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Dear Meghna,

Statutory consultation on non-domestic automatic rollovers and contract renewals

We welcome Ofgem's proposals for clearer information and standardised timeframes for micro-business consumers when they renew their energy contract. These changes are important to promote engagement and protect consumers irrespective of whether the consumers' contract will automatically renew or not.

However, we are very disappointed that Ofgem has not taken decisive action and introduced an outright ban on Auto-Rollovers. It remains our firm belief that a ban on Auto-Rollover contracts is in the best interest of non-domestic consumers, and the overall health of the market.

We are concerned that the remedies proposed will be ineffective at preventing customers from being automatically renewed onto significantly higher prices, and will do nothing to prevent the gradual return of Auto-Rollovers whether by existing suppliers or new entrants.

A ban on Auto-Rollovers is the right outcome to ensure consumers are protected

Customers consistently told us that they believe Auto-Rollovers are unfair so we took decisive steps and voluntarily stopped the practice. The majority of larger Suppliers subsequently made similar commitments.

Even amongst the Independent Supplier community there is increasing acknowledgement that the Auto-Rollover model damages consumer confidence and a number of them have now similarly stopped the practice. Indeed, in their recent announcement about ending Auto-Rollovers, Opus Energy (hitherto one of the most vocal supporters of rollovers) stated that they do not believe "customers are best served by what will become a market with a two-tier structure"¹.

The consultation indicates that the option for a ban will remain open and that there will be a further review in six months (i.e. February 2015). It would be helpful to understand what form this review would take, and for Ofgem to clarify what needs to have changed for Auto-Rollovers to then be considered appropriate in a fair energy market and consistent with Ofgem's principal objective of protecting the interests of consumers.

A ban is the only way to ensure unfair Auto-Rollovers stay out of the market

If Ofgem does not take this opportunity to permanently remove a practice that engenders mistrust of the competitive energy retail market, it is inevitable that some Suppliers will infer they are an acceptable practice.

¹ <http://www.opusenergy.com/news/opus-energy-announces-product-changes-give-smes-budget-certainty-flexibility/>

The large scale removal of Auto-Rollovers has so far been achieved through voluntary agreements. New entrants to the market could utilise Auto-Rollover products having made no such pledge. Moreover, if any supplier rescinds their voluntary commitment, others would have a fiduciary duty to follow suit if they would otherwise be left at a significant commercial disadvantage.

We share Consumer Groups' fears that the proposed arrangements will inevitably lead to Auto-Rollovers returning *en masse* over time, along with the raft of customer dissatisfaction that accompanies the practice.

The proposals in the draft licence conditions do not go far enough

Notwithstanding our continued support for a ban, we do fully support the proposed licence modifications and will be compliant with the new requirements ahead of the deadline.

We note that we have previously expressed concern that a supplier not acting in good faith could comply with the 'letter' of the proposed obligations but not the 'spirit'. For the prescribed information to be useful and effective, it should be obvious to the reader what the impact of their inaction would be. For micro-business' interests to be served, this information must be in a prominent position, and not manipulated or concealed in any way. We do however believe that the provision of this information is captured under the Standards of Conduct licence obligations and so we expect Ofgem will be checking that Suppliers have adopted these new obligations in a transparent, honest and fair way.

Deemed contracts

As stated in our previous submission, we believe suppliers should be able to object to deemed customers with an outstanding energy debt on their account. This is current practice in the domestic sector and we do not see why it should not apply equally in the non-domestic sector. We are therefore disappointed by Ofgem's decision in this regard and would like Ofgem to clarify why it believes it is correct to maintain this different application across domestic and non-domestic.

Conclusion

Even if the majority of Suppliers behave with their customers' interests at heart, the poor practices of a minority damages confidence in the market as a whole, as Ofgem accept is the case in the TPI market. Information remedies are important, but ultimately can only go so far to protect consumers. We believe that with ever broadening support for a ban, combined with the acknowledged downsides of retaining auto-rollovers, a ban is the right outcome for consumers and for the industry.

This response is submitted on behalf of the Centrica Group of companies (excluding Centrica Storage), is not confidential, and may be placed on the Ofgem website.

Please do not hesitate to contact me if you should wish to discuss any of the issues raised in this response.

Yours sincerely

Matt Young
Head of Non-Domestic Regulation
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