

npower
EMI (Microbusiness) Order 2016
Draft Order – Consultation
Response dated 18 November 2016

Summary

1. npower is broadly supportive of the proposals within the draft order that relate to the implementation of the two microbusiness remedies. However, npower seeks clarification on a number of issues in relation to the Price Transparency Remedy within Parts 1 and 2 of the draft Order which we feel have not been explained clearly within the Draft Explanatory Note. npower has sought clarification of these issues with Ofgem, but has been advised to raise them with the CMA in the first instance pending issue of the Final Order.
2. We are pleased that the clarification provided within the draft order/explanatory note has acknowledged that suppliers can negotiate prices so long as the final price is equal to or lower than that quoted upon inputting the primary data. We also understand that there is no requirement to list the negotiated price on the On-line Quotation Tool.

Comments on the Order

3. The CMA bases its definition of a Relevant Micro Business Customer on the definition given to it within the new SLC 7D. As the new SLC 7D will not come into force until 26 June 2017, the Final Order should have a stand-alone definition of "Relevant Micro Business Customer" to reflect the customer group targeted by the Price Transparency Remedy.
4. Schedules (1) and (2) provide for new SLC 7D to take effect from 26 June 2017. npower is working to comply with that deadline but has concerns regarding the impacts on timescales of a proposed Request For Information from Ofgem around 'implementing CMA remedies and consider further policy to complement change CMA's remedies' arising from gaps in information held. Ofgem refers to the possibility of this RFI continuing into 2017 and npower is concerned that this could impact on the design of the products needed to meet the CMA remedy requirements. If this is the case, it would significantly impact on the June deadline. We therefore ask that the situation be reviewed before the Final Order is passed and consideration be given to extending the 26 June deadline if any significant alterations to the remedy requirements are likely to be proposed by additional Ofgem requirements. npower would like to reiterate our view that compliance with the order is a substantial task as the final remedy design places specific design considerations and constraints on products and prices that are

able to be sold. npower has assessed the impact on our product and price range for Microbusiness and has instigated a large IT project to replace our existing systems with SAP as we could not achieve compliance on our existing systems. The project to do this is planned to deliver in time for the 26th of June deadline. Since this is now well under way, late changes to or clarification of remedy details may introduce a risk to our ability to deliver in time with the remedy.

5. npower observes the requirement of Article 3.1 to disclose all its contract prices that are available across all channels at the time that the customer enters the primary data. As the CMA has recognised, this could result in a significant variety of prices being displayed immediately. Here is an illustration using product/price values for all our products ranging from a start date today to 6 months out. It could be very confusing for the customer and not easily comparable between suppliers.

Fig 1

(Please note that all values are fictitious, are offered for illustrative purposes only and do not reflect npower's product or pricing strategy).

Product	Contract start date	I year contract	2 year contract	3 year contract
Online	Now	5p	-	-
Telesales fix	Now	6p	6.5p	7p
	Dec 2016 Acq Dec 2016 Ren	6.5p	7p	7.5p
	Jan 2017 Acq Jan 2017 Ren	7p 7.2p	7.5p 7.7p	8p 8.2p
	Feb 2017 Acq Feb 2017 Ren	7.5p 7.7p	7.7p 7.9p	7.9p 8.1p
	Mar 2017 Acq Mar 2017 Ren	9p 9.2p	9.2p 9.4p	9.4p 9.6p
	April 2017 Acq April 2017 Ren	10p 10.2p	10.2p 10.4p	10.4p 10.6p
	May 2017 Acq May 2017 Ren	12p 12.2p	12.2p 12.4p	12.4p 12.6p
Brokers fix	Now	8p	8.2p	8.4p
	Dec 2016 Acq Dec 2016 Ren	8.5p 8.7p	8.7p 8.9p	8.9p 9.1p
	Jan 2017 Acq Jan 2017 Ren	9.6p 9.8p	9.8p 10p	10p 10.2p
	Feb 2017 Acq Feb 2017 Ren	12.2 12.4	12.4p 12.6p	12.6p 12.8p
	Mar 2017 Acq Mar 2017 Ren	12.6 12.8	12.8p 13p	13p 13.2p
	April 2017 Acq April 2017 Ren	13.2 13.4	13.4p 13.6p	13.6p 13.8p
	May 2017 Acq May 2017 Ren	14.1 14.3	14.3p 14.5p	14.5p 14.7p
Variable	Now	6.5p	7p	7.5p

In addition, the supplier would have to reveal the prices per payment type, requiring adding significantly to the list shown to the customer.

Now consider the difference once a start date is added.

Fig 2

Product	Contract start date	I year contract	2 year contract	3 year contract
Online	As stated by customer	5p	-	-
Telesales fix	As stated by customer	6p	6.5p	7p
Brokers fix	As stated by customer	7p	7.5p	8p
Variable	As stated by customer	6.5p	7p	7.5p

The customer can reach this simplified and more clearly defined quote status simply by being invited to input their preferred start date as primary source information. The selected date is not primary information needed to access the databases to pull up a quote, but an additional piece of information which would facilitate (i) a clear transactable quote price and (ii) a much better comparable tool and customer experience. The customer has multiple opportunities to vary the contract start date so can still access some or all of the information in figure 1 should they choose to do so.¹

6. We have no comments on Part 3 of the Order pertaining to the prohibition of certain terms in Auto-Rollover contracts

Comments on the Draft Explanatory Note

7. Paragraph 29 covers the CMA definition of “Initial Quote” and indicates that the initial quote can only be altered by the outcome of a subsequent credit check. This could be interpreted as the price only being allowed to go up if the credit check is not satisfactory and not down following selection of any secondary filters. If the price cannot go down this would negate the facility for negotiations in offline channels.
8. The order also defines “Initial Quote” as one that is capable of being immediately available. However, paragraph 42 of the Explanatory Notes reads: *“not all of the contract prices disclosed as the Required Price Information will*

¹ We could still use figure (2) without the Contract start date and be compliant with the Remedy Requirements. However, Suppliers take risks on quoting on a contract start date far in advance and generally speaking this is reflected in a higher price the farther out the date selected. Therefore the immediately available prices would need to be significantly increased to quote the highest value quoted across the 6 month range as denoted in fig (1) given that if the customer elects to provide a start date as a secondary information filter, the consequent contract price must be equal or less to the one quoted immediately’.

need to be immediately fulfillable [FN. 20: i.e. can immediately be transacted upon, or a contract entered into] for all Relevant Micro Business Customers. Suppliers will also have flexibility concerning when a contract will start for a given Relevant Micro Business Customer". Footnote 21 describes circumstances where some contract prices "*may be available only to Relevant Micro Business Customers that self-select certain further conditions of supply (such as accepting to have an online-only account, or to pay by Direct Debit)*". We understand that this footnote provides an example of an Initial Quote not being immediately fulfillable, where the customer elects to enter secondary information or to accept certain further conditions of supply. We would welcome a clarification from the CMA as to any other circumstances under which the Initial Quote may not be immediately fulfillable. In particular, does the CMA envisage the Initial Quote not being immediately fulfillable in circumstances other than the customer electing to enter secondary information or to accept 'certain further conditions of supply'?

9. The explanatory note and draft order contain conflicting requirements as regards the type of information to be disclosed. The explanatory note (para 36) says that '*as provided by the Report and reflected in the Order*', suppliers must publish a total contract price covering the duration of the contract and a breakdown of that total contract price. The draft Order (Article 3.1) makes no mention of the total contract price or breakdown of that price; instead it specifies that suppliers must provide Required Price Information and Initial Quote, both of which are defined as a combination of '*Standing Charges, Unit Rates and all other associated charges*'.
10. npower would also welcome a clarification from the CMA on whether suppliers are required to provide:
 - (a) unit rates (p/kWh) and standing charges (p/day) only; or
 - (b) total contract price covering the duration of the contract (£) (and breakdown thereof into unit rate and standing charge components) only; or
 - (c) both of the above.