

Ofgem Call for inputs: Strategic Review of the microbusiness retail market June 2019

Introduction

As the UK's largest third-party intermediary (TPI) for microbusiness energy contracts, Make It Cheaper welcomes the opportunity to respond to this Call for Inputs.

Make It Cheaper has been helping businesses to save money on their energy bills and other services such as telecoms and insurance since 2007. Since that time, we have switched over 250,000 businesses. We made the Top 100 Best Companies list in 2019. We are trusted commercial partners to major consumer websites such as Moneysupermarket.com and Gocompare.com.

We have witnessed the microbusiness energy market becoming increasingly competitive over time, leading to engagement amongst businesses increasing. We consider this to be a stable and effective market, with TPIs playing a crucial role in supporting small and microbusinesses to get a better deal.

In our view, inertia and apathy amongst small and microbusiness consumers is the key challenge that needs to be overcome, to lead to a better functioning market. TPIs, like Make It Cheaper, play a crucial role, firstly in helping microbusinesses to overcome this inertia by simplifying the switching process and secondly in increasing competition amongst providers by making it easy for businesses to compare across a range of tariffs. To improve the market even further Ofgem should be considering policy interventions which make it even easier for TPIs to support microbusinesses in overcoming these barriers.

Ofgem's Micro and Small Business Engagement Survey 2018¹ found 68% of micro and small businesses had engaged in the energy market in the past 12 months, up from 66% in 2017. Of the micro and small businesses that had switched in the last five years, 67% of respondents said they used an energy broker when choosing a contract or tariff, with 41% using a broker as their primary source in that decision. This compares to 10% using a price comparison website as their main source, and 24% using their current supplier. Cornwall Insight² found that in 2018, TPIs accounted for 33% of SME electricity and 31% of SME gas contracts, with the majority of those switching supplier rather than renewing. The penetration of TPIs within the microbusiness market illustrates their positive impact and contribution to improving consumer outcomes.

The Competition and Markets Authority (CMA)³ estimates the cost to microbusinesses of not switching energy suppliers at £180m per year. UK businesses can ill-afford this loss at a challenging time for investment and a well-documented crisis for high street retailers.

Inadequate access to data, and restrictions on how that data can be used, are resulting in low engagement and customer inertia. In addition, the complexity of the processes of leaving an existing supplier and taking up the services of a new supplier is also a major contributory factor for low levels of engagement.

¹ Ofgem: Micro and Small Business Engagement Survey 2018

² Cornwall Insight: TPIs in the Business and Industrial Energy Supply Markets December 2018

³ <https://assets.publishing.service.gov.uk/media/576c23e4ed915d622c000087/Energy-final-report-summary.pdf>

TPIs such as Make It Cheaper seek to operate to the highest standards. From our experience though there are variations in standards across the market and these high standards are not consistently met by all TPIs. While TPIs are clearly contributing to a stronger and more effective market, higher industry standards are likely to increase small and microbusiness confidence in their role, leading to even higher levels of engagement in the market and ultimately lower costs for consumers.

We believe that a number of specific policy changes by Ofgem can make a major difference in overcoming some of these challenges.

As we set out in our response, now is a unique opportunity to make significant improvements with widespread positive business impact. These improvements are transparent, simple to implement and pro-competition. Additionally, they draw on successful changes implemented in other sectors and build on the work already started by the sector-leaders in terms of securing better outcomes for microbusiness consumers.

We set out further detail on these proposals within our responses to your questions, but we would specifically draw your attention to the need for Ofgem to take swift action on the following:

1. Introduce Open Data in the microbusiness energy market

- The lack of access to their own relevant customer data – i.e. tariffs, usage, meter and contract information – makes it difficult for microbusinesses to make informed decisions.
- Open Data – or ‘Open Energy’ – would solve this problem and streamline the switching process once business customers are given the power to authorise other parties to access their data securely. This would enable accurate comparisons of different tariffs and present the options available to them. This would significantly increase engagement in the market.
- The FSB and Fingleton Associates have identified the reforms required to introduce Open Energy, particularly as more microbusinesses adopt smart meter technology.⁴

2. Allow microbusinesses to delegate authority to TPIs to create a smoother switching and contracting process

- Our research has found that a significant number of business consumers view the contracting process as overly complex and opaque, leading to a significant proportion of microbusinesses not identifying the best deals.
- There is a strong appetite amongst business consumers for delegated authority services where they are given the right to let TPIs act on their behalf and to move them between suppliers.
- Some suppliers do not place enough emphasis on providing reasonable response times and will often refuse to deal with a TPI to whom the customer has delegated their authority.
- In the consumer space, there has been a recent sharp increase in the number of delegated switching services available for energy. Ofgem should now act to give business consumers the right to let TPIs act on their behalf and to move them between suppliers.

⁴ FSB/Fingleton Associates: Open Energy – Using data to create a smarter, cheaper and fairer energy market

3. Introduce a strong Code of Practice with input from industry and other stakeholder groups

- A Code of Practice which binds suppliers and TPIs will deliver better customer outcomes.
- We are aware and supportive of work already underway on this by industry participants and Electralink.
- This does not negate the need for action from Ofgem but could act as the basis of Ofgem's future approach to regulation.

Taken together we believe this package of measures has the potential to significantly improve the market with a combination of higher standards amongst all market participants and improvements to the switching/contracting process leading to much higher levels of engagement amongst small and microbusinesses. We would welcome the opportunity to discuss these proposals with Ofgem further.

Question 1

Do you agree that our theories of harm (see earlier in this document and Annex 2) represent the most significant and impactful areas of consumer detriment?

Make It Cheaper agrees that the theories of harm put forward by Ofgem are significant areas of consumer detriment. However, we do not agree that the current theories encompass the entire breadth of consumer detriment that micro-businesses face. We note the following points in relation to these theories of harm put forward by Ofgem:

Overarching theories of harm

- The first theory of harm refers to the 'smallest microbusinesses' giving the impression of a relatively insignificant sub-section of businesses, which we think is unintentionally misleading. According to the Office of National Statistics, 78% of all VAT/PAYE registered businesses in the UK have an employee count of just 0-4 people⁵. Furthermore, we know the theories of harm also effect larger businesses as much as microbusinesses. We would like the theories of harm – and Ofgem's subsequent proposals to address them - to apply to a wider subsection of businesses.
- The second theory of harm raises the issues of higher costs for microbusinesses in relation to domestic consumers but fails to mention Out of Contract and Deemed rates which, we consider to be a significant part of the problem. These tend to be much higher tariffs than SVT and, unlike domestic customers who are undoubtedly offered more protection, microbusinesses often end up paying for these by default without realising their mistake – because they are unengaged. Ofgem's 2014 consultation estimated one in ten microbusinesses are on these types of contracts with over half having been on them for more than a year⁶.
- In relation to the third theory of harm - concerning accessing, using and sharing consumption data - there are additional items of information that microbusinesses need to access to manage their energy

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<https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/ukbusinessactivitysizeandlocation>

⁶ https://www.ofgem.gov.uk/sites/default/files/docs/2014/02/automatic_rollovers_consultation_final.pdf

contracts, which adds to the complexity and makes it harder for them to make informed switching decisions. From our experience, this information includes Contract End Date, current tariff and, in some cases, even identifying the incumbent supplier. In the current environment a customer's appointed TPI cannot easily gain access to the information they need to offer their customer the best advice.

In relation to the specific theories of harm, we would note the following:

Awareness

- We agree that a significant number of microbusinesses are generally unaware of the opportunities presented by the market, their rights, and company obligations. Leading to a lack of engagement and/or a substandard experience during the customer journey.
- We have detailed awareness-raising materials and initiatives that would be of significant benefit to micro businesses in Question 3.

Browsing

- We agree that despite the CMA's attempts to improve price transparency, pricing is still not fully transparent, and it is difficult to compare prices. We believe merely making tariffs accessible - through the price transparency remedy - does not guarantee businesses will be able to make comparisons in a user-friendly and meaningful way. Currently, tariff and contract data are not available in a standardised way, so third-parties cannot compare different tariffs easily. For a business to fully assess the value of switching, it's essential that they know what tariff they are currently on and how it compares.
- In Question 5, we have detailed what we believe to be the most impactful issues hindering microbusinesses attempting to browse the market effectively. We have also put forward solutions that would be of significant benefit, based on extensive research carried out by Make It Cheaper.

Contracting

- We agree that the supplier/TPI contracting process is and is perceived to be, overly complex, costly and opaque, leading to some consumers ending up on costly contracts.
- We have outlined and provided evidence for the issues we believe are most impactful in Questions 4 and 5. We have used extensive and in-depth insights from research conducted by Make It Cheaper, to illustrate our concerns.
- TPIs are crucial in the engagement of microbusinesses with the energy market. As noted previously, our view is that while the majority of TPIs operate to high standards, there remain significant variations and no universal standards that consumers can have confidence in. We believe a Code of Practice which binds both suppliers and TPIs will deliver better customer outcomes, and improve trust and confidence amongst consumers. We are aware and supportive of work already underway on this by industry participants and Electralink. This does not negate the need for action from Ofgem but could act as the basis of Ofgem's future approach to regulation.
- Throughout our response, we discuss the positive impact a Code of Practice would on several areas of the consumer journey.

Dialogue

- We agree that the absence of rules concerning debt management in this segment of the market is resulting in some microbusinesses who are struggling with debt being treated unfairly and not benefiting from customer-focused debt management policies and processes.
- We have outlined and provided evidence for the issues we believe are most impactful in Questions 6.

Question 2

Are there any other key areas of consumer harm that should form the focus of our review?

The current regulatory approach to the microbusiness market relies on the CMA's 2016 remedies. Evidence suggests that they have had relatively limited impact and have not resulted in significantly improved outcomes for consumers. This strategic review is therefore welcome and necessary and is an opportunity for a shift in approach to regulation. Emphasis should be placed on fixing the problems by seeking solutions from those who are innovating and demonstrating best practice.

To fully encompass the areas of harm micro-businesses face, we believe there are several additional areas to include in the focus of the review. In summary, these are:

Access

- Difficulty accessing customer data is a major barrier to creating an effective microbusiness energy market. At the browsing stage of the journey, businesses are looking to access the best possible offers available to them in the market. The lack of access to relevant customer data – i.e. usage, meter and contract information - makes it difficult for microbusinesses to be able to make informed decisions, and in our view, is likely to be leading to them overpaying for their energy.
- Open Data - or 'Open Energy' - would give business customers the power to authorise other parties to access their data securely. This would enable accurate comparisons of different tariffs and present the options available to them.
- Open Energy would be particularly useful under a time-of-use tariff regime, allowing TPIs to use this data for other purposes such as demand management and better monitoring of energy use. Make It Cheaper has invested significant resource into acquiring and linking datasets to provide customers with an effortless digital journey.
- Make It Cheaper has taken significant steps to gradually open up data, but this is less efficient and effective than a full transition to Open Data would be.
- This work has been supported by the Federation of Small Businesses - the leading microbusiness membership body – and included in the recommendations of the Fingleton / FSB Energy Report, published in September 2018⁷. These recommendations are, in essence: standardise information, make it available through an API and allow customers to choose who can access it. In Question 4 we illustrate the impact the smart and open use of data has on engagement, but set out the potential benefits of going even further through full Open Data, as has been seen in other sectors such as banking.

⁷ FSB/Fingleton Associates: Open Energy – Using data to create a smarter, cheaper and fairer energy market

Trust

- A key area of harm that has been overlooked is the lack of consumer trust in market engagement and the lack of measures being taken to improve it.
- Regulation in the form of a Code of Practice for business energy procurement has been under consideration for over a decade. We are aware and supportive of work already underway on this by industry participants and Electralink, but don't feel this negates the need for Ofgem to ensure a Code is launched.
- In our view consumers are more likely to engage in the market and switch supplier if they have greater confidence in TPIs. Not only will higher standards for TPIs give more microbusinesses the confidence to use one but it will also work both ways by governing the TPI-supplier relationship as well – e.g. addressing the Change of Tenancy space as an area of concern, and the practice of 'winbacks' frustrating customer switches.

Question 3

Do you think awareness raising materials/initiatives would be of significant benefit to microbusinesses? What key information should any new materials focus on and how would they best be delivered to microbusinesses?

Yes, absolutely. We think that - given the failure of supplier quotation tools to engage the market - any renewed emphasis of awareness should focus on the value of using TPIs instead/as well. According to Ofgem's engagement statistics⁸, businesses are more than eight times as likely to use a TPI than a supplier's website as their main source to help them choose an energy plan and more than 20 times more likely to use a TPI than a supplier's quotation tool. Indeed, Make It Cheaper alone welcomes more unique visitors than all those attracted to the various supplier quotation tools combined⁹.

Suppliers also recognise the importance of TPIs in the market. A March 2018 survey by Cornwall Insight - covering opinions of business energy suppliers regarding TPIs - found that they remain their most important route to market with 83% of supplier respondents putting TPIs in their top two sales channels¹⁰.

Ofgem's policy solutions should be targeted in a way that realistically reflects behaviour in the market rather than interventions that perhaps do not reflect how microbusinesses behave.

Businesses are more likely to switch if they have high levels of certainty about the savings they will make from switching their energy. To be best delivered, awareness raising materials need to be personalised and actionable. Utilising 'Open Energy' would support the "Access, Assess, Act" model, used by the CMA to model the customer choice process: customers need to be able to access the possible offers available to them in the market; they need to be able to assess what tariffs and pricing offers are best for them using their own characteristics; and they need to be able to act to make a transaction, or nominate someone else to act on their behalf.

⁸ Ofgem: Micro and Small Business Engagement Survey 2018

⁹ Ofgem: Evaluation of CMA Price Transparency Remedy May 2019

¹⁰ https://www.cornwall-insight.com/newsroom/all-news/new-survey-shows-tpis-at-risk-of-being-left-behind-on-technology?utm_medium=email&utm_campaign=Blog%20%20New%20survey%20shows%20TPIs%20at%20risk%20of%20being%20left%20behind%20on%20technology%20a&utm_content=Blog%20%20New%20survey%20shows%20TPIs%20at%20risk%20of%20being%20left%20behind%20on%20technology%20a&utm_term=Read%20the%20full%20article

Key to increasing business consumers understanding of their rights is the implementation of regulations that are objective and non-discretionary. At Make It Cheaper, we have long called for a robust Code of Practice. Access to a single point of truth for unbiased and protective information will grow consumer awareness of their rights. This point of reference will inevitably lead to higher consumer expectation and greater rebuttal of substandard journeys. As a result, it will encourage industry players to increase the quality of the consumer experience.

Substantial work has already been undertaken by industry, including TPIs and suppliers to develop a draft Code of Practice. In our view, this should form a central part of Ofgem's action plan recommendations later this year. An industry developed proposal is likely to lead to stronger long-term outcomes. However, this should not negate action by the regulator, but rather should form the basis of its future regulatory approach.

We also note efforts to improve consumer engagement in the domestic energy market, particularly those who have been on default tariffs the longest. The Cheaper Market Offers Letter Trial is one example of initiatives to consider how engagement levels - and individual savings - are boosted by price anchoring and the use of data to personalise information/offers.

We believe that there is an opportunity to explore implementing this in the microbusiness market. A similar process for using data from suppliers to provide accurate alternative tariff offers to microbusinesses could increase switching, thus reducing energy bills for the least engaged business consumers. Testing greater personalisation, tailored information and targeted marketing will be critical. We would be keen to explore this further with Ofgem and business groups to understand how this could be implemented.

Question 4

Our evaluation of the CMA's price transparency remedy (published alongside this document) has identified a number of issues at this stage of the customer journey. What do you see as the most impactful issues hindering microbusinesses attempting to effectively browse the market in search of an improved deal/service offering? Please provide quantitative and/or qualitative evidence demonstrating why you believe these issues to be most impactful.

The most recent evaluation of the CMA Price Transparency Remedy¹¹, found less than 1% of 10 suppliers' microbusiness customers are using their quotation tools. When the CMA initially proposed the price transparency remedy, we responded by saying that: *"we strongly recommend that it is implemented in tandem with a solution to overcome the key barrier that currently frustrates the SME switching process and, in particular, the online switching process. This is not to do with customers' access to competitive SME energy prices but, rather, access to their own customer data - such as consumption, tariff details and key contract dates."*¹²

¹¹ Ofgem: Evaluation of CMA Price Transparency Remedy May 2019

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https://assets.publishing.service.gov.uk/media/5845590140f0b60e4a000055/microbusiness_draft_order_response_Make_It_Cheaper.pdf

To support this argument, we demonstrated how even fully engaged consumers struggle to cope with the process of switching. The research published in our Switching on Small Business report evidences that over 90% of SMEs believe a TPI of their choosing should be able to access the relevant information on their behalf.¹³

Currently, there is a high cognitive load (as described by the FSB in its Energy Report¹⁴) that customers have to overcome to switch, in terms of the information required of them. Barriers to accessing, using and sharing consumption data prevent some business from effectively browsing the market. Which, in turn, leads to a significant proportion of micro-businesses not identifying the best deals.

Open Energy would give business customers the power to authorise other parties to access their data securely. This would enable accurate comparisons of different tariffs and present the options available to them.

Make It Cheaper has carried out extensive research into how data can be used to reduce the cognitive load placed on customers attempting to engage with the market. Our research has found that enabling customers to provide consent for their data to be accessed, in a secure and user-friendly way, significantly improved the customer experience. We have provided Ofgem with qualitative evidence to demonstrate this improvement.

In addition, greater use of standardised information would make it easier for microbusinesses to identify the best deals. Currently, tariff and contract data are not available in a standardised way, so there is no way to compare different tariffs in a user-friendly manner. In turn, this extra complexity makes browsing difficult for customers to understand the options that are available to them. Our research has found that for microbusinesses comparing the offering across different suppliers is difficult.

Access to public data - like tariffs - in a standardised, machine-readable, consistently updated format, would certainly help TPIs give customers a clear view of the supply side of the market. Just as price comparison websites have innovated the household energy switching journey, so are TPIs for microbusinesses. For example, by using postcode as the sole source of information required, we have developed a digital journey that successfully lowered the cognitive load associated with browsing.

However, as well as streamlining the digital journey, we are also aware of the reality that there is no 'one-size-fits-all' when it comes to the process of microbusiness energy management. Choosing 'digital or voice' channels is not always a binary decision. There are plenty of customers who start their journey on the phone, finishing it online and vice versa. Likewise, there are those who have set up online accounts and downloaded apps who just prefer to pick up the phone and talk to a human being.

Customers could be initially price driven but subsequently decide they would like to look at other aspects of their contracts - aligning CEDs for more than one meter or perhaps weighing up a Green alternative as well - neither of which can be achieved through a supplier quotation tool.

Any policy interventions to improve the browsing process to identify the best/most appropriate deals must reflect how customers actually behave or want to behave, and recognise that there is no one size fits all solution with consumers wanting to take different approaches.

¹³ <https://www.makeitcheaper.com/media/2376/switching-on-small-businesses-final.pdf>

¹⁴ FSB/Fingleton Associates: Open Energy – Using data to create a smarter, cheaper and fairer energy market

Question 5

What do you see as the key issues micro-businesses face when they come to enter into a new contract for their energy supply? Please provide quantitative and/or qualitative evidence demonstrating the extent and impact of the consumer harm caused by these issues in the form of both financial and non-financial detriment.

Above, in Question 4, we discussed the key issues of: data accessibility; the freedom to delegate authority and hybrid solutions that include voice capabilities. These issues are all just as relevant here.

Make It Cheaper submitted information to the CMA in 2016 - in response to its call for inputs – based on insights from our extensive research into improving levels of microbusiness customer engagement. We have continued to undertake ongoing research since then which has very much shaped the way in which Make It Cheaper has developed its products and services over the years. Since December 2018, we have met with over 100 microbusiness decision makers to gather research that has spanned the UK. Through a combination of focus group and 1-2-1 sessions, the research aimed to understand the path to purchase and unmet needs.

Microbusinesses rightly view the business energy market as much more complicated than the domestic energy market. However, as with all administrative tasks, they want to get it sorted as quickly as possible, so they can get on with their jobs and more important things. Gathering all the information they require is a specific pain of the current path to purchase. We found that 36% of SMEs did not even know how much their business pays for energy per year. These customers cannot be expected to be aware of their consumption and tariff information.

Furthermore, our research has found that a significant number of business consumers view the contracting process as overly complex and opaque. Microbusinesses noted in focus groups that they considered it 'not worth their time or hassle'. This in turn leads to a significant proportion of them not identifying the best deals. Our research has shown a strong appetite for delegated authority services for business consumers. Correspondingly, in the consumer space there has been a recent sharp increase in the number of delegated switching services available for energy. Business consumers should also be given the right to let TPIs act on their behalf and to move them between suppliers.

Of the evidence we have gathered about the overly-complicated contracting process of suppliers, the Change of Tenancy (COT) process is most concerning. We deal a large volume of COTs per month and have found that, for those customers, the likelihood of their new contracts going live differs by as much as 13% when compared to those switching supplier in their existing premises. In our experience, 80% of suppliers take more than 5 days to raise an objection to a COT and nearly half of those (49%) take more than a further week to rectify, with 16% taking 3 weeks. These delays mean that some customers spend longer on expensive Deemed rates than necessary. We have provided Ofgem with quantitative evidence to support this.

Requests for information to help with standard queries and complaints is also concerning. Some suppliers do not place emphasis on providing reasonable response times and will often refuse to deal with a TPI to whom the customer has delegated their authority. The impact of this is that the risk of erroneous Objections increases and our ability to solve the problem in a timely-manner diminishes, causing delay and customer detriment. This further supports proposed reforms for Open Energy data that allows TPIs to act on behalf of businesses and move them between suppliers and tariffs. We discuss this further in Question 8 and argue why

Ofgem's previous suggestion in its Objections Policy Paper¹⁵ - to pre-load any likely reason to Object into a Centralised Registration Service - sits well with the vision of Open Data that the likes of Make It Cheaper and the FSB are calling for.

Question 6

Do you have evidence demonstrating the extent and impact of malpractice by brokers dealing with microbusinesses? We are seeking both qualitative and quantitative evidence demonstrating consumer harm in the form of both financial and non-financial detriment.

Make It Cheaper is committed to operating to the highest standards. We consider ourselves to be a market leader and have taken significant steps over the last decade to ensure that we are adhering to the highest standards, and seek to promote best practice.

However, we recognise that there remains more that the sector as a whole can do to consistently operate to the highest standards and to minimise consumer detriment. From our experience there are variations in standards across the market and the high standards shown by some TPIs are not consistently met by all market participants. However, it is our view that TPIs play a crucial role in overcoming inertia, and that the market is improving as a result of TPIs.

Make It Cheaper would like to see consistently higher standards of conduct adhered to by all TPIs. We believe a Code of Practice which binds both suppliers and TPIs will deliver better customer outcomes, and improve trust and confidence amongst consumers.

As noted previously in this response, we are aware and supportive of work already underway on this by industry participants and Electralink. This does not negate the need for action from Ofgem but could act as the basis of Ofgem's future approach to regulation.

Question 7

Can you provide evidence demonstrating the extent and impact of any consumer detriment caused by providers approaches to dialogue with consumers about debt management issues? We are seeking both qualitative and quantitative evidence demonstrating consumer harm in the form of both financial and non-financial detriment.

Microbusinesses in debt with their supplier will never be able to enter into a preferential agreement except after paying the debt, so it is important to:

- a. **Identify** the reason or cause of the debt. A business having recently moved premises or one that is suddenly presented with significant pass through costs (when they thought their contract was fully fixed) is not necessarily one that's struggling financially.

¹⁵ https://www.ofgem.gov.uk/system/files/docs/2016/06/agenda_item_5-objections_policy_paper.pdf

- b. **Communicate** with the customer to raise awareness of the risks of being passive and the expensive variable rates they are likely to face consequently, particularly if their contract is coming to an end.
- c. **Act** appropriately to encourage resolution. A customer having some difficulty should, potentially, not be rolled on to variable rates but rates for vulnerable customers. Charging higher prices when the customer cannot afford the current ones does not sort out the root cause.

However, in our experience, some suppliers do not follow these steps and are too passive when it comes to debt management. Indeed, many are quick to flag a customer as having a debt when, most of the time, they are simply COT customers who have moved on from their premises and cancelled the DD.

Customers moving into premises can also unexpectedly incur a debt flag when, for example, meter reading disputes arise because of a large discrepancy between the reads provided by the incoming / outgoing businesses. Furthermore, quotes for new contracts can only be generated using the previous customer's consumption, meaning the customer often ends up either paying too much or underpaying and increasing the debt issue.

As well as sharing the responsibility of educating the customer about debt-related issues, TPIs can work with the supplier to reduce their debt exposure. Missing one bill, for example, could trigger an early warning, rather than a debt flag. With access to the right data, the TPI could then distinguish between a COT or 'ceased trading' and a genuine financial difficulty requiring a payment plan.

Question 8

Are you aware of microbusinesses facing significant and impactful issues when they come to exit a contract with their provider?

Many of the issues previously discussed - whether attempting to enter or leave a contract - are interlinked and create an unwelcome cognitive load for the consumer. Make It Cheaper has strived to reduce this load for our customers and overcome the issues by terminating contracts on their behalf, as well as offering them a 'Do It For You' service for all subsequent contracts. This means we terminate - or attempt to terminate - tens of thousands of contracts per year which gives us unique insight into the problems persisting with contract exits.

As many as 26% of terminations are blocked in any given month and dealing with the related Objections is a big part of the problem – as we drew to Ofgem's attention with our response¹⁶ to its Supplier Objections call for evidence in 2015 – and more recent updates to our 'Objections Tracker'. A Central Registration Service would remove the need to ask the supplier if it wishes to Object and remove the need for the TPI to have to wait for – and then deal with – the response. Disappointingly, we are still having to rely on the inefficiencies

¹⁶ <https://www.makeitcheaper.com/press/2015/open-letter-from-make-it-cheaper>

of Letters of Authority in order to deal with Objections (which could be as simple to resolve as moving the CED).

Question 9

Please provide evidence of the extent and impact of consumer detriment caused by the issues you have commented on in response to the above question. We are seeking both qualitative and quantitative evidence demonstrating consumer harm in the form of both financial and non-financial detriment.

In conjunction with the Objection reasons above, there is further detriment caused by Rejections due to wrong contract information. In the table below, we give the reasons for Rejections from a random sample provided by our Quality Assurance team. Of these, we have successfully resold 80% by reprocessing with slight amendments.

Although this is a high success-rate, it inevitably causes delay and inconvenience for the customer. If the correct data had been made available from the outset - we would be able to reduce 42% of these Rejections instantly (highlighted in Table 1). We would also have been able to reduce the incorrect price Rejection by 10% because we would know about meters being related. This reiterates the importance of having access to industry and contractual data.

Make It Cheaper has a unique insight into an unfortunate number of cases evidencing consumer detriment, due to the issues we have outlined in Question 8. Below are two case studies demonstrating consumer harm in the form of financial detriment:

1. This year, a customer's contract was objected due to the 'Incorrect Contract End Date', provided by the customer to Make It Cheaper. We were then able to help the customer confirm the correct contract end date. The new supplier was asked to reapply. However, this big six supplier couldn't amend the application date until the third objection. It was then cancelled off the existing supplier's system to enable the reapplication to occur. This caused the customer to go onto Out of Contract rates. As a result, the contract then went live 14 days late. This led the customer to pay **£384** in Out of Contract rates. The customer would not have experienced this financial detriment if a TPI could access industry and contract data.
2. This year, Make It Cheaper attempted to switch a customer away from a big six supplier. However, an objection was raised. Four days later, the existing supplier confirmed the customer had no outstanding debt and was, in fact, free to switch. A reapplication was made. However, the contract was objected again. When confirming the reason for objection, the existing supplier incorrectly informed Make It Cheaper that they couldn't help as they were not the customer's supplier. Upon further investigation, we were told that the existing supplier did not add a 'do not object marker' to the account, causing the objection. This was then added, and the contract finally switched. This error caused the customer to go onto Out of Contract rates for 13 days, costing **£135.95**. Illustrating the detriment of supplier response times and how access to industry and contract data could mitigate this detriment.

Finally, we include a table below showing External Rejections received this year - with reasons relevant to the issues we have raised. Incorrect details - which create the most problems - might include cases where the customer originally named on the account has left the business or the business has changed name/entity.

Customers are often at the mercy of supplier systems that might not have been updated for years. In these instances, suppliers may only accept signatures - on COT forms or LOAs - that are simply impossible to obtain.

Table 1: Reasons for QA Rejection

QA Rejection Reasons <i>(which would benefit from access to industry and contractual data)</i>	Total	% of Total QA Rejections
Address Incorrect	27	3%
Business/Customer Name not on account	77	7%
Consumption	92	9%
Direct Debit Details Missing	19	2%
Domestic Meter	9	1%
Incorrect Customer End Date	30	3%
Meter Issues	51	5%
Multimeter MPAN	28	3%
Topline	180	17%
QA Rejection Reasons <i>(which would benefit from access to industry and contractual data)</i>	513	

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