

By email only

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

Name Paul Tonkinson
Phone 07989493019
email paul.tonkinson@npower.com

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Proposals for non-domestic automatic rollovers and contract renewals

Dear Meghna,

Thank you for the opportunity to comment on Ofgem's final proposals for providing information to micro businesses when they renew their energy contracts. npower responded to the earlier consultation in April 2014; the company's views remain unchanged. We are happy for this response to be placed in the public domain

Background

npower has decided to stop the use of autorollover provisions, to take effect from November 2014. This will give customers greater choice and more flexibility at the end of fixed-term contracts. We announced this before Ofgem's instruction to put contract-end dates on bills. As you know, a further licence-condition change to meet the requirements of the Energy Efficiency Directive (the Third Package) (EED) means that, customers can have online bills and their consumption data from suppliers on request. Customers can already get consumption data from bills and pricing information from the contracts sent with welcome packs and their terms and conditions. Furthermore, npower encourages customers to contact us to discuss renewal products and is exploring further ways to communicate with customers.

These changes will give npower's customers access to more information about the products available to them than ever before, and their combined impact has yet to be assessed. As a result we believe it is too early to know whether or not the latest proposals are needed and Ofgem should consider delaying their implementation until it has evidence that they are necessary.

Ofgem's proposals

Our views on the specific elements of the proposed standard licence condition are set out below.

- npower has already agreed to implement the proposed reduction of the maximum termination notice period to 30 day. We also provide customers with written confirmation of receipt of termination requests.
- We remain of the view that the proposal to include current prices and annual consumption data on customers' contract renewal letters is not needed, as the information is already available to customers, Ofgem has not had time to

RWE npower

Oak House
Bridgwater Road
Worcester WR4 9FP

T 07833-236609
I www.rwenpower.com

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

Registered in England
and Wales no. 8241182

evaluate recent changes it and we introduced; making many seemingly small changes over short periods is costly and disruptive. However, if Ofgem wishes to proceed then we would suggest that the measures be confined to contracts containing autorollover provisions.

- The proposal to add annual consumption data will mean customers on one-year fixed-term contracts will receive estimates as suppliers will usually only have less than one year's meter reading history. This may be misleading for customers and could give some an incorrect view of their energy use.
- As we said in our response to the April consultation, the time to implement the additional price and annual consumption proposals is too short. This remains our view. Ofgem will not publish its decision on the proposed licence condition changes until September or later, which may allow less than six months to design and implement the necessary changes to our systems. These are unlikely to be trivial and we do not believe that we can implement them in time without significant disruption to our IT change programme.
- We suggest that the proposed measures should only apply to fixed-term contracts that retain an autorollover provision. As a result we recommend that the following text is inserted into the Standard Licence Condition 7A 8 (e) "if 7A.13 applies,.. " to read:

"(e) if 7A.13 applies, terms that would apply if the Customer sends (or has already sent) a notification in Writing before the Relevant Date to prevent renewal of the Micro Business Consumer Contract but does not appoint another supplier; a statement displaying the Charges for the Supply of Electricity which apply to the Customer as at the date on which such statement is provided; and"

- The same text should be inserted into sub-paragraph (f) to read:

"(f) if 7A.13 applies, the Customer's Annual Consumption Details.

- We also believe there is an omission in SLC 1 (b) (ii) in that the term "Micro Business...." should be inserted in front of "...Domestic Customer...". The paragraph should read:

"where the Domestic Customer has held their Domestic Supply Contract or Micro Business Consumer Contract (as applicable) for:

(i) less than 12 months; or

*(ii) at least 12 months and the licensee has not obtained actual meter readings (including meter readings provided by the **Micro Business** or Domestic Customer and accepted by the licensee in accordance with standard condition 21B) which can reasonably be considered to cover the whole of that 12 month period"*

- Given that Ofgem has yet to establish the case for these changes we suggest that it delays its proposals until it has had time to collect and evaluate evidence from the proposed monitoring it will conduct during the latter part of 2014. This monitoring is welcomed and should give it a better view of the impact of all changes in this market.

We also make the following points.

npower introduced Ofgem's last set of Retail Market Reform proposals - that is, the contract end date on bills - five months ago. Customers with quarterly billing will have now received at least one new bill. Implementing that change was costly and time consuming. Recent estimates show the cost was three times larger than that set out in the information we provided Ofgem in April.

The proposed changes that are the subject of this response are being introduced concurrently with suppliers having to implement the EED licence condition requirements and Ofgem's Electricity Market Reform proposals. Taken together, this means we may have had to make a significant change to meet the EED requirements, only to make a similar change immediately after to comply with similar requirements proposed by Ofgem. This not only adds cost to the process, it means that planned changes, to innovate and develop our service, are often rescheduled or dropped to accommodate changes required by government or regulatory measures. While we appreciate that it is not always possible, it would have been helpful if there had been better coordination between DECC and Ofgem, particularly when, as is the case here, proposals affecting the same areas of suppliers' activity are being introduced by both organisations.

Conclusion

npower no longer sells products with automatic rollover contracts and from November 2014 we will not use autorollover provisions to renew existing customers' fixed-term contracts. Instead customers have the choice of a range of products that better suit their needs. We have yet to see the impact of these innovations on the market. We believe that the case for elements of the proposed standard licence condition has not been made and their proposed implementation is premature. We welcome Ofgem's proposal to monitor the situation over the coming months.

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

Yours sincerely,

Paul Tonkinson
Regulation

