

Input to OFGEM's Microbusiness Strategic Review

My understanding is that the objective of this review is to establish policy measures designed to improve microbusinesses experience of the market.

As a TPI with 17 years in the industry I have dealt with thousands of microbusiness contracts, so am more than qualified to comment on what is and what is appropriate for Microbusiness customers in the UK energy market. I have hundreds of micro business customers, and have maintained many of them for well over a decade, so I know what they want.

At the end of the day, microbusinesses secure gas and electricity contracts on a regular basis, this is not a task that is too complex nor requires burdensome regulation. The vast majority of microbusiness contracts go ahead without any issues or concerns.

Alarm bells ring when I review the proposals.

What I see is proposals that will add cost, complications and raise the barrier to entry. If enacted, these proposals will worsen microbusinesses experience of the market.

Like any other industry, there are rogue players, including suppliers, TPIs and customers. Rogues don't adhere to the rules now, so why will the proposed rules make much of a difference? Rogue participants will always find a way around the rules, whilst the upstanding participants in the market would incur additional work, costs and complications, further hindering day to day operations. At the end of the day TPIs should spend more time on addressing their customers needs instead of addressing onerous regulations.

To address the key points:

1. Provision of principal contractual terms

Surely this is redundant? It is the most basic principal of life, you don't sign any document until you have read and understand what you are signing. All supplier offers have T&Cs, and contracts clearly state this. T&C's form part of the contract and are found on line. There is no excuse for not reviewing T&Cs prior to signing a contract. Adding another document in the form of 'Principal Terms' simply adds another document to be read and understood. If you want to really help customers understand T&Cs why not insist suppliers present them according to 'Plain English' standards. If the T&Cs are written correctly they should be understood without the need for another summary document. Some suppliers already issue Principal and Regular T&Cs. I get push back from customers who get confused by two documents instead of one. Also, what information is deemed as principal, and who determines this? There are plenty of T&C clauses that I think are key, but another person would not see as principal. The T&C are there for a reason, an all-encompassing document that outlines the responsibilities of the contracting party. Having principal T&Cs will lead to confusion, debate and mistrust. What happens when either party want to enact a clause that is listed in the T&C, but not in the Principals? The other party could argue they were being mis-lead etc. At the end of the day, the customer is signing a contract that requires all the T&Cs not just the principal ones. So better that each contract has simple and straightforward T&Cs to avoid problems.

2. Brokerage cost transparency

If the supplier is not obliged to share details of their margin on each offer why should the TPI? Yes, a customer can easily understand the pound value that a TPI receives in the form of commission, however, the customer has no means of understanding if that represents good value or not. The

customer is not privy to the work the TPI does on their behalf, nor the costs involved in abiding to all the suppliers and OFGEMs requirements, etc. You have to know the cost of operating a business to determine if the commission cost is justified. Suppliers cap commissions to fair and reasonable amounts, this should negate the need for automatic commission disclosure. TPIs operate in a competitive market place, and the vast majority of TPIs conduct themselves in an ethical manner. In essence, competitive market forces prevent commission abuse in the vast majority of cases. Automatic disclosure of TPIs commission will result in a race to the bottom, with all members of the market place losing out. If the 'good' TPI's are forced to cut their commission, then they will also have to cut their costs and service, so the customer will ultimately lose out. The customer sees the price they will pay upfront on the contract. They have to be happy with the price before signing a supply contract. Adding automatic TPI commission disclosure will only result in another task for the customer, as they now have to shop around regarding TPI commissions. This will undoubtedly lead to extra work and quoting for suppliers and TPIs, resulting in a lower conversion rate between quotes and signed contracts, thus increasing costs and increasing cost to serve. This will lead to suppliers cherry picking TPIs and customers even more than they currently do, thus stifling competition. We all know that less competition is bad for the end consumer. How is the commission portrayed? What about splits between brokers and sub-brokers etc? What about commissions that are estimated, and when reconciled at contract end date are drastically different. This proposal overcomplicates and clouds the customers decision making process.

3. Broker Dispute resolution

In order to get prices from any supplier the TPI has already signed up to various agreements which outline how we are to perform if there is a customer complaint. The suppliers we work with have their own standards we must meet, and we voluntarily sign up to the UIA's Code of Practice. Adding yet another 'scheme' will add more administration, which adds more costs, and further deepens the cost of entry into the market. All of these factors go against making the market place more open and competitive.

4. Cooling-off period

Why does a microbusiness need a cooling off period? If you run a business you know the implications of signing a contract. A cooling off period will be bad for Suppliers, TPI's and customers. The market is liquid, so what happens if prices tumble two days after securing a contract? At that point in time you will have every contract booked the week before being 're-shopped' and re-booked. This will increase the cost to serve, and the cycle could go on in perpetuity. It will make the microbusiness market less desirable to operate in for TPIs and suppliers alike. How can a TPI or supplier operate if the contracts they secure are open to cooling off and repeated re-booking? This is one sided, not fair to all market participants. Can the supplier or broker enact their own cooling off period and demand a price hike if prices increase within 14 days of the contract being signed, or a commission hike if the cost to service a customer becomes too much?

5. Banning notification requirements

If you remove the notification requirement you will cause non-stop calling and marketing nuisance calls as suppliers seek to get a customer under contract. You will also cause price increases in out of contract rates, as suppliers have no idea if a customer will remain with them for a month or a day. Such uncertainty will result in increased costs as the supplier needs to forward buy for a consumer who may or may not be with them the next day.

6. Information and Awareness

There is a plethora of information available to microbusinesses about the energy market. More information is not the answer. Edited and correct information is what is required. After 17 years in

this industry I have seen the amount of paperwork a supplier issues to their customer grow exponentially. Too much red tape and no one wins. Simple and straight forward information is what is required.

Should the proposals become official our organisation will have to seriously consider the viability of servicing micro-businesses. Over the past 17 years the amount of time we dedicate to our customers has dwindled as we have to spend more and more time fulfilling multiple, overlapping protocols, all designed to ring fence market participants and demonstrate how we service our microbusiness customers. From personal experience my microbusiness customers would prefer we spend more time addressing their account than demonstrating and recording how we service their account.

In summary, I fear the proposed changes will back fire:

- Penalise those market participants who offer a professional service for a fair price.
- Stifle competition by increasing the barrier to entry.
- Stifle competition by making the micro-business market less viable for suppliers and TPIs. We are already seeing record numbers of 'decline to quote' for micro-business customers. This will fast track this trend.
- Increase the administration required by suppliers, TPI, and customers.
- Increase the cost of participating in the market.
- Decrease the offerings available in the market.

If you wish to discuss the above, please reach me on the below.

Kind regards,
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