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17.11.16

Dear David

## Re: The Energy Market Investigation (Microbusinesses) Order 2016

[Make It Cheaper](#) is in an ideal position - as a dominant intermediary in the energy market - to offer insights into the buying behaviour of microbusinesses and we welcome the opportunity to contribute to this stage of the CMA's Energy Investigation. With over 60,000 small business energy contracts currently under management, Make It Cheaper is ranked #1 SME TPI (Small & Medium Enterprise Third Party Intermediary) in the UK by leading industry analysts - Cornwall. We are the only utility broker trusted by comparison sites like Go Compare, MoneySupermarket and uSwitch to look after their business customers and we also have an exclusive partnership with the Federation of Small Businesses to advise its 200,000 members on buying their energy ([www.fsbenergy.org.uk](http://www.fsbenergy.org.uk)).

The CMA's Price Transparency Remedy is a bold move to stimulate wider market engagement and encourage SMEs to go online in search of a better deal. However we strongly recommend that it is implemented in tandem with a solution to overcome the key barrier that currently frustrates the SME switching process and, in particular, the online switching process. This is not to do with customers' access to competitive SME energy prices but, rather, access to their own customer data - such as consumption, tariff details and key contract dates.

If this sounds familiar, it's because we raised this concern in our response to the CMA Energy Investigation back in April.<sup>1</sup> Below we discuss the barrier in more details and proffer a solution - as seen through the eyes of SMEs: both engaged and disengaged alike.

For every 100 customers that contact Make It Cheaper by phone only around 29 – on average – will successfully be transferred on to a cheaper contract. For a start, around half of callers won't have a bill in front of them – so including key information on bills cannot always be relied upon. In other words: even the engaged struggle... Haven Power reported recently that 21% of would-be SME switchers give up trying and 71% think that switching should be made easier.<sup>2</sup>

The 'abandonment rate' for our online SME customer journey is significantly worse with only around 6% (of those that begin the journey) successfully inputting the required information and securing a cheaper contract. Unlike our phone customers, we are less able to help online customers locate the relevant information.

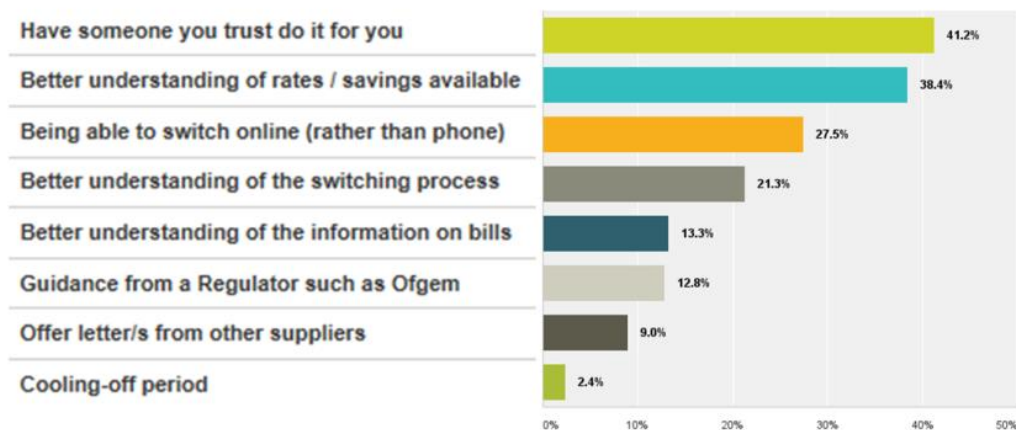
Unfortunately - even with the CMA remedy to allow access to ECOES/SCOGES - only part of the customer's required data will be available to a TPI: MPAN/MPR and incumbent supplier but, crucially, not their consumption or rates. Furthermore, without the above services provided as an API from their databases, a smooth online journey (ie via a price comparison website for SMEs) is out of the question for customers who don't have this information to hand.

Although customers can contact their supplier requesting key information which might not be readily available, most don't get that far. The Haven Power research also says that 4 in 10 SME energy customers fail to get their supplier to communicate with them. Alternatively, a customer can delegate their authority to a TPI such as Make It Cheaper to access, analyse and exploit this data on their behalf. However, at present, energy suppliers are not obliged to respond to a Letter of Authority (LoA) and, even when they do, this can be slow and inconsistent – with responses we receive currently sitting at 60% (rising to 80% only when different suppliers' individual LoA templates are used). And - within supplier organisations' internal departments - there are different ways of dealing with LoAs which means they will communicate with TPIs for some details of the switching process but not others (see Appendix A). This can make the process very frustrating for businesses and it is not surprising that many of them abandon the switching process. Meanwhile, credit reference agencies seem able to perform a data sharing function accurately and within minutes, while a parallel regime is being developed in the Telecoms and Water sectors.<sup>3</sup> We also note that initiatives such as the revised Directive on Payment Services (PSD2) and the Open Data Institute are fostering a sharing approach to data accessibility, yet energy lags behind.<sup>4</sup>

In essence, the Price Transparency Remedy will only be fully-optimised when TPIs can access SME consumption, debt, tariff and key contract date information in real time - ie 'Microbusiness MiData'. However, as access to consumption (eg via the Smart Data Communications Company) and other information via an ECOES/SCOGES API has failed to materialise, then enforceable LoAs would at least be a step in the right direction - and achievable in a relatively short timeframe. This would also be in line with Ofgem's Future Insights workstream to 'hand over control of their energy purchases to a third party' and the Switching Principles (published by BIS) to 'authorise third parties such as comparison sites to access their data to help them to switch'.<sup>5/6</sup>

Our own research shows that the principle of LoAs is very popular among businesses. 41% of SME customers say they would have acted sooner if they had someone they trusted do it for them – the number one reason for earlier engagement in the market.

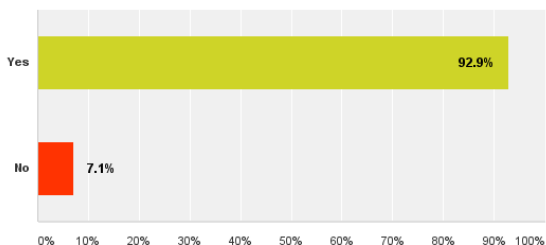
## Q2: Would any of the following have encouraged you to have acted sooner?



And an overwhelming majority of Make It Cheaper customers ‘expect’ their energy suppliers to treat them fairly by complying with requests for information – even when they have authorised a TPI to find out on their behalf:

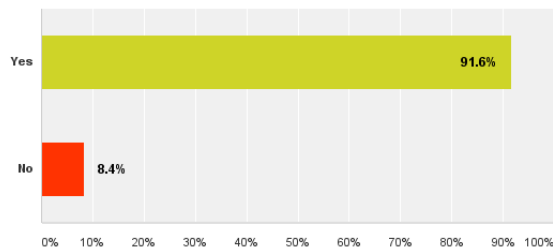
**Q1 If you do not have access to the account information you need to get a like-for-like quote from a potential new supplier, should your current supplier provide you with this information? (eg. Energy Contract End Date, annual consumption, tariff information)**

Answered: 297 Skipped: 3



**Q2 When switching providers, should a third party of your choosing - like Make It Cheaper - be able to access this kind of information from your current supplier on your behalf? (eg. through an electronic Letter of Authority?)**

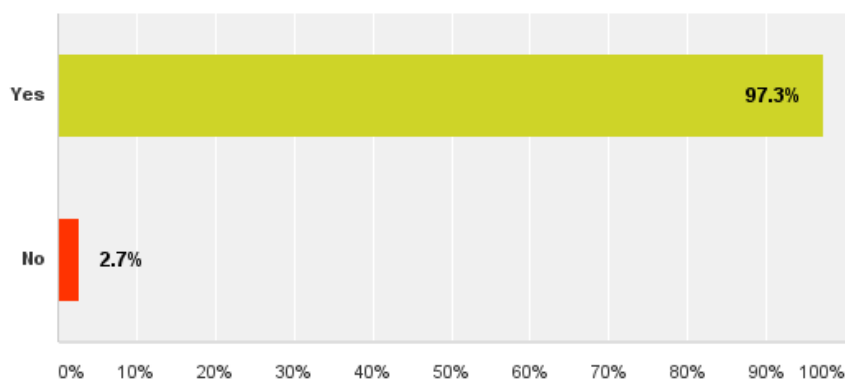
Answered: 299 Skipped: 1



Likewise, SME energy switchers expect suppliers to be on the front foot and keep TPIs informed when an Objection to a transfer request has been raised.

**Q3 If there's a problem with your switch - being undertaken on your behalf by a third party - should your supplier be required to automatically tell the third party about that problem within a reasonable timeframe?**

Answered: 298 Skipped: 2



But it is not just our own - already engaged - customers that support this approach. We have also collected evidence from disengaged SMEs too, testing the hypothesis that mandating energy suppliers to respond to LoAs in a timely and accurate manner would make more businesses more inclined to take action to reduce their energy bills (by switching supplier) in the first place.

For example, last week we ran two 90 minute focus groups among 17 SME owners which looked at the reasons for their disengagement and explored some of the ‘nudge’ remedies recently put forward by the CMA to stimulate market engagement across the energy and financial service sectors.

In these sessions, independently run by an external moderator, our most popular SME energy switching service – Do It For You (which relies on an LoA with a digital signature for customers to delegate their authority to us), received an approval rating five-and-half times higher than that of the Database Remedy: 82% versus 15%.

**SME Focus Group comments:**

- ***“If you could stick it in a box then delegate it to someone to look into - and spend three days of their time to save 25%, great... but you can’t do that.***
- ***“I think if it was made easier for us, even if I could save a small amount, I would because every little helps. It’s so hard at the moment so, if it was easier, I’d think it’s worth it.”***
- ***“I love the fact that they handle everything, and it’s cheaper, because it’s a nightmare to switch.”***
- ***“Simplicity - because we’ve got bigger things to worry about within our business than doing the energy.”***
- ***“It’s an interesting prospect for someone to pick up a phone or email me and say “listen, we’ve got all the data I need about this, I can do this for you in six weeks.”***

I would, of course, be happy to talk you through our wider research findings as well as the mechanics behind our Do It For You service and our continued efforts with suppliers to make LoAs function effectively for customers. Below (see Appendix B) I’ve included what we consider a good LoA process to look like.

Last - but not least - my final point is to re-iterate that uniform LoAs would, of course, work well hand-in-hand with a TPI Code of Conduct and we believe there would be support - from both TPIs and Suppliers - to ensure that LoAs are used responsibly as a feature of any future set of Code rules.

We see this as the perfect opportunity provide a robust and enduring solution to inertia - the root cause of the Adverse Effect on Competition identified by the CMA - and look forward to hearing how you intend to implement it.

Yours sincerely

Jennifer Millet  
Commercial Director

## Sources

1. **Make It Cheaper's April 2016 response to the CMA's Provisional Decision on Energy Market Remedies**  
<https://assets.publishing.service.gov.uk/media/57176aa3ed915d749d000012/make-it-cheaper-response-to-pdr.pdf>
2. **Haven Power SME Report 'Switched Off – Why SMEs are not changing energy suppliers'**  
<http://www.havenpower.com/sme-report>
3. **Ofwat template for TPI letter of authority**  
[http://www.ofwat.gov.uk/wp-content/uploads/2016/03/gud\\_pro20160519tpitemplate.pdf](http://www.ofwat.gov.uk/wp-content/uploads/2016/03/gud_pro20160519tpitemplate.pdf)
4. **PSD2 and the Open Data Institute**  
[http://europa.eu/rapid/press-release\\_IP-15-5792\\_en.htm?locale=en](http://europa.eu/rapid/press-release_IP-15-5792_en.htm?locale=en) / <http://theodi.org/>
5. **Ofgem's Future Insights Series**  
[https://www.ofgem.gov.uk/system/files/docs/2016/10/future\\_insights\\_overview\\_paper.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/10/future_insights_overview_paper.pdf)
6. **BIS Switching Principles**  
<https://beisgovuk.citizenspace.com/ccp/switching-suppliers-making-it-easy-for-consumers/>

## Appendix

### A. LoA incoherency from suppliers:

1. LoA only valid for a year (even though e.g. 2 year contract sold 4 months in advance)
2. Needed on headed paper
3. Spelling differences in any details (business name, customer name, address etc) often when the mistake is originated by the supplier themselves
4. Sent to wrong internal team at supplier (usually where they have a SME/I&C split)
5. Too much authority/not enough authority being asked for
6. Meter number not on there
7. Address format different (usually where unit numbers involved)
8. Will only accept wet signature
9. 10 day SLA (when CED in 7 days and customer with supplier who still rolls)
10. Needed in their own template which they will send to customer via post
11. Admin time means LoA can be done but will come with £10 cost to be covered by us or customer

### B. What a good LoA process looks like:

1. Digital ie no wet sigs or company letterhead required
2. Standard Format ie works with every supplier
3. Authority at Company-level, not meter level
4. Agreed SLAs for response time and accuracy of information provided – Eg 24 hours for EAC, CED, Tariff/Prices & reasons for Objection.
5. Agreed LoA administration point of contact so suppliers can't claim customers/we sent it to the wrong person/department.