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Corona Energy Response to protecting consumers who receive backbills

Thank you for the opportunity to respond to the consultation on protecting consumers who receive backbills dated 16 November 2017.

We do not consider our response private and confidential.

Introduction

Corona Energy (CE) is a shipper and supplier of gas and electricity to the non-domestic market. Our customers range from micro-businesses and SMEs through to large industrial and multi-site customers. Our multisite customers consist of large commercial organisations (such as national retailers) as well as government departments and local authorities which are supplied through a number of framework agreements. We also have a licence to supply domestic sites in electricity and gas.

Response

In this response we set out our concerns over the proposed imposition of a new licence condition, banning backbills for microbusiness customers for more than 12 months except in limited circumstances.

The proposal to impose a blanket 12 month ban is a disproportionate intervention in the market, which is contrary to the high-level goal of principles-based regulation. We see the



current voluntary standards as a highly successful mechanism which has allowed customers to benefit from transparent standards, so allowing suppliers to differentiate between other suppliers in the market. Imposing a uniform restriction will remove these competitive benefits and increase the costs for other customers, who will effectively cross-subsidize other businesses.

A blanket 12 month restriction will have a detrimental impact, but of far greater negative impact, is the change in circumstances in which a customer can be pursued to pay for energy they have used for more than 12 months in arrears. Using the test of when the customer is not at fault is significantly different from the current standard contained in the EUK/ICoSS backbilling standards where the supplier has to be at fault. In our experience, fault can be very difficult to determine, or the issue lies with a third party, such as the meter asset manager. In these circumstances the customer would not be liable to pay for the energy used, even though we have acted in a reasonable and prudent manner. These costs will not be recoverable (in practice the ability to pass on through costs to third parties who did not act as they should is very limited as we are not a large domestic organization) and they will be simply passed onto other customers.

Our concerns above notwithstanding, it is not clear that the current drafting of the licence condition achieves the policy intent stated. The phrase "*obstructive or manifestly unreasonable behaviour*" will not only require substantial levels of evidence to be gathered by the supplier, but it seems to require actions from the customer to be the trigger and does not account for negligent or careless behaviour.

Summary

In summary we believe that these proposals will a significant negative impact on the microbusiness market sector, as it removes a competitive area in the market, increases costs for other customers and be detrimental to smaller suppliers in particular who will not be able to pass through unrecoverable costs easily. It is also imposes a prescriptive licence condition as opposed to utilizing principles-based regulation. Additionally non-domestic suppliers have seen a significant increase in the number of new licence conditions targeting microbusiness customers and this requires us to make significant changes to our IT systems which can be costly relative to the size of the microbusiness market we supply to.





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If you require further clarification to our response please contact me or Tim Hammond.

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WE BELIEVE
in making a **POSITIVE** *difference*
TODAY.

Make it Happen

Play as a Team

WOW the Customer

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