



By email only

Meghna Tewari
Senior Economist
Retail Markets Policy
Ofgem
9, Millbank
London
SW1P 3GE

Your ref
Our ref
Name Gerald Jago
Phone 07989 481 153
Fax
E-Mail Gerald.Jago@npower.com

11 April 2014

Dear Meghna,

Proposals for non-domestic automatic rollovers and contract renewals

As you know, npower announced last year that from April 2014 it will not sell automatic rollover contracts and that from November of this year will no longer move existing customers coming to the end of their contracts on to a fixed-term contract. In this context we would argue that a number of the proposals are no longer relevant for us: in particular, including annual consumption details and a price comparison with the renewal letter.

However, we are aware that some suppliers will continue to offer automatic rollover contracts and so it is important to ensure that any processes are as clear as possible for customers; and we therefore welcome the opportunity to contribute to the development of your policy.

Below are our answers to your consultation questions.

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

Yes.

npower has already agreed to adopt this measure. It should be noted that standardising aspects of energy products may restrict choice for customers.

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

No.

The Retail Market Review reforms have only just come into force and we have yet to see the impact of those on customers. We believe that they will be beneficial as they give customers more information about their contracts and the products available to them. Npower is also revising its bills for micro business customers to make them clearer, simpler and easier to understand. We are evaluating customers' views of this change.

We already write to customers at appropriate points during their contracts and at renewal to give them detailed information about their renewal prices. Npower is also pioneering innovative products that no longer rely on the use of auto renewal terms.

RWE npower

2 Princes Way
Solihull
West Midlands
B91 3ES

T +44(0)121 336 5100
I www.rwenpower.com

Registered office:
RWE Npower plc
Windmill Hill Business Park
Whitehill Way
Swindon
Wiltshire SN5 6PB

Registered in England
and Wales no. 3892782

These will provide customers with a greater choice to meet their energy requirements and will mean that they will no longer move automatically onto further fixed-term products.

Together, these changes will give customers more information about the products available to better suit their needs. The changes have started before Ofgem's proposals would come into force and by the time that they do the issues they are supposed to address may no longer exist: for example, this particular measure seems mainly designed to address a potential harm that no longer exists where a supplier such as npower does not provide a rollover contract. If the proposal were to apply it should be confined to where suppliers apply an auto rollover provision for customers.

Similar issues also apply to the proposal to give customers annual consumption data. Many customers are on fixed term contracts; providing annual consumption figures will rely on estimates based on periodic meter readings which may not align fully with the term of the contract. In some cases actual and estimated consumption can vary widely. Whilst the consumption figure may give customers a greater awareness of their energy use, Ofgem's own figures show that only 14% of customers do not review their energy use every year, so the case for this proposal is not strong.

Proposals by the Department of Energy and Climate Change, that will bring into force the provisions of the Energy Efficiency Directive by the end of the year, will allow customers to request on-line management of their accounts. Our research shows that customers have an appetite to use digital media more and many would welcome this initiative. Ofgem's proposal would require suppliers to provide information that we will have to provide on demand to customers at the end of the year in a format that many customers prefer to use.

We do not see the need to make the changes proposed, but if the Authority wishes to proceed, we strongly recommend that it delays implementation until it has a better view of the impact of the end of auto rollovers so it can assess whether the issues it identified applied in 2013 still apply and to the same extent.

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

Yes.

npower already does this.

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

No.

We do not agree for the reasons given above in answer to question 2. The proposals are premature and take no account of the impact of the RMR or other voluntary changes suppliers are putting in place. The timing of the proposed changes does not consider the time taken to develop requirements and put in place work programmes to make system changes. The convention adopted by governance bodies for industry changes is to allow at least six months from agreement to implementation. The present changes are yet to be defined precisely, so it would be unreasonable for suppliers to be expected to implement any changes before the end of 2014. With changes to comply with DECC's proposals to implement the Energy Efficiency Directive and the industry changes necessary to implement DECC's quicker switching proposals due at the same time, the earliest we could reasonably expect any changes to be implemented efficiently would be the second quarter of 2015.

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

Yes.

In the present circumstances, we do not agree that the case for implementing the changes is compelling enough. We think that the Authority should delay any decision on its proposals until at least the end of the year to consider if the issues it has identified still exist.

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

Yes.

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

Yes.

This may have some merit and we are already taking part in work on this issue through Energy UK.

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

Yes.

But suppliers should be able to choose whether or not to object.

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

Yes.

You have not considered delaying any decision until having a view of the impact of the latest changes under Retail Market Review and suppliers' own actions. The reasons for the dismissal of the "do nothing" option are not compelling and do not take account of the impact of the ending of auto renewals on the market.

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

Most suppliers have agreed to end their use. Ofgem should review their continued use by some suppliers and take action accordingly.

I hope the above is clear; but as ever if you have any questions please do get in touch.

Yours sincerely,

Gerald Jago