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28 August 2014

**Statutory consultation on non-domestic automatic rollovers and contract renewals**

Dear Rob,

I am pleased to attach Energy UK's response to Ofgem's statutory consultation. It is not confidential.

If you have any questions, please do not hesitate to contact me on 020 7747 2963 or [daisy.cross@energy-uk.org.uk](mailto:daisy.cross@energy-uk.org.uk)

Yours sincerely

Daisy Cross  
Policy and External Relations Executive

# Statutory consultation on non-domestic automatic rollovers and contract renewals

## Energy UK response

28 August 2014

### 1. Introduction

- 1.1. Energy UK is the trade association for the energy industry. We represent over 80 members made up of generators and gas and electricity suppliers of all kinds and sizes as well as other businesses operating in the energy industry. Together our members generate more than 90 per cent of the UK's total electricity output, supplying more than 26 million homes and in 2012 invested more than £11 billion in the British economy.
- 1.2. Energy UK strongly believes in promoting competitive energy markets that produce good outcomes for consumers. We are committed to working with Government, regulators, consumer groups and our members to develop reforms which enhance consumer trust and effective engagement. At the same time, Energy UK believes in a stable and independent regulatory regime that fosters innovation, market entry and growth, bringing benefits to consumers and helping provide the certainty that is needed to encourage investment and enhance the competitiveness of the UK economy.
- 1.3. These high-level principles underpin Energy UK's response to Ofgem's statutory consultation on automatic rollovers in the non-domestic market. This is a high-level industry view; Energy UK's members may hold different views on particular issues. We would be happy to discuss any of the points made in further detail with Ofgem or any other interested party if this is considered to be beneficial.

### 2. Licence drafting

- 2.1. Energy UK notes Ofgem's use of a summary table of licence modifications in the Statutory Consultation Notices, and has found them useful for quick reference and clarity.
- 2.2. Under the definition of Annual Consumption Details, Energy UK notes that the word 'domestic' relating to consumers has twice failed to have been struck through under part (b).
- 2.3. Regarding the inclusion of section 7A.9 (b) Energy UK understands that this relates to the obligation on suppliers (included in the consultation) to explain to customers how prices will fluctuate, or direct customers to relevant price information where the prices are not known in advance. Energy UK notes that its members would already provide this information clearly in their Terms and Conditions.

### 3. Current landscape

- 3.1. Energy UK's members are committed to delivering improvements for their micro business customers. Our members have been instrumental in driving improvements to systems and processes that will mean customers are better able to understand their contracts, and the contract continuation process. Through our involvement with the No.10 SME Energy working group our members<sup>1</sup> committed to:
  - Moving to a common date at which a customer can give notice to terminate their contract of 30 days before the contract end date
  - Exploring improving the switching process for micro business consumers via Ofgem's Change of Supplier Expert Group (COSEG) to help make it easier and quicker for customers to switch supplier.
  - Exploring how customer communication can be made more consistent by standardising common industry terminology.
- 3.2. There is no typical micro business customer, and the variety of contract options which currently exist in the market for these customers is testament to this.
- 3.3. Responding to demands from consumers for transparent and flexible product offerings, most of our members have now voluntarily decided to end their use of automatic fixed term rollover contracts as a contract option. Customers under contract with these suppliers will instead move onto a variable tariff or a fixed price tariff with a short notice period (e.g. 30 days) and no exit or termination fees if they take no action at the end of a fixed term.
- 3.4. Individual processes aside, all Energy UK members believe that all new contracts should be fair and be clear to customers, with appropriate signposting of contract end dates and of what will happen when the fixed term of the contract ends.

#### **4. Acknowledging termination notices in writing**

- 4.1. Energy UK is generally supportive of Ofgem's proposal to require suppliers to acknowledge termination notices received from a customer, and this is already common practice across the majority of our members.
- 4.2. Some suppliers, while acknowledging Ofgem's rationale, believe that the requirement to send out such a notice need only apply where the customer can be automatically rolled over. These suppliers do not tie customers into exit fees outside of the customer's original contract.

#### **5. Leaving a 'ban' option open**

- 5.1. Energy UK seeks clarity from Ofgem on how it plans to approach its 6 month review in February and would like to understand what tests Ofgem will apply. In addition, it would be helpful to understand what Ofgem expect will have changed in the next 6 months to address Ofgem's stated concerns about auto-rollover practices.
- 5.2. If Ofgem decide not to introduce a ban after the 6 month review then we can only assume that Ofgem would be content for any or all Suppliers to reintroduce the practice either immediately or at any point in the future.

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<sup>1</sup> British Gas, EDF Energy, E.ON, First Utility, Good Energy, npower, Opus Energy, Scottish Power and SSE.

5.3. Suppliers seek certainty when implementing new processes around regulatory decisions. Members acknowledge that Ofgem has an important role in monitoring the market to ensure it is competitive and working for customers, but urge Ofgem to ensure that there is visibility of and appropriate lead-in times if any future changes are made. A stable regulatory framework helps keep costs down.

**6. Deemed contracts**

6.1. Most Energy UK members believe a supplier should be able to object to a deemed customer's request to switch where there is an outstanding energy debt on their account. This is current practice in the domestic market and members do not see why it should not apply in the non-domestic sector. One supplier does not agree with this position, and one supplier takes a neutral position on this issue.