ACS Submission: CMA Energy Market Investigation Draft Orders

ACS (the Association of Convenience Stores) welcomes the opportunity to respond to the Competition and Market Authority’s consultation on their draft orders regarding their investigation into the energy market. ACS is a trade association, representing the 50,095 convenience stores trading at the heart of the communities across the UK, which employ 390,000 people (see annex A for more details). Our members include the Co-Op, One Stop, Costcutter Supermarkets, Spar UK and thousands of independent retailers.

The nature of convenience retail, with long operating hours, intrinsic use of refrigeration and other mandatory equipment, means that energy costs are a significant burden. The costs of energy are a critical factor in the viability of convenience store businesses, especially to small and microbusinesses which represent 74% of the convenience sector\(^1\). Microbusinesses lack negotiating power and are often offered either uncompetitive rates from suppliers or rates that appear competitive but the standard insufficiently protects the microbusiness customer. We therefore welcomed the CMA’s specific focus on remedies for microbusinesses.

We encourage the CMA to continue engagement with microbusinesses and representative organisations during the implementation of the draft orders. ACS is willing to work with the CMA and Ofgem on the implementation of the draft orders relating to microbusinesses, and provide support on how best to communicate the changes to retailers to ensure that they become more engaged with the energy market.

Please see below for ACS’ feedback on the relevant draft orders.

**The Energy Market Investigation (Microbusinesses) Order 2016**

*Price transparency remedy*

ACS welcomed further price transparency in the energy market. By extending price transparency for microbusiness customers, this will increase their access to information and in turn help them better assess each supplier offer and determine the most competitive rate.

Prices and online tools for microbusinesses on suppliers’ websites must be clearly signposted to ensure that microbusinesses can access them. Therefore, we welcome Article 4.2 which will require suppliers to display their unit rates and standing charges for all their Out-of-contract and Deemed Contracts for microbusiness prominently on their website. For example, suppliers could include a link on their homepage to a microbusinesses section.

*Auto-rollovers remedy*

ACS welcomed the CMA’s remedy to end auto-rollover contracts for microbusiness customers. This will reduce the number of barriers microbusinesses must face to switch

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\(^1\) ACS Local Shop Report 2016
supplier for a more competitive contract. We particularly welcomed increasing the time window for microbusinesses to give termination notice to suppliers. Microbusiness owners often have a number of other matters to contend to and convenience store retailers especially, have a number of time constraints, with 22% of shop owners working more than 70 hours a week\(^2\). The increased time window will ensure that microbusinesses can negotiate more competitive terms.

Communication of the auto-rollover order is key. Currently, the draft order does not stipulate how the changes to the terms of auto-rollover contracts will be communicated (either by Ofgem or by suppliers) to microbusinesses affected. Therefore, we ask for clarity on how the changes to auto-rollover contracts will be communicated to microbusinesses.

**The Energy Market Investigation (Database) Order 2016**

We welcome CMA’s remedy to allow Ofgem to establish a programme to identify additional information from suppliers to prompt microbusiness customers to engage, and to disclose the details of the most disengaged microbusiness customers to rival suppliers. We would expect that by allowing the details to be shared among rival suppliers, a more competitive offer would be made in order to engage the microbusiness to switch supplier. The convenience sector incurs significant energy costs and we welcome any saving which can be made for microbusinesses who rely on a default contract. We would like to stress that the contact to microbusinesses who have been on default contracts for longer than three years must be regulated. The order must ensure that microbusinesses will not be hounded by suppliers to switch.

The implementation of the database must be clearly communicated to microbusinesses. They should be aware of what is changing, how their information will be used, how they can take advantage of the database, and how they can opt-out. Therefore, we welcome the planned communication to microbusinesses from their supplier which will inform them about the database and how to opt-out. Annex 2 (Initial draft First Contact Communication) is a great example for suppliers to follow on how to clearly communicate the changes to microbusinesses and make sure that they aware of how they can opt-out of the database.

We encourage the CMA and Ofgem to continue engagement with microbusinesses and representative organisations during the implementation of the database order. ACS is willing to work with Ofgem on the development of the database, provide feedback on proposed communications to microbusiness, and communicate the changes to our members.

**For more information on our submission, please contact Julie Byers, ACS Public Affairs Executive.**

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\(^2\) ACS Local Shop Report 2016
About ACS

The Association of Convenience Stores lobbies on behalf of over 50,000 convenience stores across mainland UK on public policy issues that affect their businesses. ACS membership is comprised of a diverse group of retailers, from small independent family businesses running a single store to large multiple convenience retailers running thousands of stores.

Convenience stores trade in a wide variety of locations, meeting the needs of customers from all backgrounds. These locations range from city centres and high streets, suburban areas such as estates and secondary parades, rural villages and isolated areas, as well as on petrol forecourts and at travel points such as airports and train stations.

Who We Represent

ACS represents 22,870 independent retailers, polling them quarterly to hear their views and experiences which are used to feed into Government policy discussions. These stores are not affiliated to any group, and are often family businesses with low staff and property costs. Independent forecourt operators are included in this category.

ACS represents 15,000 retailers affiliated with symbol groups. Symbol groups like SPAR, Nisa, Costcutter, Landis, Premier and others provide independent retailers with stock agreements, wholesale deliveries, logistical support and marketing benefits. Symbol group forecourt operators and franchise providers like One Stop are also included in this category.

ACS represents 12,185 stores that are owned by multiple and co-operative retailers. These businesses include the Co-operative, regional co-operative societies, McColl’s, Connolly’s Retail and others. Unlike symbol group stores, these stores are owned and run centrally by the business. Forecourt multiples and commission operated stores are included in this category.

The Convenience Sector

In 2018, the total value of sales in the convenience sector was £37.5bn. The average spend in a typical convenience store transaction is £5.13.

There are 50,095 convenience stores in mainland UK. 74% of stores are operated by independent retailers, either unaffiliated or as part of a symbol group.

Convenience stores and Post Offices poll as the two services that have the most positive impact on their local area according to consumers and local councillors. 94% of independent/symbol retailers have engaged in some form of community activity over the last year.

Between August 2015 and May 2016, the convenience sector invested over £380m in stores. The most popular form of investment in stores is refrigeration.

Our Research

ACS pulls the views and experiences of the convenience sector regularly to provide up-to-date, robust information on the pressures being faced by retailers of all sizes and ownership types. Our research includes the following regular surveys:

- ACS Voice of Local Shops Survey
- ACS Investment Tracker
- ACS Local Shop Report
- Bespoke Polling on Policy Issues

For more information and data sources, visit www.acs.org.uk