

# **Citizens Advice response to Ofgem's Non-Domestic Market Review: findings and policy consultation.**

September 2023

## Introduction

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We can all face problems that seem complicated or intimidating. At Citizens Advice we believe no one should have to face these problems without good quality, independent advice. We give people the knowledge and the confidence they need to find their way forward - whoever they are, and whatever their problem.

We provide support in approximately 2,500 locations across England and Wales with over 18,000 volunteers and 8,650 staff.

Through our advocacy work we aim to improve the policies and practices that affect people's lives. No one else sees so many people with so many different kinds of problems, and that gives us a unique insight into the challenges people are facing today.

As the statutory consumer watchdog for the energy and post industries we have an important role to play in shining a spotlight on the problems consumers encounter, providing solutions to these problems and ensuring their voices are heard when important decisions are made about the future of these essential markets.

We give advice to people through our network of local Citizens Advice offices and through our national Consumer Service helpline. The Extra Help Unit also provides specialist support for domestic and microbusiness energy and postal service users who are in vulnerable circumstances.

## Summary:

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Citizens Advice welcomes the opportunity to respond to this consultation as part of its statutory role to represent microbusiness energy customers in Great Britain.

Overall, Citizens Advice finds this Non-Domestic market review consultation to be far-reaching and comprehensive, and it clearly addresses key issues that stakeholders have raised concerns about in recent months. We are particularly supportive of Ofgem's proposals around deemed rates, Change of Tenancy and the Maximum Resale Price (MRP). We are also looking forward to working more closely with Ofgem to refine their work on vulnerable end users in the non-domestic market and commissions disclosure.

However, Citizens Advice remains concerned about the effectiveness of existing protections in some areas, particularly relating to treating customers fairly and debt and disconnection practices. We remain dedicated to working with Ofgem to identify the best way forward for consumers impacted by poor practice in these areas.

We note that Ofgem has made three recommendations to the Government, calling for additional support in making changes in the following areas: TPI regulation; expanding access to the Energy Ombudsman, and protecting Domestic consumers on non-domestic contracts. While we recognise that change in each of these areas will require Government intervention, we also believe that significant amendments to regulation and guidance will also be needed from Ofgem in order to enact legislative change in the energy retail market. We therefore encourage Ofgem to continue work at pace within each of these areas, and to engage proactively with Government, in order to ensure that any regulatory changes that might positively impact consumer protections are reflected in Supply Licence Conditions and Guidance as quickly as possible.

In response to some of the proposals put forward in this policy consultation, we have also made some recommendations that we believe would help achieve the best possible outcome for consumers. We would be happy to discuss these

recommendations alongside Ofgem and other stakeholders, and look forward to working together to alleviate issues for consumers.

In support of our response to this consultation, we have referenced case studies from our Extra Help Unit and the Consumer Service, as well as recent research and a Request for Information to suppliers.

The table below lists some of our relevant work in the sector and may provide useful additional context.

Relevant Citizens Advice work on microbusiness consumers	
2023	<a href="#">Citizens Advice response to Ofgem's Call for Input on the Non-Domestic gas and electricity market</a>
2023	<a href="#">Supporting microbusiness customers with debt: A good practice guide for non-domestic suppliers.</a>
2020	<a href="#">Stuck in the Middle</a> <a href="#">Getting through to business</a> <a href="#">Supporting microbusiness consumers - Good Practice Guide</a>
2019	<a href="#">Response to consultation on improving non-domestic smart metering awareness and data access</a> <a href="#">Closing the Protection Gap</a> <a href="#">Response to Ofgem's strategic review of the microbusiness retail market</a>

2018	<a href="#"><u>Micro and Small Business Engagement in the Energy Market</u></a> <a href="#"><u>Small businesses have been let down by the energy industry for too long</u></a> <a href="#"><u>Good Practice Guide - Recovering energy debt from the smallest businesses</u></a> <a href="#"><u>When brokers go rogue</u></a>
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2017	<a href="#"><u>Smart choices (microbusinesses and smart meters)</u></a>
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2016	<a href="#"><u>Microbusiness Contracts Factsheet</u></a> <a href="#"><u>TPI Factsheet</u></a>
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## Response:

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### Section 2: Pricing and Contract behaviour

**Q1. Do you agree with our proposal to agree voluntary improved pricing transparency, and if so, please include comments on the particular areas you would like to see made more transparent.**

Citizens Advice is broadly pleased to see an acknowledgement that more transparency is required around pricing, and a commitment to working with suppliers to further understand where transparency can be improved.

From the perspective of microbusiness consumers, our data shows that a lack of transparency around pricing has a direct impact on how consumers interpret their bills and contracts, and therefore manage their energy usage and expenditure.

For example, contacts into the Consumer Service from consumers experiencing confusion or a dispute around their bill or contract make up over half of total contacts.<sup>1</sup> Many of these contacts show consumers expressing confusion due to not receiving a bill, or receiving a bill showing costs that they did not expect. In addition to this, findings from our Request for Information to suppliers show that around 35% of respondents routinely used only one method of communication when contacting their customers about debt. We believe that the lack of requirements surrounding transparency and regular billing directly drives the majority of contacts relating to these issues.

<b>Case Study:</b>
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<sup>1</sup> Advice and information + billing cases as a percentage of the total in August 2023.

Gareth is a microbusiness owner, who moved into his premises in 2019. He contacted his energy suppliers multiple times to ask to sign up to a contract, and to pay the ongoing balances. Gareth has provided the emails showing this exchange. Two years passed before Gareth received a bill, which was understandably high. Gareth paid this, and once again asked to be signed onto a contract. He has now received another bill, which is also extremely high. He has since received a letter outlining the charges, but Gareth has compared them to his own meter reads and can see that he has been overcharged due to estimated reads being used. He is now struggling to get in touch with his supplier to identify what he owes.

He believes that if his supplier had responded to his contacts at any time during the last two years, that he would not be in this position. Due to backbilling protections, Gareth will not need to pay for usage beyond the last year, but he is still being actively pursued for these amounts.

### **Case Study:**

Ellie came into a business partnership, replacing a colleague who had left. The colleague who had left had dealt with utilities, so Ellie called up to get the account holder name changed. The supplier stated that the only way they could switch the names was to do a tenancy change. The supplier then contacted Ellie to state that the contract had been ended and provided a final bill for over £8000, which was not outstanding on the account before.

Ellie has tried to get a breakdown of previous charges and usage, but this has been denied. She doesn't know where the £8000 has come from, and is now on an out-of-contract tariff which is more expensive than before.

### **Case study**

Raul has a microbusiness split over multiple premises. Each month he sends an email to his supplier with the meter reads for each property. However, recently, his supplier has sent an extremely high bill that appears to be based on estimated reads. Raul has been in touch with his supplier to ask for an accurate bill, but he is only being contacted by the debt collection team, who are threatening disconnection.

Raul is now receiving emails from different teams, asking for the full amount of money owed to be paid up front. However, each time he receives a letter, more charges are added, but it is not clear which properties the charges apply to, or what the charges are for. He is unable to speak to someone who has received his meter readings or previous correspondence.

It is clear from the evidence above that further interventions around improving transparency, particularly as related to pricing and billing, are required. We acknowledge that the current Supply Licence Conditions require that Principal Terms are communicated clearly to consumers, and that SLC 0 requires suppliers to treat consumers fairly.

However, taking the above instances into account and the continuous high-levels of billing problems being reported to the consumer service, we do not believe that these current protections are enough to push suppliers into providing adequate pricing information.

Further, it is significant that billing issues persist despite 52% of small non-domestic users benefitting from the smart meter rollout.<sup>2</sup> Our case data suggests that issues with smart meters are not being addressed quickly or effectively, meaning consumers often approach the Consumer Service with complex billing problems.

We believe that the majority of harm outlined in our Billing Error/ Advice and Information cases could be prevented by the introduction of Supply Licence Conditions similar to those set out under 'Domestic Customer Information ' 31H and 31I.

In particular, SLC 31H outlines key billing requirements that we believe are essential in maintaining transparency regarding costs, and help customers to:

- Keep track of billing and payments
- Help empower customers to understand their bills
- Ensure customers can act quickly when something goes wrong.

Implementing requirements similar to those set out under these SLCs will help increase transparency, and prevent a lot of the bill shock and confusion faced by consumers.

To be specific, Citizens Advice would like the following licence conditions to be amended and applied in some form to the non-domestic market:

### **Provision of Relevant Billing Information, Bills and statements of account**

31H.1 - The licensee must ensure that each Customer is provided with

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<sup>2</sup> [Q1 2023 Smart Meters Statistics report](#), p.7, Last accessed: 20/09/2023



Relevant Billing Information, and where relevant Bills or statements of account, in a Form and at a frequency that is sufficient to enable that Customer to understand and manage the costs associated with their Tariff<sup>3</sup> and the electricity they consume.

31H.2 - In complying with paragraph 31H.1 the licensee must take into account:

(a) that Customer's characteristics and current Tariff's features;

and

(b) where appropriate, that Customer's preferences.

31H.3 - Bills and statements of account must either:

(a) be provided in a Form that allows the Customer to easily retain a copy; or

(b) be made easily available to the Customer for reference.

### **Information to be provided on Bills and statements of account**

31H.4 - The licensee must provide the following information in Writing on every Domestic Customer's Bill or statement of account: (a) that Domestic Customer's Supply Number; (b) subject to paragraph 31H.6, a comparison of the Domestic Customer's electricity consumption for the period covered by the Bill or statement of account, with the Domestic Customer's electricity consumption for the corresponding period in the previous year (for the purposes of this condition, the "corresponding period").

During discussions with Ofgem regarding the potential introduction of further guidance and/ or regulation around billing, it has been suggested that the current SLCs regarding Principal Terms and treating customers fairly already do the job of pushing suppliers to provide information to their customers.

However, we do not believe that these current SLCs are effective or sufficient leading suppliers to provide sufficient information to their customers. We do not currently see evidence that customers are provided with enough information to help them understand and manage their energy usage and costs.

In summary, suppliers should provide their microbusiness customers with regular bills (depending on billing cycle), that break down their usage, standing charges and other fees where relevant (i.e. where there is a significant change). Where relevant, this breakdown should include any broker/ TPI fees or commission, with suppliers and TPIs

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<sup>3</sup> Specifics such as 'tariff' would be amended to reflect non-domestic products i.e. contracts. Specifics such as billing cycle would also need to be consulted on. I.e. not all non-domestic suppliers can/ will benefit from monthly bills.

working closely together to provide this information on customer bills. This will give microbusiness customers better understanding of their energy costs and usage.

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**Q2. Do you agree with our proposed definition of 'significantly exceeds'? Please provide your reasons.**

Ofgem's definition of 'significantly exceeds' can be briefly summarised as - in the context of SLC 7.4(a) - when the deemed rate charged to a customer is much higher than an equivalent contracted rate, and that this difference between the deemed rate and equivalent contracted rate is not otherwise justified. The full definition and description of its use is outlined in Annex 1 of the consultation document.

Overall, we agree with the proposed definition of significantly exceeds. The qualification made at A1.30 builds in flexibility for suppliers, allowing for higher wholesale costs to be accounted for, while the criteria outlined at A1.29 are sufficiently comprehensive. We are particularly pleased to see that consideration of whether there is a "clear, thought out process" for calculating deemed rates makes up part of Ofgem's assessment. In addition to this, we agree that Ofgem's intention to utilise "the difference between elements in contracted rates and deemed rates and the reasons for them, including elements that make up standing charges, unit rates and margins as relevant" has sufficient detail, and will help prevent suppliers pushing up costs by applying additional, unwarranted charges.

Whilst overall we feel that the proposed definition of 'significantly exceeds' is sufficient, and plans for its use to be adequate, we have a lp concern about how compliance with the rules around deemed rates will be followed:

Ofgem state in their consultation that each case raised for concern will be considered on a case-by-case basis. While this approach will allow for a level of responsiveness and attention to detail, it will only allow Ofgem to respond to concerns, rather than proactively assessing wider compliance issues. This would be exacerbated by the fact that many customers on deemed contracts will not be aware of what an equivalent contracted rate would be without proactive communication from their supplier, meaning that concerning rates or practices may not be identified.

As part of their non-domestic market review, Ofgem formally reviewed information from suppliers to identify concerning practices around deemed rates. We would

encourage Ofgem to review deemed rates charges after the finalising of the guidance to ensure that rules are being followed. Regular review will be made possible through the proposal made in section 2.63 that suppliers review deemed contract rates quarterly. Regular review by suppliers should generate a record of charges and their justification that can be regularly submitted to Ofgem for assessment if needed, without suppliers needing to run additional reports.

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**Q3. Do you agree with our proposal that suppliers should review deemed contract rates quarterly? Please provide your reasons.**

Overall, we agree with this proposal, and that it would help Ofgem to achieve their aims of: ensuring that deemed rates are reflective of a supplier's customer base; that there is appropriate reasoning behind a deemed rate pricing strategy and, that the deemed rates are regularly reviewed.

In their consultation, Ofgem offered two examples of consumers who could benefit from a regular rate review: the park home owner, who struggled with the unpredictability of monthly rate changes, and the TPI, who believed that suppliers weren't updating their deemed rates frequently enough.

Having a quarterly cycle, with updates and reports on deemed rates built in, would provide suppliers with both the structure and motivation to update their deemed rates. This would also provide more stability for consumers to budget for the next quarter, and reduce the likelihood of bad debt accumulating. These benefits would be particularly felt by customers such as those cited above.

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**Q4. Are there any potential implications for domestic customers that the proposed guidance on deemed contract rates may impact on?**

Overall, more frequent review and update of deemed rates will be beneficial for domestic customers for multiple reasons:

- Firstly, there will be less risk that consumers are paying a tariff that is much higher than the equivalent contracted rate. Should wholesale energy prices

continue to settle/ decrease, then this should be reflected in deemed rates.

Domestic customers on non-domestic contracts often do not have direct control over their energy supply or their supplier. Historically, being on a non-domestic contract has sometimes resulted in customers benefiting from lower rates than a standard domestic contract. Since Russia's invasion of Ukraine and the energy price crisis, this has not been the case, and many customers have struggled to access the same level of bill support as domestic customers. Considering the difficulties this customer group is currently facing, it is important that the deemed contracts they are on are as fair as possible.

- Secondly, a quarterly review of deemed rates may provide additional opportunities to reach out to and contact domestic consumers who are on deemed rates, and to help move them onto a fixed-term contract if that would be beneficial for them. Customers on deemed rates are often a disengaged group, who may not even be aware of who their supplier is or that they are on a non-domestic contract. Should a review of deemed rates mean that prices change, this is an opportunity to reach out to the consumer and begin engagement.

For example, in section 2.45 Ofgem cite three Park Home owners who are struggling with deemed rate costs, mostly due to the rate of change. It is questionable whether the deemed rate tariffs are suitable for these consumers, as it is likely causing significant disruption for both themselves and their residents. The park home owners are evidently engaged, considering their response to Ofgem's CfI, and therefore would probably benefit from a conversation with their supplier about other packages that might be more suitable for them. A review of their deemed rate contract is a good opportunity to begin such a conversation.

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#### **Q5. Do you have any further comments on our proposals for the deemed contract guidance?**

Under the Information for customers section in the proposed guidance (p.88 of the consultation), Ofgem sets out the expectation that suppliers should have up-to-date information about their deemed contract rates readily available for customers. The proposed guidance also directs that, for domestic customers, suppliers must also

ensure that they meet the conditions of SLC 311.1 when notifying customers of updated rates. This section is not applicable to non-domestic customers.

In our response to Q1 of this consultation Citizens Advice has suggested that additional supply licence conditions regarding the Provision of Relevant Billing information are also applied to microbusiness customers.

In light of this suggestion, we also believe that it is appropriate to provide microbusiness customers with information regarding deemed contract rate changes, and that this provision should be embedded within this proposed deemed contract guidance.

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#### **Q6. Do you have any further comments on the other proposals in this pricing and contract behaviour section?**

Responses to questions 1 - 5 above have focused on: improving pricing transparency; the definition of 'significantly exceeds'; reviewing deemed contract rates; the implications of a quarterly deemed rate review on domestic customers and on the associated guidance.

However, the pricing and contract behaviour section of the consultation contains many thoughtful reflections on findings from the Call for Input, and our response to Q6 picks up on and responds to remarks on the following points.

1. Contracting ease, particularly paragraphs 2.5 - 2.7
2. Concerns regarding whether suppliers are doing all they can to assist consumers, particularly paragraphs 2.20 - 2.21

#### **1. Contracting ease:**

Paragraph 2.5 of the consultation notes that the hospitality sector continues to struggle to secure contracts, and that some suppliers are refusing to accept hospitality businesses regardless of their credit score. Ofgem's response to this issue, outlined in section 2.7, suggests that the best approach would be for the Government to carry out a more cohesive review of the sector.

Citizens Advice acknowledges that current economic conditions mean that many more businesses are set to fail, with those dependent on discretionary spending most at risk.

Economic forecasts are also unstable; while inflation fell to a 15-month low in July<sup>4</sup>, September has brought reports of record insolvency rates and predictions of further inflationary increases. We also acknowledge that additional support from Government may be required to address the issues that the hospitality sector is facing.

However, while an increased level of caution from suppliers is to be expected, a lack of nuance and care in the application of certain contracting policies is unfairly penalising viable businesses, directly impacting their continued operation in an already difficult economic environment.

Intervention from Ofgem to help ensure that viable businesses can obtain a contract no matter their sector would be hugely impactful, and help will help protect small and micro businesses.

Responses to our Request for Information have definitively shown that some suppliers use different benchmarks for different sectors to ascertain whether a customer is at risk or not, meaning that a hospitality business needs to prove a higher level of viability than a similarly sized business from a different sector. This is regardless of the hospitality businesses' credit score, or evidence of past success. Citizens Advice does not believe that these measures are always proportionate to the risk, or applied fairly and consistently, meaning that many high-performing hospitality microbusinesses are unable to secure a contract. Microbusinesses struggling to obtain a contract may have to remain on deemed rates longer than is necessary, exposing them to higher, more volatile prices, and making them more at risk of accruing bad debt than if they had been contracted in the first place.

Citizens Advice does not believe that this practice is sustainable, or conducive to good outcomes for the business or the supplier. We recommend that suppliers carefully consider new customers, and do not hastily dismiss a business on the sole basis that it operates in the hospitality sector. As outlined above, the application of policies around contracting should be carried out in a consistent manner, the aim being that lower-risk, viable hospitality businesses are not denied a contract.

We encourage Ofgem to continue to review what actions it can take to make the contracting experience more consistent across non-domestic sectors, and to ensure that suppliers are treating customers fairly.

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<sup>4</sup> Inflation in July 2023 was the lowest it had been since February 2022, see July 2023 [Consumer Price Inflation UK](#), ONS. Last accessed: 15/09/2023

## **2. Concerns regarding whether suppliers are going all they can to assist consumers:**

Previous to this consultation, Ofgem have expressed concerns that non-domestic energy suppliers may not be doing enough to assist microbusiness customers facing financial difficulties. As a result of this, Ofgem issued an open letter, outlining expectations for good practices related to debt management and customer disconnection.

In response to this ongoing concern, paragraphs 2.19 and 2.20 of this consultation encourage suppliers to proactively engage with consumers in financial distress, whether due to high-priced contracts or challenging financial circumstances. Ofgem also commit to investigating particularly challenging cases that are raised by consumer groups where feasible, and they acknowledge the need for improved pricing transparency to help mitigate challenging financial circumstances.

Citizens Advice welcomes the increased emphasis on pricing transparency, and the acknowledgement that this is key to assisting customers in financial difficulty.

However, our Consumer Service data shows that consumers continue to struggle with getting appropriate support when they are in financial difficulty, and that the issuing of good practice guidance has not resulted in material change.

For instance, in 2023, there was a higher volume of inquiries to Consumer Service regarding Debt Recovery plans compared to the same time period in 2022. Most of these contacts involve consumers who have already attempted to negotiate repayment plans for their debts, but have experienced unexpected changes to these plans, or outright refusal. These consumers often encounter additional difficulties in their interactions with suppliers that exacerbate their situation, such as poor customer service or inconsistent responses.

### **Case study:**

Haris has a successful small business, and has been at his current premises for nearly a year. He has not received a bill from his supplier, but has been able to pay. His supplier sent him a bill of over £250,000, which was more than expected. Haris called his supplier, and they said they would look into it and get back to him, but no one got in touch. The next contact was from a debt collector, who is threatening disconnection. Haris called his supplier and offered to pay half that week, and half the

next, but said that he couldn't afford it in one go. His supplier said that it was too late to negotiate and said that if he didn't pay he would be disconnected.

**Case study:**

Ola lives on a farm with her elderly parents, who are very vulnerable. She is in arrears at the moment of over £8000. At one point, their electricity was disconnected. When Ola called their supplier, she was told that she wasn't allowed to get back on supply unless she signed up for a two year contract. The supplier has now set up a repayment plan, but this takes her whole paycheck each month and is unsustainable. She believes that she is receiving estimated bills and her supplier is ignoring the meter reads provided. The repayment plan isn't sustainable, and she doesn't know how she will afford food for the household going forwards.

**Case study:**

Darren lives above his business with his young son. He got into debt, and was disconnected by his supplier. He called the repayments team, and set up a plan whereby £6000 was paid up front over the phone, and the rest would be paid in instalments each month. Danny called the team again to see when he would be reconnected, and they said they would phone back, but they never did. He called twice more with no reply. When he finally got through he was told that he wouldn't be reconnected unless the debt was repaid in full, and that no repayment plan had been set up. Darren is extremely stressed and anxious, because while he could afford the repayments, he cannot afford to pay this upfront.

These examples suggest that more action is necessary to ensure positive and consistent outcomes for non-domestic customers in financial difficulty. Citizens Advice calls on Ofgem to consider the need for further regulatory measures to ensure better outcomes for customers.

While not all domestic customer protections can be directly applied to the non-domestic sector, there are some that would be appropriate, and that would feasibly improve standards across the board. Citizens Advice recommends that certain protections that are currently applicable to domestic customers be considered in the non-domestic context. In particular, conditions that ensure action in the following areas should be considered for adaptation in the non-domestic sector:



- Suppliers should make customers aware of debt advice services, signposting where appropriate.
- Suppliers should obtain all relevant information from their customer, to ensure an effective resolution;
- Suppliers should deal with customers on a case-by-case basis;
- Suppliers should provide clear guidance and training for staff, and should link staff incentives to positive customer outcomes,
- Suppliers should provide multiple, clear and accessible channels for customer communications, allowing concerns to be raised promptly.

Ofgem should continue its investigations into the appropriateness of additional regulations for debt management to prevent ongoing harm to microbusiness consumers.

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## **Section 3: Competition in the market and customer service**

### **Q7. Which documents, or combination of documents do you believe would provide a robust evidence base to demonstrate a genuine CoT/CoO?**

Citizens Advice has previously worked closely with Ofgem to provide insight and evidence regarding the issues surrounding the Change of Tenancy/Occupancy (CoT/CoO) process. We fully agree that the lack of consistency across suppliers regarding which documents constitute acceptable evidence for a CoT is a key issue. Indeed, some of the evidence submitted as part of our response to Ofgem's previous Call for Input demonstrated that some existing CoT processes have directly put small businesses at risk.

We therefore support Ofgem's recommendation that both the current and gaining supplier utilise the CoT indicator thoughtfully and correctly when determining whether there are reasonable grounds to issue an objection.

We also agree that a consistent set of documents (or document options) for evidencing a CoT/CoO should be established. However, we are concerned by the assumption set out by Ofgem that establishing this list will "allow genuine cases to pass through without delay." Some of the poor practice set out later in this question response and in our

previous Call for Input response, shows that having the correct documentation is not always enough to ensure a smooth CoT/ CoO. Examples of this practice and our proposed recommendations are set out below.

Citizens Advice has engaged in extensive conversations with suppliers to understand the variation in CoT/ CoO processes. Through these conversations, we have been able to ascertain what good practice looks like, and how it is realistically implemented by suppliers. Examples of this good practice are as follows:

- Having a set list of documents or combination of documents that are accepted for a CoT;
- Having set teams or staff members that are trained on CoT/ CoO processes, who can respond to CoT/ CoO issues quickly and appropriately;
- Having a set process that all relevant staff are trained to follow, which includes goal timelines for the CoT/CoO being completed.
- If the customer's new premises is off-supply when they obtain the lease, then they are permitted to access energy through deemed rates while the CoT/ CoO is completed.

Our supplier engagement and analysis of consumer service data also enabled us to identify poor practices around CoT/ CoO:

- Some suppliers request excessive or irrelevant information to evidence a change of tenancy. For example, we have seen Food Hygiene Certificates, pictures of renovations and multiple forms of photo ID requested before connection to a supply is allowed.
- Some suppliers do not permit their customers to receive a supply via a deemed contract, but also have CoT processes that can last up to three months. This means the customer is not able to operate while the process is in place. This often creates a catch-22 where the customer cannot obtain the documentation necessary for the CoT until they are on supply.
- Some suppliers have expressed concerning attitudes about CoT/ CoO, where a CoT/CoO request is automatically assumed to be fraudulent until proven otherwise. This is the case even when requested documentation, as outlined in a suppliers' process, has been provided. Suppliers in question noted that all documents could be fabricated, and so none could be taken at face value. Customers impacted by this must provide further documentation, or ultimately appeal a decision. For small businesses who already work under time restraints, this is an unacceptable level of burden.

### **Case Study:**

Charlotte is a new tenant but the supplier is refusing to put the account in their name. She has provided the business' lease agreement, her ID, other bills, public liability insurance and opening readings that the supplier asked for but the supplier still refuses to update the account details or provide bills. They are now saying they will remove the customer's meter and have told the customer to stop calling.

### **Case study**

Laylah was a business owner. However when her tenancy ended, she decided to close the business as she obtained a new job. Laylah has attempted to close her energy account and pay the exit fee. However, her supplier rejected her lease that was sent in as proof. Her supplier then asked for further documentation, which Laylah supplied. However, this was also rejected. Her supplier stated that the account would remain open until a new tenant was in the property. The landlord has told Laylah there is now a new tenant there, but the bills are still coming in her name.

### **Case Study**

Joseph moved into a new premises with his start up. He contacted the supplier immediately to inform them, and later provided all the documentation they asked for. However, the supplier has told him that the company name on the documents is different to the name that Joseph provided in the first call. They are now not sending him bills.

Joseph doesn't know how the name could be different, and the supplier won't confirm what the difference is, despite him calling multiple times. He doesn't know how to proceed. He's currently on deemed rates, which are extremely expensive.

In light of the above poor practice and case studies, we recommend that Ofgem continue to manage how well and how consistently CoT processes are implemented - in addition to publishing their proposed list of acceptable documents.

We also strongly support Ofgem's intention to create clear guidance to support CoT/ CoO processes. In reference to the example given above, where even agreed documentation was not inherently trusted, Citizens Advice believes that at some point a line must be drawn whereby an agreed document must be accepted, unless it is clearly a counterfeit. It is in guidance that such inconsistencies can be ironed out.

Based on our engagement with consumers and suppliers, Citizens Advice can provide an example list of documents that are acceptable to request, either in isolation or as a bundle:

- Identification such as passports; driving licences; biometric residence permits (BRP); European national identity cards;
- Lease agreement/ tenancy agreement;
- Business rate records/ proof of payment;
- Paid invoices showing the site and business name;
- Recent bank statements, where the bank account in question is used for business expenses;
- Documents showing VAT numbers registered to the site.

As stated in the consultation, it is the Retail Energy Code Company who will be developing and agreeing the list of acceptable documents, while Ofgem develops new, clear guidance. Citizens Advice fully supports this and will work closely with both organisations. However, we believe that this issue is severe enough that it should be kept under review, and further regulation may be required in the future.

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**Q8. Are Micro Business Consumers aware they can contact Citizens Advice for support? Do we need to introduce a rule requiring suppliers to signpost them more specifically?**

Citizens Advice does not believe that a sufficient number of microbusinesses are aware of our role as statutory advocate and advice body. Currently, microbusiness contacts make up a very small proportion of our overall contacts (less than 6%). When consumers do contact us, they are usually in extremely difficult situations - mired in a complex customer service complaint, or about to be disconnected, for example. This

leads us to believe that many customers contact us as a last resort, and are not aware of us as an organisation that can help them through problems as they arise.

Some suppliers already signpost to Citizens Advice, either on correspondence or at certain phases of the complaints or debt processes. However, the majority of suppliers who responded to our Request for Information did not mention signposting as part of their communications process.

We would like to see Ofgem introduce a rule requiring suppliers to signpost to relevant support on all billing and debt communications, and to have details of relevant organisations (such as Citizens Advice or Business Debtline) listed on their websites. We believe that this will be beneficial to both suppliers and customers, as more complex issues can be solved quickly with the help of our specially trained advisors.

However, we note that this rule will be of limited use, if suppliers do not bill regularly (at least quarterly for microbusinesses), or if they do not use multiple contact methods when contacting suppliers about debt.

Our Request for Information has revealed that some suppliers only communicate to their customers via a single method of contact - often physical letters or a telephone call. We would like to see suppliers utilising multiple methods of communication when contacting consumers about debt and disconnection, and for some method of signposting to be included in each.

Further, we would like to see Ofgem consider introducing further Licence Conditions that will require suppliers to bill their microbusiness customers on a regular basis - at least quarterly - and for signposting information to be included on each communication. Suggested amendments to Licence Conditions in regards to regular billing are outlined in our response to Question 1.

In their consultation, Ofgem suggested that a rule similar to those set out in SLCs 31G1-3 and 31G7 be implemented. We would be very supportive of the implementation of such a rule, whilst noting it would be particularly effective if applied alongside a rule similar to those in 31H1-4.

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**Q9. Is an obligation requiring efficient and timely complaints handling needed? If so, what are the costs and benefits associated with introducing this? AND**

**Q10. Is an obligation requiring recording, handling and processing of complaints in accordance with consistent rules needed? If so, what are the costs and benefits associated with introducing this?**

*NB: Obligations regarding the efficient and timely handling of complaints, and the recording, handling and processing of complaints are all outlined in the same Consumer Complaints Handling Standards Regulations 2008.<sup>5</sup> Ofgem outline their concerns regarding support and redress across all the above aspects of complaint handling in the same section, covering paragraphs 3.26 - 3.45. Citizens Advice has therefore combined our response to Questions 9 and 10, as our thoughts on the costs and benefits associated with the introduction of both measures are the same.*

Ofgem have expressed concerns that customers who are not microbusinesses are facing extremely lengthy and frustrating timelines when trying to resolve a complaint. They are also extremely concerned about the current treatment of these larger non-domestic customers, and the lack of options for redress that they have. In response to this, Ofgem has proposed two solutions:

- To expand the supplier complaints handling standards (CHS) requirements to include more non-domestic customers by amending the regulator framework and
- Working with Government to amend legislation to expand access to redress schemes.

Non-domestic customers larger than a microbusiness are not covered by Citizens Advice's statutory remit. However, the expansion of the threshold at which the Complaints Handling Standards apply will impact the Consumer Service. Our thoughts regarding expansion of this threshold is outlined in our response to question 11. Further thoughts on the expansion of access to the Energy Ombudsman, the TPI ADR scheme, and SLC0A are outlined in responses to questions 12, 14 and 15 respectively.

Our response to this question provides some insight into the benefits and limitations of the CHS that Ofgem might find helpful to consider.

**Benefits of a complaints handling obligation:**

- **Raising standards:**

A complaints handling obligation will set out clear good practice that should be

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<sup>5</sup> <https://www.legislation.gov.uk/uksi/2008/1898/contents/made>

consistently followed across the sector. This will help suppliers to identify where their processes can be improved, and should contribute to an overall raising of standards across the sector.

Polling of domestic energy customers has shown that customer service is a key indicator of whether a consumer stays with a supplier or not, with 23% of respondents stating that poor customer service was a leading factor for considering switching.<sup>6</sup> Interestingly, poor customer service was also a leading factor for consumers not having switched, potentially reflecting historic concerns that switching would be a hassle or beset with hidden costs, and therefore not worth pursuing.<sup>7</sup>

A complaints handling obligation could improve transparency and trust between consumers and their suppliers. Consumers will have a clear understanding of what level of service they can expect, and will be empowered to switch when they feel that those standards are not being met.

- **Decreasing complaint volumes:**

Billing error cases have consistently made up around 28% of case volumes into the consumer service.<sup>8</sup> Thematic analysis of these cases have shown that the majority of these consumers have already contacted their supplier, but they have been unable to reach a resolution. The consistent application of CHS may prevent consumers from needing to contact Citizens Advice at all.

## **Concerns:**

Ofgem's aims in expanding the scope of the CHS are to:

- a. Have suppliers handle complaints from their non-domestic suppliers in an efficient and timely manner; and
- b. Have suppliers record, handle and process these complaints according to consistent rules in order for Ofgem to monitor supplier complaints handling effectively.

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<sup>6</sup> [How UK energy retailers can rethink strategies as the market reopens](#), McKinsey, last accessed: [15/09/2023]

<sup>7</sup> [Trust and transparency are the long term energy market solutions](#), Utility Week, last accessed:[15/09/2023]

<sup>8</sup> Average of billing error as a percentage of a whole between January - August 2023

However, many of our Consumer Service cases show that these complaint handling standards are not being met. As stated above, Billing Error cases have consistently made up around 28% of case volumes into the consumer service. Thematic analysis of these cases have shown that the majority of these consumers have already contacted their supplier, but they have been unable to reach a resolution. The following case studies each demonstrate circumstances where a complaint has not been handled correctly or efficiently:

**Case study:**

Amit's bills have increased significantly, but he does not think that this increase is based on his usage. Amit has provided meter readings to his supplier for the past year, but the supplier has not updated his account, and he has been receiving large catch up bills based on estimates. Amit has continued to pay his direct debit, but he has built up a large amount of debt on the account as he has continued to try and get this resolved. He's previously paid £2500 to prevent the supplier disconnecting him, but he is being threatened with disconnection again, despite his meter readings never being used.

**Case Study:**

Annie's supplier charged her twice for the same month's bill. She thought this would be an easy fix, so she challenged it, but didn't get a satisfactory response. After going through the complaints process, Annie paused her direct debits and raised the case with the Energy Ombudsman. The ombudsman case is open, but the supplier has stated that she will be disconnected in two days time.

**Case study:**

Aliyah tried to switch suppliers for her business 9 months ago, but the switch was blocked due to a small debt on the account. She stayed with the supplier and paid the debt off using a repayment plan.

Aliyah has recently tried to switch again, but this has been blocked due to a debt of over £8000. She was not aware of this debt, and contacted the supplier. Her supplier has stated that since she tried to switch previously, her contract was ended and Aliyah has been paying out of contract rates since. She was not aware of this, and received



no communications to explain that her contract had changed. Aliyah then tried to set up another repayment plan with the supplier, but they refused unless 20% of the debt was paid up front, which she can't afford.

Clearly, there remains a gap between the existence of the CHS and their application, and it can be presumed that such a gap would be present for larger business customers as well. Increased monitoring and regular reporting would be required to ensure that the expansion of the CHS is impactful.

In addition to this, consumer reception of the CHS has not been wholly positive while it has been in place, showing marked irregularities in how suppliers carry out its obligations. For example, in 2014 Ofgem carried out a survey of consumers to understand their satisfaction with certain aspects of the complaint handling standards. The survey found that there was a high level of dissatisfaction on nearly all service aspects, but the lowest ratings were for: suppliers taking ownership of the issue and having a proactive approach; the ability to make decisions on the spot and the speed of resolution and the communication of next steps in the process.<sup>9</sup> The case studies above - all taken from within the last year - show that these issues persist.

In addition to their enhanced monitoring commitments, Ofgem should continue to review consumer satisfaction with the Complaints Handling Standards, expanding the pool of those surveyed as appropriate.

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#### **Q11. Do you have any views on what (if any) threshold should apply on business size for complaints handling requirements, or views on which requirements set out in the Gas and Electricity (Consumer Complaints Handling Standards)**

In order to form a full view on what thresholds should be changed and how, Citizens Advice would need to assess a fuller position paper which outlines different options for expansion.

However, we may be open to considering the expansion of the business size threshold to include Small enterprises. Currently, we do not think that the threshold should be expanded to include Medium or Large businesses. In their consultation, Ofgem note

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<sup>9</sup> Ofgem/ GfK, [Complaints to Energy Companies report](#), August 2014. Last Accessed 15/09/2023

that the Financial Ombudsman expanded their definition to include businesses that employ up to 50 employees and have an annual balance sheet below £5m, or an annual turnover of less than £6.5m. We would be supportive of the introduction of a similar definition, subject to further scoping.

Microbusinesses have certain characteristics which mean they benefit from specific kinds of advice and support. Microbusinesses use relatively low amounts of energy, and engage with the energy market in very different ways to larger users.<sup>10</sup> The non-domestic energy retail market is complex, with lots of different tariffs available. Microbusiness consumers are less likely to have staff members who are focused on their energy supply, and are more likely to be disengaged with the market entirely.<sup>11</sup> Microbusinesses are also more likely to involve a domestic consumer. All of these issues could feasibly be improved by working towards the protections outlined in the CHS, and in the enhancements to the CHS set out in this response. Considering that small businesses engage with the retail market in a similar way to microbusinesses, it could make sense to expand the CHS protections to cover them.

However, larger businesses engage with the energy retail market in a very different way, and experience different issues. They are more likely to have staff members dedicated to energy and legal matters, and so are more likely to resolve issues directly with their supplier or via legal routes.

Altering thresholds for Complaints Handling Standards could have potential impacts for Citizens Advice, placing obligations on our services to provide advice and complaint arrangements for businesses larger than microbusinesses. In order to provide support for any alteration to the CHS threshold - including an expansion to include small businesses - Citizens Advice will need to work closely with Ofgem and the government on the development of more detailed proposals, including potential changes to legislation. Further research will also be required to understand the advice needs of any new group encompassed by the expansion, and impact assessments of any proposed changes to legislation will need to be carried out.

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## **Q12. We are seeking stakeholder views on our suggested proposals to government**

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<sup>10</sup> Citizens Advice, [Closing the Protection Gap](#), February 2021

<sup>11</sup> CMA, [Energy Markets Investigation, Microbusinesses](#), 2015

**around increasing access to the Energy Ombudsman. Should there be a threshold on who can access the Energy Ombudsman? If so, where should this be set?**

As noted above and within Ofgem's consultation, larger businesses are less likely to need access to the EO, as direct or legal routes may be more appropriate. Citizens Advice is open to the expansion of access to include small businesses, but as above would need to see a fuller proposal, so as to ascertain how such a change would impact our services.

Such a proposal should outline different options for threshold changes, including:

- The different sizes of business that the threshold could be expanded to;
- A summary of the potential issues each size group could bring to the OS:E;
- A summary of the potential solutions the OS:E could offer to the different groups;
- Estimates of how case volumes may increase for each option;
- An outline of how much more funding would be needed by the OS:E to maintain a good standard of service across each option;
- An outline of redress routes for domestic customers on non-domestic contracts at different size points. For instance, Heat Networks may be categorised as small, medium or large businesses based on the specific project and customer base. However, it is essential to ensure that every residential customer has sufficient safeguards and avenues for resolution.

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**Q13. We are seeking stakeholder views on the proposed changes to the rules requiring suppliers working with TPIs who are members of a redress scheme. Additionally, what are your views on the costs and benefits associated with the different proposals?**

We recognize Ofgem's observation that broadening the scheme to include all non-domestic customers will enhance outcomes for many. However, it will inevitably result in increased costs that will eventually be shouldered by consumers. Given that microbusiness consumers already operate within a financially constrained environment and won't benefit from this expanded access, it should be questioned whether an expansion is appropriate or fair at this time.

Ofgem may wish to consider what additional monitoring activity may be needed to ensure that any rule changes are abided by.

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**Q14. What are views from stakeholders on how long it would take to set up and register for a wider TPI ADR scheme, one that goes beyond Micro Business Consumers?**

As stated above, Citizens Advice would be supportive of an expansion in protections to small businesses, for example, those with 50 employees or less. We are unable to provide additional view points without assessing different options for expansion.

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**Q15. What are your views on our proposal to expand SLC 0A (non-domestic Standards of Conduct)? Do you have any views on which consumers they should or should not apply to? Please provide any views on costs and benefits of making this change.**

In responses to previous questions on expanding the remit of different services, we have been clear that Citizens Advice is not currently best placed to understand how larger non-domestic businesses should be covered, and the same is true here. However, we are open to considering expanding the remit of these services to small businesses, as defined in paragraph 3.38 of Ofgem's consultation. Our response to this question presumes an expansion of SLC0A to businesses of this size.

Elsewhere in this consultation, we have also outlined the characteristic difficulties that Microbusiness customers face that require specific advice and support. For example, Microbusinesses are less likely to have specialist employees to manage their engagement in the energy retail market. This makes them more vulnerable to poor practice, and therefore more likely to need the protection of SLC0A. Small businesses operate very similarly to Microbusinesses, and would therefore be very likely to benefit from the application of SLC0.

**Costs of this proposal:**

It is assumed that, should the remit of SLC0A be expanded, then so will access to other statutory protections and services, including Citizens Advice. The expansion of these protections could therefore result in increased contacts to the Consumer Service and

Extra Help Unit. As outlined in the above responses, a more complete proposal will be required so that Citizens Advice can adequately analyse the impact of such changes on our services.

### **Benefits:**

We concur with Ofgem's assumption that applying SLC0 to a wider range of non-domestic customers will help ensure that they are treated fairly. The principles outlined in the Standards of Conduct (SoC) are essential for safeguarding consumer rights and promoting transparency in the energy market.

However, within their consultation, Ofgem notes that a primary concern voiced by stakeholders is that suppliers are not providing clear and transparent information about bills and terms and conditions of energy contracts. Our response to question 1 of this consultation shows that the application of Standards of Conduct alone are not necessarily enough to ensure good outcomes, and that further protections may be needed. The same would be true for small business customers.

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### **Q16. Do you have any further comments on the proposals in this section on Competition in the market and customer complaints?**

#### **a. Heat Networks:**

Currently, the joint consultation '[Heat Networks Regulation: Consumer Protection](#)' is underway. This consultation considers the regulatory framework necessary to protect domestic Heat Network consumers. While Citizens Advice plans to provide input to this consultation at a later date, we would like to highlight our [previous publications](#) that set out recommendations for what adequate protections for Heat Network consumers should look like.

The recommendations outlined in our response to section 3 of this consultation could be seen as beneficial for the heterogeneous group that make up domestic customers on non-domestic contracts - including Heat Network consumers. Indeed, Heat Network consumers were included as non-domestic customers in the recent DESNEZ (Domestic Customers with Non-Domestic Energy Supply Contracts) [call for evidence](#).

The recommendations set out in this consultation response should therefore not

be considered as separate to the Heat Network issue. The decisions resulting from this consultation process will affect all domestic customers with non-domestic contracts. In particular, proposals to expand the scope of various protections, such as specific SLCs or access to the Energy Ombudsman, should be thoroughly evaluated. For instance, it might be beneficial to maintain a clear boundary for additional protections, such as Microbusinesses or SMEs, allowing for more precise and all-encompassing safeguards for domestic customers in commercial supply scenarios, while preserving the standard operation of the non-domestic market.

b. Debt and disconnection

Ofgem have chosen to not consult on any changes to licence conditions that might increase protections for consumers going through the debt and disconnection process. In section 3.15 Ofgem committed to working with Citizens Advice to determine whether more specific rules are required in this area. We recognise the importance of working closely with Ofgem on this issue, and encourage proactive monitoring in this area.

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## Section 4: Some customer groups need focused support

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### **Q17. What are the views of Distribution Network Operators (DNOs), Independent Distribution Network Operators (IDNOs), Gas Distribution Networks (GDNs), and Independent Gas Transporters (IGTs) on the potential issues of targeting support to vulnerable end users supplied through non-domestic contracts?**

Ofgem have suggested that working with network companies to create a PSR for non-domestic customers will be a better option than establishing a separate PSR in a similar manner to the domestic version.

Citizens Advice recognises, and agrees with, the risks outlined by Ofgem that would accompany setting up a PSR for domestic users on non-domestic contracts. It is extremely feasible that some non-domestic suppliers would withdraw from offering contracts to these customers to avoid the additional costs and complexities that would come with ensuring that they're on a PSR. For example, an elderly couple living on a

working farm would benefit from being on a PSR, but as there would be no obligation to supply them, they could be refused a contract.

However, Citizens Advice does not necessarily agree that working with DNOs would result in better outcomes for domestic customers on non-domestic contracts: In recent research, AgeUK has estimated that 883,000 people have atypical energy supply arrangements, meaning that they do not have a direct relationship with their energy supplier.<sup>12</sup> Within this number, hundreds of thousands of customers will not be identifiable via their meter point. This includes 159,000 residential addresses on park home sites<sup>13</sup> and 585,000 people with a sub-meter in a privately rented property<sup>14</sup>. None of these consumers will be identifiable from a single meter point, and it is not clear how Network Operators. will be able to identify those consumers to provide support.

Additionally, DNOs are still far from capturing all eligible domestic customers on their PSRs. Current estimates range from between 30% and 71% of customers in vulnerable circumstances who would be eligible for support are registered to their network's PSR.<sup>15</sup> Barriers to take up include the complexity of the customer journey, involving a lack of awareness of available support, difficulty applying for support and difficulty updating information when circumstances change.<sup>16</sup> Data sharing has also historically been a stumbling block in identifying customers in vulnerable circumstances. Although Ofgem now expects DNOs and water companies to be sharing data around customer vulnerabilities, there are still issues such as the lack of a standardised approach to data sharing across the industry and data protection permissions that need to be addressed to ensure greater PSR take up and a smoother customer experience.

However, this does not mean that a PSR won't be useful in helping to identify vulnerable non-domestic end-users. In the longer term, Citizens Advice recommends that Ofgem look into utilising a Universal Priority Services Register as a potential tool for capturing domestic customers on non-domestic contracts. The UPSR could be shared amongst other government bodies such as DLUHC, DESNZ and Local Authorities, to ensure that the myriad of consumer groups impacted by their non-domestic contracts are identified. In the future, this register could be utilised for the administration of support schemes similar to the EBSS Alternative Funding.

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<sup>12</sup> AgeUK, [Press release](#), August 2023

<sup>13</sup> House of Commons Library, [Mobile \(park\) homes research briefings](#), September 2023

<sup>14</sup> [Western Power Distribution](#) currently estimates their Priority Services Register coverage at 30%. [SSEN](#) has 71.3% coverage.

<sup>15</sup> From Citizens Advice, [one in eight renters at risk of missing out on vital support with energy bills](#), June 2022

<sup>16</sup> Citizens Advice, [Closing the gap, how to improve customer support in essential services](#), August 2023. Last accessed: 15/09/2023

However, the timelines for the UPSR mean that support for vulnerable non-domestic consumers from this avenue will not arrive in time for winter.

We therefore also recommend that Ofgem work closely with DLUHC, DESNZ and other government bodies including Local Authorities, to ensure that universal bill support is accessible and available this winter.

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**Q18. What changes to the Maximum Resale Price direction would improve its effectiveness and what are the potential downsides to any changes?**

The resale of energy carries significant risks for consumers. Namely, they miss out on important protections such as the domestic price cap, and financial support such as the Warm Home Discount or other vulnerability protections. Consumers who must purchase re-sold energy also do not have a direct link to the market, and so cannot choose services or suppliers that best meet their needs. This ‘protection gap’ has widened as additional focus has been placed on supporting consumers in vulnerable circumstances who receive their energy in a more traditional way. At the same time, we’re concerned that the use of resale arrangements may have grown in recent years - in part due to developers converting commercial buildings like offices into flats using Permitted Development Rights.

We welcome the proposal to enable domestic tenants to challenge energy overcharging through the new Private Rented Sector Ombudsman, and the proposal for further exploration of an alternative enforcement mechanism for other types of tenants, such as consumers living in park homes.

Another risk for consumers who purchase re-sold energy, is that landlords can charge significant, unwarranted sub-metering costs. These charges currently sit outside of current MRP rules, and there are no pathways through which such consumers can challenge these costs or achieve redress. We recommend that Ofgem and the Government set out whether these fees should fall under the remit of the Energy Ombudsman in the future. Ofgem may need to consider how submetering costs are presented to consumers, and which redress routes will be appropriate. For example, consumers should not need to approach two ombudsman services for help with a billing complaint.



Prepayment submetering arrangements are another particular concern, where the owner of the submeters has a non-domestic contract. These consumers are not protected by the same licence conditions as domestic customers, and suppliers are often not even aware that a domestic customer is an end-user.

Submetered PPMs also require that the tenant pays metering fees through their prepay meter top-ups<sup>17</sup>, increasing the costs they need to pay before accessing energy and putting them at greater risk of self-disconnection. It also means that they risk building up more significant debt during the period that they are disconnected.

Given the risks involved with submetered PPMs, Citizens Advice would like to see Ofgem undertake more work on how best to protect these consumers. All domestic consumers on prepayment meters should be able to access support to prevent self-disconnection, and should be protected from unwarranted costs. We are willing to work together with Ofgem and suppliers to understand how to reach this end goal.

In addition to the risks to consumers outlined so far, there are also many areas in which the current resale rules and practices are not aligned with changes to digitalise the energy system and enable more innovative products and services.

In future we also expect time of use tariffs to become more common. If a time of use product chosen by the landlord does not meet the tenant's needs, this may result in higher costs. Ofgem should ensure that at a minimum the MRP transparency rules require landlords to share the information on any time of use pricing where this is used, and considers how this requirement can be met if a dynamic energy tariff is in place.

Additionally, it is also expected that suppliers may seek to sell energy products, such as heat pumps or EV chargers, as part of a bundled energy product. Further clarity should be provided in relation to how landlords should charge consumers if tariffs include 'tied bundles'. These are already allowed under the supply licence, and costs can be integrated into the standing charge and unit rate of tariffs. This means it may be challenging to disaggregate the cost of energy and the cost of the bundled product. However, it is unlikely to be appropriate for tenants to be directly paying for goods which the landlord will eventually own, especially if they receive no benefit from them. Careful consideration should be given as to whether to restrict the types of tariffs and products that landlords can use through resale, in order to protect customers, while still enabling innovation that may be of mutual benefit to landlords and tenants. We explored how innovative energy products and services could work for renters in our

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<sup>17</sup> See [Terms of Service - Metro Prepaid UK](#)

research, Room for Reform<sup>18</sup>. Ofgem should work with the Government to consider how resale rules need to evolve and keep pace with developments in the retail market. Ofgem should also update its MRP guidance document from 2005 to reflect some of the new scenarios that may arise.<sup>19</sup>

Consumers who are sub-metered or where their energy is shared with other properties will not immediately have scope to control their energy supply. We previously called for the Government to consider requiring sub-meters to be capable of directly accessing the retail market in future, by building of the BSC Modification P375 which enables settlement of individually sub-metered assets ‘behind’ the main meter<sup>20</sup>.

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**Q19. What are the costs and benefits associated with the proposal to expand TPI commissions disclosures to all non-domestic customers? How long would it take suppliers to implement this policy?**

As stated above, Citizens Advice would be supportive of an expansion in protections to small businesses, for example, those with 50 employees or less.

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**Q20. Are there views on how commission disclosure is best presented to be understood by consumers?**

Current rules around commission disclosure outline that:

- Information on brokerage costs must be provided to microbusinesses via the Principal Terms, for all contracts;
- This information must be presented as a total cost in pounds/ pence covering the duration of the contract;
- Consumers must always be aware of Third Party Costs that form part of their supply contract;
- Information covering historic contracts are provided to customers on request.

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<sup>18</sup> Citizens Advice (2022) [Room for Reform: Embedding fair outcomes for tenants in tomorrow's retail energy market - Citizens Advice](#)

<sup>19</sup> Ofgem (2005) [The resale of gas and electricity: Guidance on maximum resale price \(updated October 2005\) | Ofgem](#)

<sup>20</sup> Ofgem (2021) [P375: Settlement of Secondary BM Units using metering behind the site Boundary Point | Ofgem](#)

Despite the implementation of these rules, we remain concerned that consumers are not always aware of third party costs, and how these are recovered.

This concern arises from our continually high numbers of Billing Error and Advice/ information cases. Many of these cases feature a consumer who is experiencing bill shock or confusion, as a figure they are being billed for is different to what they expected from their contract information. Some of these cases may be prompted by undisclosed commission costs.

For example, the following cases were raised with the Consumer Service:

**Case Study:**

Matthew received a call from someone claiming to be his supplier. They stated that his contract was coming to an end and that he needed to renew it. Matthew agreed to this over the phone. However, he later realised that this must be a broker. He called them to complain, because not only did he not want the contract, they also failed to disclose their commission value. He called his supplier, who states that he needs to demonstrate that the contract was mis-sold before they can follow it up.

**Case Study:**

Jessie attained her energy contract through a broker. She did not know that her broker was commission based, and feels that she could have got a better price elsewhere. Jessie has complained to her supplier, but the situation has reached a deadlock.

We also received the follow case from a non-microbusiness:

**Case study:**

Arif's business is not a microbusiness. In 2018, Arif fixed a contract for 4 years with 1 year extension via a broker. He has since brought a tenant into his premises, and they have taken over the gas use and contract. His supplier has stated that this is not an issue, but his broker wants to charge £35,000 in lost commission due to a breach in contract. However, Arif doesn't think the contract has been broken, as he has simply switched names on the account - it's still his property. As he is not a microbusiness, he's struggling to get advice.

These cases show that, despite the implementation of SLC 7A.10C, many brokers/ TPIs are failing to disclose commission, or where it is being disclosed, it is not clear to the customer.

As we are not able to track where Consumer Service cases regard commission disclosure issues specifically, we can't provide specific guidance on what aspects of commission disclosure are not working for consumers. We would recommend that Ofgem undertake further research to understand how best to communicate commission information to consumers, utilising consumer surveys and discussions with both suppliers and TPIs to improve coherence.

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**Q21. Should we expand commissions disclosure to all non-domestic customers or a sub-set of customers, and if a sub-set do you have views on how to define this?**

As stated above, Citizens Advice would be supportive of an expansion in protections to small businesses, for example, those with 50 employees or less.

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**Q22. Do you have any further comments on the proposals in this section on focussed customer support?**

N/A.



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