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11.4.14

Dear Meghna

Re: Non-domestic automatic rollovers and contract renewals

Further to our Call for Evidence response of 11.7.13, Make It Cheaper welcomes this consultation and the opportunity to contribute towards it.

1. Consistent and common processes in the Post-Rollover environment

When Ofgem introduced guidance for better treatment of micro-businesses in its 2009-2011 'Market Probe', each supplier adopted its own approach. Consequently now when a small business – who's in contract with Supplier A - wishes to give 'termination notice', it might have to do so no later than 90 days before their contract ends, while its neighbour – who's with Supplier B - need only give 30 days. It's little wonder that, with such little commonality, engagement is low and rollovers remain high.

Likewise since the *Ofcom* ban on auto-rolling microbusiness *telecoms* contracts took effect in January 2012, there has been no commonality required in contract terms and termination processes – or how these are communicated to customers. Consequently, we now have a situation where 40% of attempted business landline/business broadband contract switches are frustrated by unwanted save activity or fail due to a lack of awareness (or ambiguity) of terms. Comparative 'Live Rates' for other products that our micro-business customers ask Make It Cheaper to arrange on their behalf is 100% for insurance, 82% for energy and 76% for merchant services. Partly due to high levels of customer frustration and low 'successful' customer engagement, *Ofcom* recently launched a consultation to look into lifting other barriers to switching.

So in answer to Questions 1&7: Yes, we definitely agree with the proposal to reduce the maximum termination notice period to 30 days and that more consistent use of terms across suppliers would undoubtedly benefit consumers.

Step 1: Ensure all suppliers implement ending of roll overs in a consistent manner.



2. Clear communication of Contract Information to empower customers

Even with consistency and clearer information at the point of organising a contract, most small businesses will fail to remember the precise details as the contract renewal date approaches. For this reason, we are resolute that every energy supplier must clearly display relevant contract details on every customer's bill, specifically: what kind of contract they are on; when it ends; how to end it; and whether there are better options available now. Indeed, as a member of DECC's miData Energy Board we also support the use of QR codes to be integrated on all business energy bills.

Our firm belief is that without 'empowering information', any customer who 'rolls' today will 'roll' tomorrow. The only difference being that they won't be locked into the new rolled rates for a year, just 30 days.

The consultation (section 4.11) says that Ofgem will be 'closely monitoring how suppliers implement these policies' - eg Contract End Dates on bills from 31 March 2014. We look forward to hearing more detail on how this is being carried out, how it is being communicated and any conclusions drawn from this exercise.

In answer to Q.2: Our research shows that 52% of micro-businesses would like to see their 'Consumption compared year-on-year' published on bills.

Step 2: For small businesses to actually benefit from stopping roll over contracts, key Contract Information must be clearly printed on all bills.

3. Transparency and publication of Variable Rates & Out-of-Contract/Deemed Rates

As in the domestic energy market, it is vital that all suppliers publish their Variable and Out-of-Contract/Deemed rates. They should also be required to publish planned price changes 45 days in advance. We believe that some small businesses that are low energy users would like to engage in the market in the same way as a domestic customer would. Our experience of the domestic market through our Ofgem Confidence Code-accredited online comparison site (ukpower.co.uk) indicates that simpler contracts for smaller users can be very easily administered in this way.

Some suppliers have said to us that they are reluctant to publish tariffs, citing competition issues, despite this now being standard practice in the domestic energy market. Clearly, we are not asking suppliers to publish their most competitive fully-fixed tariffs. However with so many (one in 10) businesses being marooned on Out-of-Contract or Deemed, we believe much more can be done to educate and empower consumers, particularly in circumstances where they have just moved into new premises.

So in answer to Q.6 (Do you agree that the current licence conditions provide sufficient protection to consumers on deemed contracts?): No, suppliers need to make a more concentrated effort to contact tenants who are new to premises, while business owners should also be encouraged to contact their suppliers as soon as they move into a building. Once a contract has been agreed, the new rates should be backdated to apply from the date the tenant moved in.

Step 3: Ensure suppliers publish their tariffs and publicly announce prices changes 45 days before they take effect.



4. Simplicity around the Termination Process and rules around 'unwanted save' activity

We are concerned that the process a Variable Rate customer needs to follow in order to switch to another supplier is complex (including in one case having to clear an estimated interim bill). We can guarantee that anything creating 'hassle' will reduce switching behaviour and engagement. Our concern is based on the transfers we have experienced recently with our (post-Roll Over) business telecoms contracts.

For example:

- A. Customers call us as they have received a letter from their incumbent provider claiming they will be charged for switching even if they are out of contract.
- B. Customers call us as they have received a letter from their provider claiming a switch may lead to some downtime in service.
- C. Some providers are blocking a switch until the customer speaks to them to confirm they are going ahead. Once they speak to them, they will try and win them back.

Furthermore, evidence from the telecoms market (Ofcom's Consumer Switching Consultation 8.8.13 - Figure 4.4.) details 70% of customers having experienced some degree of 'save activity' from the Losing Provider trying to persuade them to stay. Specific examples provided by our own business customers switching their telecoms in 2014 include...

1. **Sports Club in Stafford:** "Pressure from old provider to stay with them."
2. **Hairdresser in Wakefield:** "Hassle from old provider."
3. **Guest House in Hereford:** "Getting away from old supplier was the worst part."
4. **Hotel in Edinburgh:** "Hassled by existing provider to remain."
5. **Farm in Oakhampton:** "Hassled when leaving."
6. **MOT Centre in Belford:** "They were very difficult when leaving."
7. **Guest House in Pontefract:** "Continual harassment from old provider."

We believe that there should be a simple and clear process for allowing - **but managing the extent and prevalence of** - such save activity. So in answer to Q.3 (Do you agree with our proposal to require suppliers to acknowledge termination notices received from a customer?) No, absolutely not as there is too much temptation to engage retention sales teams in aggressive and unwanted save activity. In fact, we advocate 21 day (rather than 30 day) switching as this will not only speed up the process but will reduce the interference of 'winbacks' - that create administration headaches for customers and suppliers alike (not to mention TPIS!). We do, however, suggest there is a termination acknowledgement that is 'Winning Supplier Led' as Ofcom has proposed for microbusiness consumers. We would also recommend that TPI delegated authority (ie via Letter of Authority or digital signature) is universally accepted for a termination and for dealing with any objections - valid or invalid - as this would remove another unnecessary barrier to switching.

Step 4: Ensure a simple Termination Process is consistently adopted and that the prevalence of Save Activity is limited, monitored and breaches sanctioned.



5. Set Ofgem Targets on Engagement

Finally, we are of the opinion that the biggest shortcoming of Ofgem since launching its Market Probe is not having set clear targets for customer engagement levels. We find it astonishing that goals have not been set, nor measured against consumer participation in order to gauge the success of its interventions.

Step 5: Set targets for switching and types of contacts that SMEs enter willingly or unwillingly

And so to summarise:

1. Consistent and common processes in the Post-Rollover environment
2. Clear (Ofgem-monitored) communication of Contract Information to empower customers
3. Transparency and publication of 'Variable Rates' & 'Deemed Rates'
4. Simplicity of the Termination Process and rules around 'unwanted save' activity
5. Set Ofgem Targets for levels of Non-Domestic Market Engagement

Yours sincerely

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About Make It Cheaper: Based in Central London with 140 staff, Make It Cheaper has been the No.1 destination for businesses to get a better deal on their utilities since its launch in 2007. Following its acquisition of UK Power in 2012, Make It Cheaper also now provides competitive energy prices and expert advice for households. Its supplier panel includes all of the Big 6 and over 20 of the smaller domestic and non-domestic energy companies. For businesses and charities it also offers savings across other overheads including: telecoms, insurance and merchant services. The company has appeared in the [Fast Track 100](#) for the past three years and, in 2013, it won the titles of 'SME Consumer Champion' & 'SME Most Trusted' at the [Energy Live Consultancy Awards](#). Its 2014 Net Promoter Score, based on 1,969 customer satisfaction questionnaires completed year-to-date, is 69.

Winner of the **SME Consumer Champion** award
Winner of the **SME Most Trusted** award

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