



Representation  
Corona Energy Response on Call for Evidence on Automatic Rollovers

Consultation Close out date: **11<sup>th</sup> July 2013**  
Respond to: [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)  
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Regulatory Affairs  
Date of Representation: **11<sup>th</sup> July 2013**

**Corona Energy response on Call for Evidence on Automatic Rollovers**

***1. Are the current rules for automatic rollovers effective at protecting micro business consumers?***

Yes, we believe they are. Currently, Suppliers are required to give customers full notice of the terms of extended period of their contract under Licence Condition 7A, and customers will also be provided on their bill the date at which the fixed price contract ends (SLC7A.10B). In addition, the additional measures brought in by the RMR ensure that the micro business customer is able to terminate their contract at any time (SLC7A.12B). Finally, SLC7A.10A also gives micro business customers the right to cancel any contract of indefinite length.

Taken together these minimum obligations ensure that micro business customers will be aware of when their contract will expire, have the right to cancel their contract at any time and cannot be prevented from switching their contract. The current framework strikes the right balance between protecting the interest of micro business customers and ensuring that such customers can engage in the market as they require.

***2. Are micro business consumers sufficiently aware of automatic rollovers, and the consequences of opting out (i.e. moving onto out of contract or deemed rates)?***

We believe that there is enough information available for consumers who engage appropriately with suppliers. We have experience of the protections set out above working in practice. In many cases we have customers who give notice to prevent rolling over their contract at the same time as they enter into it. This shows a clear understanding of their rights under the current framework.

Customers are notified about the consequences of moving onto deemed rates in our welcome pack, sent to all new customers, at the time of renewal of contracts with existing customers and at contract termination. Any customer that does move onto a deemed contract will be sent a copy of the Deemed Contract Supply Terms & Conditions together with associated charges for that meter.



In addition to actions that can be taken directly by the consumer, many may make use of TPI's who, in the majority of cases, provide a useful service to the consumers including advice and information in respect of rollovers and deemed contracts.

**3. *Are there any specific barriers that prevent micro businesses from engaging with their supplier when their contract is due for renewal?***

We do not believe there are any barriers that prevent or inhibit micro businesses from engaging with suppliers. Corona Energy follows a set process with regards to notifying customers at every stage (renewal or termination). Customers can also engage with us at any time for a renewal price outside of these processes. In addition we provide significant amounts of information on our website.

It is in our commercial interest to minimise barriers from engagement as we are a small supplier without a large domestic portfolio to fall back upon and we make every effort to make the contract renewal process a simple and positive experience.

**4. *Do stakeholders have any evidence of punitive rollover and/or out of contract/deemed rates?***

We do not have any evidence for this.

**5. *A number of responses to the RMR consultations suggest we explore banning automatic rollovers. Are there any other risks or unintended consequences of banning automatic rollovers not highlighted above?***

The non-domestic gas retail market is the most competitive aspect of the energy market, with over 75% of the gas supplied by smaller suppliers<sup>1</sup>. The market has a diverse range of products for micro business customers, ranging from contracts identical to evergreen domestic contracts to sophisticated fixed term take or pay type arrangements. Customers therefore have the choice of the most suitable contract for their needs.

The banning of contract rollovers for micro business customers will remove an option for such customers. Those whose wish to see their contracts rolled over for another fixed period, will instead be forced to re-enter the market negotiation stage each year or go onto uncompetitive deemed or evergreen contracts. Removing this option from customers forces the market towards tariff pricing which is used in the domestic market, which is seen as considerably less competitive and is dominated by former incumbents with large price inelastic portfolios who can absorb cost inefficiencies. Stifling price innovation will therefore reduce competition and ultimately increase prices for all customers.

A further issue is that those customers who do not engage appropriately will be forced onto deemed contracts. All suppliers consider deemed contracts to be inherently more difficult to manage due to

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<sup>1</sup> Ofgem publication 134/12: The Retail Market Review – Updated proposals for businesses



a combination of lack of engagement by the customer and uncertainty over the length of time the customer remains on the contract. Consequently, deemed prices tend to be higher than contracted rates. For those customers who take no action at renewal/termination they will ultimately pay more for their energy.

Tim Hammond

Regulatory Affairs

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