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Proposals for non-domestic automatic rollovers and contract renewals

Dear Meghna,

SmartestEnergy welcomes the opportunity to comment on Ofgem's consultation on non-domestic automatic rollovers and contract renewals.

SmartestEnergy is an established supplier in the half hourly electricity market and an aggregator of embedded generation. We have just entered the NHH retail market (group and corporate, not SME/Micro, sectors) as of October 2013

We would like to make the following observations:

The consultation seems to assume that all micro businesses are on roll-over contracts and is silent on the obligations a supplier is under if the customer is on a bespoke fixed term priced tariff with no roll-over arrangements. We would suggest that in these circumstances, the obligations should not apply and that this should be made explicit.

We answer Ofgem's questions below in the order in which they appear in the consultation document.

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

In the circumstances where the micro-business is on a contract with a roll-over clause we agree with this. However, this does not seem relevant for a

fixed term contract which would revert to deemed terms which can be terminated at any time with three weeks' notice . As written it would appear that all micro businesses must be treated the same and we do not believe this is the intention as the focus of the consultation is on roll-over contracts and deemed/OOC arrangements. The proposals and the licence condition need to be more explicit.

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

Again, theoretically yes, if the micro-business customer is on a roll-over contract but we have two reservations about this:

Firstly, it would be costly for suppliers to develop this functionality automatically in their systems and would be disproportionately so for suppliers with a small Micro Business customer base. A manual solution would also be clumsy and onerous.

Secondly, in determining whether to renew a contract current prices are irrelevant. The customer needs to make comparisons with other suppliers' prices. We can see, however, that this would be more relevant for customers on deemed contracts who need to consider going on to a contract.

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

We agree that suppliers should acknowledge a termination notice received from a customer on a roll-over contract. We do not currently have any contracts with roll-over arrangements or a requirement to send termination notices. However, we do respond to all correspondence from customers within 48 hours.

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

Ofgem propose their changes of reducing the termination period, adding information to renewal letters and acknowledging termination would take effect from 31 August 2014. For contracts entered into before 31 August 2014, the proposal for a maximum termination notice period of 30 days would apply when a micro-business consumer enters into a new contract,

or when the contract is extended in any way. We believe that the system changes required for adding price and consumption information to renewal letters would require a lead time of one year from the point of the licence being changed.

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

Please see our answer to Questions 1 & 2.

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. To all intents and purposes, deemed and out of contract are one and the same thing. Ofgem should galvanise their legislation around one definition of "Deemed" and apply the same rules to anything that the supplier calls "out of contract."

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

Yes. As a supplier we have no real relationship with customers who fall onto deemed rates on a Change of Tenancy. Debt can be a problem with such customers and the only real leverage we have is that they will continue to have to pay the deemed rates until they settle the outstanding debt and move to another supplier.

Not having the ability to object to transfer can discourage customers from proactively communicating with us when they take on new estate; they may take the view that we are unlikely to chase small amounts of debt through a legal process so therefore not worry about settling with us before they move suppliers.

In reality we may not choose to exercise this right; it may often be preferable for the customer to leave even if it means writing off some debt. But we believe we should have the option open to us.

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

No

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

No. We believe roll-overs should be banned and the obligations to inform customers should be placed on deemed arrangements.

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.

No comment.

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

No

If you have any questions, please do not hesitate to contact me.

Please note that our response is not confidential.

Yours sincerely,

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