a) First, absent the price transparency remedy, the detriment and AEC would persist (see paragraph 17.80 of the Final Report). Even if we were to accept RWE's argument that microbusiness customers (including the

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<sup>53</sup> [SSE's response to the provisional decision on remedies](#)

<sup>54</sup> [RWE's response to the provisional decision on remedies](#).

<sup>55</sup> [Centrica's response to the provisional decision on remedies](#).

small ones) would be less likely to use online quotation tools to enter into contracts, we believe that customers would still be interested to compare prices online, and would thus continue to use the online quotation tools to obtain a useful benchmark for their price negotiations.

(b) Second, it should be technically feasible (in a cost effective manner) for suppliers to continue to disclose the prices of their available contracts (including time of use tariffs and other new contract types) to their microbusiness customers, even when half-hourly settlement is fully implemented.

252. Regarding the technical feasibility after half-hourly settlement is fully implemented, we note that if suppliers will be able to offer quotations via offline (eg telephone) channels,<sup>56</sup> then it should be technically feasible to automate this process in an online quotation tool. Hence, we believe that the implementation of half-hourly settlement should not prevent suppliers from introducing new contracts (such as time-of-use contracts) in the online quotation tool.
253. We recognise that suppliers may have to modify their existing online quotation tools to continue to offer online quotations to half-hourly settled microbusiness customers, and that this would incur a cost. However, we do not consider that the costs would be significant. This is because suppliers would essentially have to modify the quotation systems used by their internal telephone sales (the internal interface). Suppliers would have to modify this internal interface irrespective of the price transparency remedy. However, in order to continue complying with this remedy, the key system related cost for suppliers would relate to making the internal interface (used by telephone sales staff) available to external users (microbusiness customers) via the online quotation tool or linked to third party online platforms. We do not consider that this modification to the interface would be a significant cost. Separately, even if suppliers had to build a brand new system only to comply with this remedy, the costs for the 30 suppliers would not be significant compared to the size of the annual detriment of £183 million.
254. We also note that it would not be onerous for suppliers to modify their system. This is because they would have adequate time (eg until 2020 or later) to start any modification process to begin catering for the market of the medium term future with half-hourly settlement.

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<sup>56</sup> To half-hourly microbusiness settled customers.

### ***Citizens Advice's submission on the Relevant Segment***

255. Citizens Advice said that the scope of the price transparency remedy should apply to microbusiness customers as defined by Ofgem's Standard Licence Condition (SLC) 7A. It said that aside from the detriment resulting in some of these consumers not being covered by the remedy, it added that there could be complications for suppliers in terms of the differing definitions of microbusiness customers, the costs of which would be passed onto all non-domestic consumers.
256. We are not minded to amend the definition of the Relevant Segment. First, the Relevant Segment includes a significant majority of microbusiness customers (see paragraph 17.21 of the final report), and we also note that the evidence that we have gathered suggests that the detriment is more likely to be concentrated among smaller non-domestic customers rather than the larger ones (see paragraph 222). Second, suppliers will not find the Relevant Segment complicated. On the contrary, we understand that suppliers have clearly understood and support the Relevant Segment (see paragraph 17.28 of the final report).

### ***Citizens Advice's submission on prices of default contracts***

257. Citizens Advice told us that the CMA should suggest that Ofgem review the prices of default contracts such as auto-rollover and deemed contracts. It said that the prices of these contracts were not fair and not competitive, and that the prices of these contracts did not accurately reflect the risk undertaken by suppliers.<sup>57</sup>
258. We are not minded to recommend Ofgem that it conduct a review of the prices of default contracts. However, if Ofgem were to consider that such a review were necessary, then that decision would be up to Ofgem. We note that our package of remedies, which will address the Microbusiness Weak Customer Response AEC, will prompt customers on default contracts to engage in the microbusiness segments, and will also reduce the barriers to switching that customers on default contracts (especially those on auto-rollover contracts) currently face. This will result in customers switching from the higher priced default contracts onto the relatively lower priced acquisition and retention contracts (see paragraph 17.119 and 17.297 of the final report).

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<sup>57</sup> [Citizens Advice's submission to the provisional decision on remedies.](#)

### ***EDF Energy's submission on implementation deadlines***

259. EDF Energy suggested that a quicker implementation could be achieved with regards to suppliers who chose the PCW option of price disclosure. Therefore, it recommended a phased approach.<sup>58</sup>
260. We are not minded to amend the implementation deadline. First, a single implementation deadline will be consistent for the microbusiness segments and thus result in less confusion for suppliers and customers. Second, a single deadline makes an allowance for suppliers that initially opt for the online quotation tool option, but then later opt for the third party platform option. Such suppliers would not be compelled to enter into hasty contracts with third party platform providers. It also makes an allowance for those suppliers that choose to disclose prices of contracts through both these means – online quotation tool and third party online platforms.

### ***E.ON's submission on OOC contract disclosures***

261. E.ON told us that the best place for suppliers to disclose the prices of OOC contracts would be within the terms and conditions of other tariffs. It said that this would act as an early indication of what would be charged in those circumstances. It also said the CMA's decision that allowed these to be disclosed outside of the online quotation tool was a sensible approach.<sup>59</sup>
262. We note that suppliers will be permitted to determine the online location of where they choose to disclose the prices of their OOC contracts. This will increase the price transparency of such contracts.

### ***SSE's submission on the primary information inputs***

263. SSE clarified that a number of meter points would be associated with one postcode making it impossible in practice to determine MPAN/MPRN from the postcode alone.<sup>60</sup> It said that the most reliable approach would be for customers to use their MPAN/MPRN, which were included on the bills. It said that customers would most likely be using bills to access their consumption information for the online quote. Alternatively, it added that the system could operate on a postcode look-up, where a customer entered its postcode and then selected the full address from a dropdown list.<sup>61</sup>

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<sup>58</sup> [EDF Energy's response to the provisional decision on remedies.](#)

<sup>59</sup> [E.ON response to the provisional decision on remedies.](#)

<sup>60</sup> [SSE's response to the provisional decision on remedies.](#)

<sup>61</sup> [SSE's response to the provisional decision on remedies.](#)



264. SSE also said that postcode based quotes could lead to quotes being provided for the wrong business if there was more than one business and meter point located at one address. This could lead to negative switching experiences and an increase in erroneous transfers, which could have a detrimental impact on customer engagement and switching.<sup>62</sup>
265. We clarify that customers will have to select their address (eg via a dropdown menu), once they enter their postcode (see paragraph 17.52 of the final report). This will allow the system to locate the specific meter. Moreover, we have also permitted the MPAN and MPRN as optional inputs (see paragraph 17.53 of the final report). This will allow customers to use these inputs if there is more than one meter or business at a specific address. Nevertheless, we also understand that single sites with single meter points constitute a significant majority of meters within the Relevant Segment. Therefore, the design of the remedy will not lead to negative switching experiences and will not lead to an increase in erroneous transfers.

### ***E.ON and RWE's submissions on comparison of prices***

266. E.ON suggested that online quotation tools should ensure a like-for-like comparison of prices to ensure customers could simply compare alternatives. It highlighted the differing approaches by suppliers to 'pass through' costs elements such as feed-in-tariffs, electricity market reform costs and renewable obligation costs, with some including them as fixed costs within the contract and others varying them as costs change in the course of the contract.<sup>63</sup>
267. RWE also told us that the remedy should cover contracts for microbusiness customers that are subject to pass-through of feed-in-tariffs and capacity charges. It added that some suppliers only provided prices of these contracts for one year, even if the contract was for more than one year. It said that this made it harder for customers to make like-for-like comparisons between quotations.<sup>64</sup>
268. We note that suppliers will be required to be transparent with regards to their pass-through costs. In addition, suppliers will be required to provide a quote for the duration of the contract (see paragraph 17.56 of the final report).

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<sup>62</sup> [SSE's response to the provisional decision on remedies.](#)

<sup>63</sup> [E.ON response to the provisional decision on remedies.](#)

<sup>64</sup> [RWE's response to the provisional decision on remedies.](#)