

Corona Energy Limited
Building 2
Croxley Park
Watford
WD18 8YH

FAO Jonathan Blagrove
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

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Dear Jonathan

We would like to thank Ofgem for the continued engagement with the energy market and the opportunity for industry parties to provide views on the proposals included in the Microbusiness Strategic Review Statutory Consultation.

While we have gone on to provide answers to your consultation questions below in Appendix A, we would also like to take this opportunity to provide specific feedback regarding the updates to the proposed changes to address the areas of harm identified by Ofgem as part of the initial phase of the Microbusiness Strategic Review.

Overall, we welcome the changes that Ofgem has made to the original proposals, however, as there have been significant changes we do not think that parties have had enough time to consider all the impacts and changes required to implement the proposals, and that the timescales for implementation of Autumn 2021 and January 2022 are challenging.

Awareness: Knowing about opportunities and Risk

We have no further comments on this section from our original consultation response.

Browsing: Searching for Deals

Requirement to provide Principle Terms

Corona Energy fully support the strengthening of the existing provision and a move to requiring a Supplier to provide Principle Terms in writing to the Customer at D+1 following contractual acceptance. This change is aligned with our current processes and we welcome the changes needed to ensure a consumer is fully aware of the contract they are entering into, regardless of whether they have used a broker or not.

Transparency around Brokerage Costs

As detailed in our response to the original Policy Consultation, Corona Energy are keen to stress that TPI commission payments, as detailed by Ofgem, are not as simple as they may appear. TPIs

often provide services directly to Customers and are remunerated via these payments. Thus we would welcome these to be reconsidered as Broker service costs rather than commission payments. Commission implies an incentive offered by the Supplier, however this is not the case - these payments represent the delivered cost of the Broker's service paid for by the Customer usually on their monthly Supplier invoice.

With this in mind, we welcome Ofgem's confirmation that the requirement to include Broker Service Cost disclosure in the Principle Terms document and not on customer bills. This is the most appropriate place to provide clarity to the customer on the charges they will be receiving, plus, such a change ensures that the system impacts and associated costs of implementing this change are reduced significantly.

As stated above, the broker service costs have always been between the customer and the broker, and not for the supplier to get involved. A broker will discuss their costs and the service they provide, and the supplier recovers this cost from the customer on behalf of the broker. It is vitally important that the customer-broker relationship continues to be a successful one, to aid good competition in the market, and therefore this proposal will provide more clarity to ensure that all brokers act appropriately.

However, the format of the disclosure of Broker Service Cost will be vital to aid Microbusiness Customers in easily comparing like-for-like deals. On this basis we believe that a disclosure of unit rate and/or standing charge uplift would be more transparent for Microbusinesses. We also understand that there is an appetite to align the disclosure approach with other industries, such as the financial sector. On this basis we believe that rather than the proposed actual or estimated pounds Broker Service Cost disclosure for the duration of the contract, it would be more beneficial for the format of this to be pounds per year. This pounds per annum basis will allow Microbusinesses to compare Broker Service Costs as a like for like, including by varying contract length. Other industries such as Insurance or Financial Services would nearly always be for a year's period only, enabling direct comparison between products in these markets.

We would strongly suggest that the Broker Service Cost transparency only be applicable to an energy contract moving forwards from a specific date, which already has various precedent within Supply Licence Conditions such as SLC 14.2(c). We have included some proposed drafting in Appendix B. If there is a retrospective element to this proposal, then amending existing contracts and / or compiling historic broker commission information, would be a huge investment by suppliers with little evidence of any gain, as noted by your statement in the consultation document "*we acknowledge that the majority of the benefit to be gained from obtaining information about brokerage costs is likely to occur at the point when a microbusiness is considering entering into a new contract...*".

Broker conduct principle and informed contract choices

We welcome the decision to remove this proposal and that this will be achieved via TPI regulation.

Cooling-Off Period

Corona Energy welcome the amendments to the Cooling-Off Period as a result of industry feedback following the Policy Consultation, however, we still feel that there is minimal gain to the consumer for the additional cost to all customers.

For clarity of this additional cost, we would like to confirm that where the proposed changes will reduce the hedging risks compared to the original proposals, the revised approach detailed in the Statutory Consultation will still likely result in an increased risk premium passthrough to Microbusiness Customers due to an increased hedging risk on behalf of these Suppliers. Although Ofgem identify that these risks represent an impact of under 3% to wholesale costs, we are keen to highlight that these costs are in line with the average Supplier margin – and so an increase in passthrough charges is unavoidable. For example, in this last week we have seen a 20% movement in wholesale cost, and so in order to cover this risk, we will need to add an appropriate risk premium.

We think it is also important to highlight that whilst the consumer's decision to switch will be known only to themselves and their chosen supplier, it is also known to the broker should they have chosen to use them. Therefore, this broker will potentially still have the opportunity for encouraging the consumer to use the cooling off period to cancel and re-contract elsewhere if they see a fall in wholesale prices in the 14 days after the contract has been signed.

Dialogue: Two-way communication with service providers

We remain supportive of the introduction of an ADR to address Broker related complaints, and are unchanged in our view that this scheme should be fully funded by Brokers and require minimal input from Suppliers. We are disappointed that Ofgem have only included input from the Energy Ombudsman in this consultation, and are currently only engaging with the Energy Ombudsman in this area, as we remain in our view that there are likely to be knowledge gaps given the additional complexities within the non-domestic market and of the wider scope of this scheme.

The drafting of the licence condition indicates that the Supplier cannot work with Brokers who are not signed up to an accredited ADR scheme, however whilst we understand that a register will be hold on the Ombudsman website, no clarity has been provided on how an ADR scheme provider would notify Suppliers of a Broker gaining or losing accreditation. The current proposed drafting gives no leniency, with a single non-compliance in this area being considered a breach of licence. With Suppliers being responsible for their own compliance with Supply Licence Conditions, further clarity is required in this area:

- How would a Broker gain and lose accreditation?
- If a Broker loses accreditation, would Suppliers be given a grace period to stop working with that Broker?
- How will a broker be audited to ensure it continues to meet requirements of the ADR?
- If a Broker loses accreditation, could it appeal and/or re-apply?
- If a Broker gains or loses accreditation, how would the ADR Scheme Provider inform all relevant Suppliers, in a timely fashion?

The recent discussions with Ofgem and the Energy Ombudsman further highlighted the significant amount of work required before this scheme is ready to be implemented, not least the level of education and engagement required from all brokers operating in the microbusiness market. Once further details are known, we would welcome the opportunity for further consultation with industry, prior to the scheme going live. Clarity is still required on the following points, although this will not be an exhaustive list:

- What would the specification and/or criteria for an ADR be?
- Would the ADR be open to competitive tender for scheme providers?
- Will there be interoperability between the current Ombudsman complaints process, and the ADR?
- How will Suppliers be made aware of upheld broker complaints?
- Where there are consequences for suppliers, such as a mis-sold contract to be cancelled, how will the supplier not be unduly penalised?
- What laws would back up the ADR and subsequent resolution rulings?
- What are the requirements for an ADR provider to achieve Ofgem accreditation?

Exiting: Switching away from an old contract

Termination Notices

We have no further comments on this section from our original consultation response, and welcome the clarity provided.

30-Day Contract Extensions

Corona Energy welcome to decision to remove this proposal.

Please see below Appendix A our responses to the specific consultation in order continue to support Ofgem in further developing the proposed policy changes in future.

Yours sincerely,

Emily Wells

Head of Regulatory Affairs and Compliance

Corona Energy

Appendix A – Consultation Question Responses

1. Do you agree that 1 January 2022 represents an achievable start date for implementing a 14 day cooling-off period for microbusiness consumers?

No, we do not believe that this target is achievable. With the Faster Switching Programme aiming for an implementation date of June–August 2022 and the associated testing taking place running up to this date, we do not believe it will be possible for Suppliers to undertake the impact assessment, design, system development, testing and implementation of the cooling-off period in under 6 months. Additionally, a large number of Suppliers utilise third party IT partners who are currently near capacity working on the system impacts of Faster Switching – and it is unlikely that they will have resource available for this additional regulatory change. A cooling-off period represents a new standard for non-domestic Suppliers and although we are supportive in principle, we believe that an implementation lead time of under 6 months is a major underestimation of the required development work.

There is also a further practical reason as to why this proposed cooling off period for microbusiness consumers should not be implemented ahead of the Faster Switching Programme. The proposals state *“We consider that the limit for a customer to cool-off should be 28 days before the date on which supply is due to start under the terms of that contract as this is the earliest date a supplier will be able to submit a switch request for both electricity and gas under the new switching arrangements”*. Under current arrangements whilst the earliest a switch request can be submitted for electricity is 28 days, for gas it is 30 business days which can be 40 calendar days – subsequently a switch could be in flight at the point the cooling off is utilised creating more ETs within the industry. Updating IT systems to not start a switch before the end of a variable cooling off period would be a very complex system change that would have a limited life before the implementation of the Faster Switching changes.

Subsequently, we are confident that we would be in a position to effectively implement this proposal 6 months following the implementation of Faster Switching, around January 2023. This would allow sufficient time to consider the impacts on Supplier system architecture and ensure that third party IT partners have sufficient resource in place.

2. Do you agree that 1 January 2022 represents an achievable start date for fully implementing both the proposed supply licence obligation and the associated scheme needed to introduce independent dispute resolution for microbusinesses in dispute with a broker?

No, we do not believe this target is achievable. In order for an effective ADR to be implemented in a cost-effective and efficient manner, a detailed set of requirements should be drafted by Ofgem and consulted on with industry – including both Suppliers and Brokers. Additionally to ensure a fair and equitable approach in the instance where more than one ADR provider aims for Ofgem accreditation, we believe a regulated revenue recovery mechanism is required in a similar fashion to the RIIO arrangements. This will ensure that there isn't a 'race to the bottom' in cost between scheme providers

which may impact the effectiveness of the overall ADR principle. Finally, a competitive tender process should be undertaken using the agreed and consulted upon criteria as a basis for selection.

There has been a deal of discussion regarding ensuring that this ADR scheme is rolled out right first time, and that all brokers (of which there are at hundreds) are engaged and onboarded on to the scheme. This seems a very sensible approach, and it therefore seems completely unrealistic to strive to achieve this within the proposed timescale. If this proposal is unduly hurried, then the consequence is likely to be that Brokers & Suppliers move out of the Microbusiness market, reducing completion.

Furthermore, we think that a pragmatic approach would be to define Go Live criteria, and ensure that these are met and embedded prior to updates to Supplier Licence conditions being made

As a result, we believe that a lead time of under 6 months does not represent a realistic timescale for the implementation of the ADR scheme. It is our opinion that a lead time of at least 12 months from consultation decision is required, with Go Live criteria agreed with the industry and achieved ahead of implementation. However, timescales may continue to be impacted as further clarity on the scheme is provided.

3. Do you have any other comments on our proposals?

Please see above.

4. Do you have any comments on the draft supply licence conditions at Appendix 1 in this document?

Please see Appendix B for suggested amendments to draft supply licence conditions.

Appendix B – Suggested Changes to the Licence Condition Drafting

7A.10C.1 In addition to the requirement in condition 7A.9, where the licensee has entered into a Micro Business Consumer Contract **after [date of implementation]**, the licensee must provide to the Micro Business Consumer on request, information relating to any form of Brokerage Costs paid or made, or due to be paid or made, to a Broker in respect of the full duration of that Micro Business Consumer Contract;