



Jonathan Bygrave
Future Retail Markets
Ofgem
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E14 4PU

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Dear Jonathan

Strategic Review of the microbusiness retail market

We're Green Network Energy, part of a vibrant and growing Italian energy company that supplies gas and electricity to homes and businesses in Italy. We started supplying customers in Great Britain 2016 and are now supplying over 300,000 domestic customers and have 4,000 non-domestic meter points.

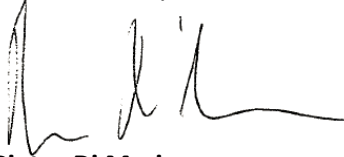
We very much welcome the launch of this review. Although we've recently joined the GB non-domestic market, we have already identified some key barriers to microbusiness customers engaging with the market and are keen to use our experience to help create a competitive and fair microbusiness retail energy market.

Our key recommendations are:

- **Removal of termination notices** – this effort requirement by the customer to send a termination notice acts as a significant barrier and results in cancellation of transfers.
- **Limits on exit fees** – there should be a maximum amount a microbusiness customer should pay to terminate a contract early.
- **Identification of microbusinesses** – Ofgem to review how best to identify microbusiness customers to ensure they receive the right protections.
- **Clear comparisons** – obligation for Third Party Intermediaries to make commission arrangements clear where they charge the customer and whether they cover whole or part of market.
- **Introduce Cooling-Off period** – microbusinesses should have the same cancellation rights as domestic customers.

We have set out our response to your questions in Annex 1. If you have any questions or wish to discuss any of our response in more detail, please contact Samuel Arnold on 07468 494 721 or S.Arnold@GreenNetwork.co.uk.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. Di Maria', with a long horizontal stroke extending to the right.

Pietro Di Maria

Chief Operating Officer

Annex 1 – Response to the call for inputs

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?

We agree that these are the correct theories of harm and cover the customer journey well. We believe it is important for microbusinesses to be enabled to take ownership of their energy needs. For many businesses, energy will be one of the greatest costs. Microbusiness customers already review, manage and procure numerous other contracts that they need to operate. The review needs to establish why some business customers are not investing time in their energy supply when it's such a worthwhile exercise.

One of the key difficulties with energy is that the current environment has opaque pricing created by brokers and the use of price comparison websites remains limited in comparison to the domestic market. This has made it difficult for business customers to engage with the energy market and get suitable deals. We therefore believe the focus of the review should be on enabling businesses to invest the time to engage with their energy use and make informed choices on their energy consumption.

Question 2 Are there any other key areas of consumer harm that should form the focus of our review?

We consider that one other area of harm lies around identification of microbusiness customers. As part of this review, we believe Ofgem should investigate how suppliers can better identify microbusiness customers to ensure that they get the right protections. This should include programmes to raise awareness on the benefits of declaring as a microbusiness and assessing best practice for identifying and sharing whether a non-domestic customer is a microbusiness. The review could also consider whether the definition of a microbusiness is still fit-for-purpose to ensure that business customers that need additional protections receive them, and the challenge for suppliers of managing customers whose microbusiness status changes as they grow or shrink.

Part A: Awareness

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?

Ofgem should continue its microbusiness research and test to see the impact of various communication on engagement. While we believe there could be value in introducing some of the same communication principles that are in the domestic sector, the starting point should not simply be a need to provide information. Ofgem could run engagement trials looking at businesses that are provided additional information on bills or by other means and analyse how this increases awareness of switching suppliers and availability of help. This should look at communications not only from suppliers, but also Ofgem, Citizens Advice and other sources of information that businesses may use. This could also include Third Party Intermediaries that many businesses use to engage with the energy market and are a key source of information.

The output of this will help verify the most effective materials and messages businesses need to help them engage, rather than assuming a message on a bill will raise awareness. Further, by working with different sources and channels of information, it helps to ensure a consistent message throughout the industry.

Part B: Browsing

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.

One of the difficulties is that all every channel a microbusiness uses will have a different price for the same supplier e.g. through supplier website, speaking direct to supplier, each broker. This isn't necessarily a bad thing, but the reasons for the different prices needs to be clear.

For Third Party Intermediaries that provide switching services such as Brokers and Price Comparison Websites, there should be requirements to provide high level information on what commission they are charging the customer, what companies they represent and whether they are displaying prices from the whole of the market. This will help customers who prefer to engage through a brokerage service understand any additional charges and potential limitations of the service they are using.

Part C: Contracting

Question 5 What do you see as the key issues microbusinesses 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.

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.

In general, we believe that there needs be greater regulation of Third Party Intermediaries given that they are such a key participant in the non-domestic market, and there could be space to introduce similar Informed Choices principles for microbusiness customers.

A key issue in the microbusiness market is that there is no requirement for cancellation periods after a customer has signed a contract. We believe Ofgem should introduce a rule to enable microbusinesses to have the same Cooling-Off rights as a domestic customer. We have seen situations where customers have experienced aggressive sales and subsequently change their mind, but have not been able to cancel the contract. Often the customer can be tied into these contracts for several years.

Some of the other practices that we've seen by brokers include renewing customers without consent at the end of a contract and falsely stating that there is a change of tenancy in order for a customer to break their contract early and sign with a new supplier.

Part D: Dialogue

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.

At Green Network Energy, our management of microbusiness debt is similar to the process we follow for domestic customer debt. When a microbusiness customer has an overdue debt, we will engage with them to discuss payment options. This will be a needs base conversation that will assess their debt and future usage to create a repayment plan that is tailored to what they can pay. Outputs of this conversation may result in setting up extended repayment plans or allowing breathing space if the customer has temporary reasons for being unable to pay. We are unable to comment on debt collection practices across the industry as a whole, but there could be some scope to bring in protections to ensure that debt is managed in a fair way.

We also believe that Ofgem should review the rules that prevent suppliers from objecting to the transfer of microbusiness customers who are on Deemed Rates and have a debt. Currently, customers who have a debt and are on deemed rates can switch away, whereas suppliers can object to fixed term customers providing there is a clause within the contract. For these Deemed Rate microbusiness customers, often this debt is not repaid. This resulting cost is then borne by the rest of our customers. We recognise the need for customers with financial difficulties to be able to access the best deals, but this needs to be balanced with suppliers being able to recover amounts owed. Some potential solutions could be to setting a maximum debt that a customer can have and still transfer, or customers can switch if they have a repayment plan in place. This would reduce a significant cost across industry.

Part 5: Exit

Question 8 Are you aware of microbusinesses facing significant and impactful issues when they come to exit a contract with their provider?

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.

The predominant issue is that in the non-domestic space, microbusiness customers are required to provide a termination notice that informs their supplier that they wish to cancel their contract. The customer must issue this notice at least 30 days in advance of the date that they wish the contract to end and switch to a new supplier. Often, due to the effort and time commitment, the customer fails to send this notification. This means that although a customer has engaged in the market and signed a contract with a new supplier, the losing supplier objects the transfer application. This results in the customer remaining with their previous supplier where they are then usually moved onto a significantly more expensive deemed rate tariff. This differs from the domestic market where customers do not need to notify their existing supplier to enable a switch to proceed.

Typically, brokers resolve this issue by using a Letter of Authority that enables them to act on the customer's behalf and send the termination notice to the existing supplier. However, using a broker for switching carries an additional cost for the customer. Here at Green Network Energy, we currently do not use brokers but instead sale directly to potential new customers. This failure of the

customer to send a Termination Notice represents a key area of cancelled customer transfers. Therefore, the failure of customers to send termination notices to their existing supplier is acting as a barrier for them to access better deals. The best way to resolve this issue would be to remove this requirement for customers to submit a termination notice to their existing supplier.

Another area of difficulty is that microbusiness customers typically can only exit their contracts early by paying out the remainder of the contract. This could be resolved by setting a limit on the amount a company can charge a customer for terminating their contacts early. This could perhaps be a principle that requires a supplier to have “reasonable termination fees” or fixed limit such as a percentage of the remaining contract amount.