

Meghna Tewari  
Senior Economist  
Retail Market Policy  
Ofgem  
9 Millbank  
London  
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11<sup>th</sup> April 2014

Dear Meghna,

**Re: Proposals for non-domestic automatic rollovers and contract renewals**

Thank you for providing the opportunity for Corona Energy (CE) to respond to Ofgem's proposals for non-domestic automatic rollovers and contract renewals. We do not consider our response to be confidential and we are happy for our response to be shared with interested parties.

CE is a shipper and supplier of gas and supplier of electricity to the non-domestic market. Our customers range from micro-businesses and SMEs through to large industrial and multi-site customers.

When the first proposals for RMR appeared, CE did not believe that the abolition of "contract rollovers" would be of benefit to the market place. We believed (and still do) that the measures currently in place should continue as is because they provide customers with additional flexibility and control over their contractual arrangements with CE and other suppliers. We are therefore pleased to see Ofgem are not proposing to ban automatic rollovers.

CE already seeks to provide small business customers with the appropriate level of information and transparency to allow them to make informed choices about the contractual relationship with CE at all stages of the contract life cycle.

We hope you find our comments set out in Appendix 1 useful. If you would like further information or clarification of this letter please contact Peter Olsen by email ([peter.olsen@coronaenergy.co.uk](mailto:peter.olsen@coronaenergy.co.uk)) and he will be happy to discuss this in more detail.

Yours sincerely,

Peter Olsen  
Head of Compliance and Regulation - Corona Energy\*

\*please note that this letter will not be signed as it has been sent electronically

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## **Appendix 1 Automatic rollovers and contract renewals**

**Question 1:** Do you agree with our proposal to reduce the maximum termination notice period to 30 days?

**Answer:** CE believes that there are some benefits to adopting this proposal although it will have minor negative impacts as well. While there is some benefit to having a consistent termination window (no confusion between supplier terms) we need to be mindful that making all suppliers offer the same terms reduces competition in the market place. Accordingly we should be sure that fixing the termination window will bring sufficient benefits to justify the loss of competition this results in.

A further consideration is that CE currently adopts a 60 day termination notice period. This allows us to provide some flexibility to customers in that we do not always strictly enforce notice periods and can give those customers who miss the deadline a certain amount of leeway. If we were to move to a 30 day window we would have to enforce notice period timescales to allow transfers to occur and to allow us to undertake our processes for renewal contracts. This would remove any flexibility we currently offer.

Accordingly while we could accommodate a 30 day notice period we would consider a fixed window that is longer (45 or 60 days) to be a better option.

**Question 2:** Do you agree with our proposal to include current prices and annual consumption on contract renewal letters?

**Answer:** CE is not clear what real benefits this will add to the consumer's experience. In principle providing information and making transactions more transparent will always be of benefit. However, the information provided needs to be both current and relevant to the circumstances otherwise it has the potential to become misleading.

Providing information about prices that are 12 months old (or potentially older) where most prices being offered are bespoke and not tariff driven could lead to confusion. Consumers will already know their current prices or can check them with current invoicing. If prices are in a rising market consumers will generally spend more time checking what they are being offered. However, it is possible that if "renewal prices" being offered are in line with "old prices" this might actually disengage the consumer from looking more into the market place because they believe they are getting a reasonable deal.

CE already provides the AQ for customers on the renewal letter although we would be cautious about mandating this unless it is clear what the AQ refers to (i.e. future consumption or historical consumption) and whether this will be impacted by the potential for rolling AQs in the future.

Given that a large number of consumers make use of TPIs (who can advise on the relative costs of different offers) we are not convinced that Ofgem's proposal brings enough benefit to the market and may in some cases cause more confusion.

**Question 3:** Do you agree with our proposal to require suppliers to acknowledge termination notices received from a customer? Do suppliers already do this?

**Answer:** CE already has a process for acknowledging by letter termination notices from customers.

**Question 4:** Do you agree with our proposed implementation dates?

**Answer:** As we have reservations about the proposals per se we think that more time should be given to considering whether they should be implemented and what benefits will result from them. Even if we agreed with the proposals the proposed timetable is unacceptable. As there is an intention to issue a final statutory consultation the timetable you have proposed is too short. There will be some IT development work and process changes required to implement these proposals. The majority of suppliers will not want to implement any kind of change programme until there is certainty on what will happen. Resources may also be short as implementation will be occurring over the summer period.

Furthermore, we think there is some merit in waiting to see the effect of other changes (e.g. contract end dates on invoicing) before introducing another range of changes. It will be difficult to assess during the course of 2015 and beyond what changes were made in 2014 that had the appropriate impact on the market and therefore were “successful” as it will be difficult to know the relative impact of the different changes.

**Question 5:** Do you have views on the proposed amendments to standard licence condition 7A in Appendix 2?

**Answer:** No – we have not considered the amendments in detail

### **Deemed and out-of-contract terms**

**Question 6:** Do you agree that the current licence conditions provide sufficient protection to consumers on deemed contracts?

**Answer:** It is our belief that the current licence conditions provide adequate protection for consumers on deemed contracts.

**Question 7:** Do you agree that more consistent use of terms across suppliers would benefit consumers?

**Answer:** CE would welcome some consistency on terminology. However, we would not want to see this extended to consistency on terms and conditions or a standard set of deemed terms and conditions as we believe this will have a negative impact on competition in the market place. There is a fine line between aligning terminology and forcing suppliers to change terms and conditions to match that terminology which then has the impact of aligning terms and conditions into a standard set.

Ofgem has acknowledged on a number of occasions that the gas non-domestic market has more competition than other sectors of the energy market. CE believes this is because there are a range of suppliers able to offer different products on different terms. Self-developed programmes (such as our edge and values programme) provide differentiation in the market place and give real choice to consumers much of which will be lost if terms and conditions are standardised even in a limited way. As the market is supplying a commodity one of the ways to achieve competition is for suppliers to offer different terms and products.

If Ofgem feel the need to standardise terminology it should be led by Ofgem with full consultation and guidance.

**Question 8:** Should suppliers be able to object to the transfer of a deemed consumer with outstanding debt?

**Answer:** No – we believe that this would restrict consumers’ ability to transfer between suppliers and reduce competition. Consumers on deemed contracts should be able to change suppliers as they see fit.

### **Options we considered**

**Question 9:** Do you consider there are any other options we have not considered?

**Answer:** No (other than our comments set out above)

**Question 10:** Do you agree that we should not ban automatic rollover contracts?

**Answer:** CE agrees that banning automatic rollovers increases the potential for more risk for suppliers and more costs for customers. Accordingly we agree that rollovers should not be banned.

**Question 11:** Can you estimate the potential costs and benefits (in £) of our preferred options? Please consider the initial implementation and ongoing costs where possible.

**Answer:** Based on the Renewal options (4.16 - option 1) and Termination options (4.21 – option 1) there would be a cost to us to amend our billing systems. Process, cost and IT changes take time and require a testing phase to ensure the customer experience is not detrimentally impacted. How much this would actually cost is difficult to estimate given that our IT system developers may well absorb some of the costs or may pass them on to suppliers. Longer term we do not envisage any significant ongoing costs.

**Question 12:** Are there any other impacts we have not identified?

**Answer:** No (other than what we have said above).