Centrica response to the CMA's Formal Consultation on the Energy Market Investigation (Microbusiness) Order 2016

18 November 2016

Response

We are grateful to the CMA for adjustments it has made to the Draft Order and Draft Explanatory Notes further to our comments in response to the informal consultation. We have outstanding issues that we would like to raise:

1. **Ambiguity regarding the term "total contract price" in the Draft Explanatory Note**

We understand that the CMA's intention with the use of the terms "Required Price Information" and "Initial Quotes" is to compel suppliers to display all relevant charges that would constitute a contract to supply. For example, a supplier would need to display the standing charge and unit rate, should both apply.

We are concerned that the CMA risks creating confusion by its proposed use of the term "total contract price" in the Draft Explanatory Note. If this was interpreted literally, we do not believe that the requirement to display the "total contract price" would be possible to fulfil, because the term "total contract price" is singular, whereas there may be multiple prices/charges that constitute the contract. It would not be possible to provide a single contract "price" based on the consumer's previous consumption, since consumption would be variable. Neither is it the CMA's intention to compel suppliers to provide an estimated total contract *cost* incorporating all charges based on an estimate of consumption.

We therefore recommend that the CMA removes reference to "total contract price" from the Draft Explanatory Note and only refers to "each separate combination of Standing Charges, Unit Rates and all other associated charges per Electricity Meter and Gas Meter" as it does in the Draft Order.

2. **The provision for the concept of an "Out of Contract Contract" is confusing and unnecessary, and the definition of an "Auto-Rollover Contract" may unintentionally capture contracts that do not have further fixed term periods**

We do not believe that an "Out of Contract Contract", as being a distinct concept from either an Evergreen Contract or a Deemed Contract, exists. If a customer enters a Fixed Term Contract without a Rollover Clause and stays with the supplier beyond the Initial Period, then the customer still remains under contract under the definition of an Evergreen Contract. We therefore recommend that the CMA removes reference to Out of Contract Contracts and relies on the concept and definition of an Evergreen Contract.

We are also concerned that the CMA's definition of an "Auto-Rollover Contract" may unintentionally capture contracts that revert to Evergreen status beyond the Initial Period. We therefore recommend that the CMA redefines an Auto-Rollover Contract as one that contains an Initial Period and a Roll-Over Clause that provides for a Rollover Period that is of fixed duration.

3. **Unintended consequences arising from the "double filtration" requirement that will drive customer dissatisfaction and complaints**

We understand that it is the CMA's intention for customers to be provided with all available prices based on their Primary Information, and then allow for further refinement of available prices based on the inputs of further information as a second step. The Primary Information is postcode and consumption details, with alternatives should they not be available.

Suppliers may offer prices that are only available to existing customers, or only to new customers, or both. It is not always possible to identify a single customer/premises with reference to the Primary Information. For this reason we believe that the CMA may unintentionally compel suppliers to provide price information to a customer that is not available to that customer, on the basis that it is not possible to tell whether the customer is new or existing. We believe that displaying unavailable price information to customers will drive customer dissatisfaction and complaints. We therefore recommend that the CMA provides for suppliers to be able to include a question asking whether a customer is new or existing at the same time as the input of the Primary Information.