

Auditel – response to MBSR policy consultation (Survey Monkey)

NON-CONFIDENTIAL

Q1) What are the most effective ways to ensure that microbusinesses can access key information about the retail energy market?

The most effective way be via Ofgem and suppliers.

Q2) Do you agree with our proposal to strengthen the requirements to present a written version of the Principal Terms to customers?

Yes. Though customer wont read them. We would always work this way, the use of verbal contracts is one of the most abused tools in the market and is one of the main reasons why customer get into so much trouble

Q3) Do you agree with our proposal to require that suppliers disclose the charges paid to brokers as part of the supply contract, on bills, statements of account and at the request of the microbusiness customer?

Yes, commission transparency is at the root of most of the issues. However, it is fair to say that customer themselves do not always understand what it is that the TPI may be doing for them in order to value this. one of the biggest areas of lack of transparency is price comparison websites which customer believe cost them nothing. However, this is not true, supplier pay PCW's for all the business placed via them and this finds its way into the charges. If the rules do not include PCW's then this will be unfair

Q4) Do you think that further prescription or guidance on the presentation and format of broker costs on contractual and billing documentation would be beneficial? If so, how should broker costs be presented?

Commissions are in the form of pence per kWh or fixed fee in the standing charges. These should be presented as any of the following. A line item stating @prices include x p/kWh intermediary commission / price include x pounds per bill intermediary commission OR prices include a commission fee of x pounds (i.e. the total irrespective of the mechanism) As a very minimum the bill should say something along the following lines ' these charges include a commission paid to your intermediary'

Q5) What challenges do you think suppliers and brokers may face implementing these proposals?

For suppliers this is a system change, these can be expensive, though most ought to have configurable systems to allow this as there is always a need for change sot p[ricing structures anyway. Brokers should not have issues unless the information shown is incorrect! Which is likely as supplier often gt this wrong. However, brokers should be clear to customers that they are adding commission and the customer should know what commission is being added. it staggers me how many customers do not ask and will not ask this simple question seeming embarassed. Sadly many customers prefer the commission approach as it is 'off the books' and therefore they do not have to declare it to their accountant /tax man. this may make life difficult for customers who don't want either internal or external stakeholders see that they use intermediaries and how much they cost

Q6) Do you have any comments on the associated draft supply licence conditions in Appendix 1 of the policy consultation document?

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Lots the main issues I have are the 10 day cooling off period which demonstrates that ofgem quite simply do not understand the market they are responsible for. Energy price are changing constantly. By allowing customers 10 days cooling off they can simply recheck prices after 13 days and if they have improved elsewhere terminate the agreement leaving the supplier high and dry. Supplier have to commit to the price they offer, if the customer defaults then they are left selling the energy back at a lower price and making a loss. Likewise the 30 days to resolve registration blockages. There is already time built into the registration process to allow objections and resolutions make this work, dont re-invent the wheel. one of the biggest problems Ofgem have not addressed is unscrupulous supplier objecting on spurious technical grounds in what seems to be an attempt to punish the customer or to give them time to come back with a better offer. the 10 day cooling off period will exacerbate this behaviour. By having a cooling off period supplier will have to build more timing risk into prices to the disadvantage of the customer and will in essence reduce the dynamic nature of the market pricing. I would add this is the umpteenth review of this market over the past few years. All the so called remedies have achieved nothing to make the market fairer or more transparent and unless they do enforce transparency of commissions this will continue. in terms of fairness also Ofgem should look to the absolutely awful levels of service being offered by many supplier particularly the big ones. the move to automation is making it increasingly impossible to solve issues because there is no one to talk though and the electronic options are simply not fit for purpose. Some supplier no longer take calls or emails and it is impossible to resolve issues that are beyond basic billing stuff.

Q7) Do you think there are other changes which would better address the consumer harm that has been identified?

Yes one of the best practices would be to make sure all contracts end a the end of the initial period and then go on to default rates., the customer should not need to terminate but instead will pay default rates until they put a new contract in places with the existing or a new supplier. The proposals cover this in part but quite simply they should ban rollover contracts and the tactic of supplier clinging on to customers through artful manipulation of notice periods.

Q8) What do you think the impact of our proposal to introduce a broker conduct principle will be? Are there any particular reasons why suppliers/brokers couldn't achieve the broker conduct principle?

No but there has been a code of conduct in the market for ages that Ofgem but this has never been supported by Ofgem for some reasons. From what i can see the code is perfectly fit for purpose. I reference the UIA code.

Q9) Do you agree that our proposal to introduce specific sales and marketing requirements on suppliers and the brokers they work with is important to help customers make more informed choices and increase trust in and effectiveness of the market? If so, do you agree that face-to-face marketing and sales activity should be covered alongside telesales activity under these proposals?

Not really. if you insist on this all channels need to be covered to prevent gaming by parties to take advantage of opportunities to cut corners.

Q10) Do you agree that our proposal to introduce a cooling-off period for microbusiness contracts represents an effective way to protect consumers during the contracting process? If so, do you agree that the length of the cooling-off period should be 14 days?

No see earlier comments this is ill informed. Energy prices change on a HH basis. For a supplier to set a price and hold it for 10 days is impractical. Customer could simply wait for 13 days and if prices have fallen and a better price is available they will simply cancel. To manage this risk a prudent supplier would have to build risk into the prices making them uncompetitive and disadvantaging the customer. Given that your aspiration is to actually support businesses this is the wrong way to go about it

Q11) What challenges do you think suppliers and brokers may face implementing these proposals?

See my comments in the earlier section and above. this approach is open to chaos. For example if price drop suddenly supplier and brokers will be able to hit the market with proposals to customers to cancel their contracts and go with them, it would be grossly unfair on suppliers to make them hold an old price whilst competitors can come in with better prices. this proposal demonstrates a significant lack of understanding of energy pricing

Q12) Do you have any comments on the associated draft supply licence conditions in Appendix 1 of the policy consultation document?

Q13) Do you think there are other changes which would better address the consumer harm that has been identified?

See my earlier comment removing all rollover clauses (which still are allowable) . When a contract ends they should go to default rates until a contract is put in place

Q14) Do you agree that our proposal for a mandated ADR scheme represents an effective way to fill the existing consumer protection gap where a microbusiness has a dispute with their broker?

Probably, though it must be effective and not bureaucratic The Ombudsman mechanism is useless

Q14) What challenges do you think suppliers and brokers may face implementing our proposals regarding dispute resolution?

Depend on how administratively burdensome it is, how long it will take (it has to be quick), how much it will cost and who pays

Q15) Do you have any comments on the associated draft supply licence conditions in Appendix 1 of the policy consultation document?

Q16) Do you think there are other changes which would better address the consumer harm that has been identified?

See all previous comments in response to this question

Q17) Do you agree that termination notice requirements represent an unnecessary barrier to switching and should be prohibited? If so, do you agree that a prohibition on notification periods should apply to both new and existing contracts?

Yes and Yes.

Q18) Do you agree that our proposal to require that suppliers continue to charge consumers on the basis of the rates in place prior to a blocked switch for up to 30 days represents an effective approach to limiting the financial impact of switching delays? If so, do you agree that the time period should be 30 days?

No and No. The supplier will have priced the original contract from date 1 to date 2. During that period prices could have increased massively, in which case to honour those rates for a further 30 days unfair and wrong. in order to do this suppliers will have to factor risk into their pricing making them less competitive and disadvantaging the customer

Q19) What challenges do you think suppliers and brokers may face implementing our proposals regarding improving the switching experience?

There is already a period where objections that have been raised can be resolved. Why should more time should be needed. the culprit here is mainly suppliers maliciously objecting on spurious ground either to eek out more income from the customer or to try to win them back. The 10 day cooling off period will exacerbate this tactic. Pressure should be brought to bear on the suppliers to stop these practices

Q20) Do you have any comments on the associated draft supply licence conditions in Appendix 1 of the policy consultation document?

Q21) Do you think there are other changes which would better address the consumer harm that has been identified?

Q22) Option 1: Do nothing. We welcome stakeholders to provide any additional evidence to supplement our existing evidence base that demonstrates the financial and non-financial impact of the status quo. This includes further data on the monetary and non-monetary impacts to microbusinesses, suppliers and brokers of continuing with the current arrangements.

It is clear that some brokers are ripping customers off though customers also have themselves to blame for not asking sensible questions and not understanding what is involved. Likewise what is not covered in this document is the practice of certain suppliers to prefer working with unscrupulous brokers because they are not price sensitive and therefore they can increase their own margins by in essence prioritising working with that type of broker. All to the disadvantage of the customer. As an intermediary that prefers to charge the customer direct and not use commission, I often find supplier not willing to work with me because my objective is to get the best price for the customer. Much better to work with a small number of brokers who give them business it higher margins and be willing to turn a blind eye to high levels of commission. Classic examples of this include the activities of Utilitywise, which everyone in the market knew had excessive commissions but with whom all supplier worked with because of their size. As brokers get bigger their overheads increase and their need to leverage their customer base to pay for their ambitions costs increases. Many of the practices that were adopted by Utilitywise have been continued by a replacement in the same

area, manned by the same people. they are lauded as a success but in reality they are the epitome of everything Ofgem are trying to address.

Q23) Option 2: Implement a package of short to medium term policy solutions. Our preferred option is to implement each of the proposals in the package of short to medium term policy measures explained above and in the policy consultation. To bolster our understanding of the impacts of implementing these measures it would be helpful if stakeholders can respond to the questions below. Where possible we welcome stakeholder evidence to support responses to these questions. Where we ask for specific data on contracts or financial impacts, we would welcome stakeholders providing at least one year's worth of data. Broker conduct principle To improve our understanding of the impact of introducing a broker conduct principle it would be helpful if stakeholders can provide views and evidence for the questions below: - What additional costs may stakeholders incur through the introduction of a broker conduct principle - Evidence and data on existing broker and TPI monitoring costs and how these may change with the introduction of a licence obligation requiring monitoring broker conduct - Views on the impacts this proposal will have on microbusinesses; these impacts can be financial and non-financial - Any other views on how this proposal may impact the microbusiness supply market; these impacts can be financial and non-financial.

1. It depends entirely on the amount of bureaucracy required. For small brokers if this is significant it may drive them out of the microbusiness market altogether. This may appear appealing to you but I assure you the ones you want to be watching are not these 2. Don't understand the question but again if there are costs then small businesses will struggle 3. I am not a fan of the definition microbusiness and the need for this sector to be protected any more than any other. As businesses they should be aware of business risks and to my knowledge most microbusinesses are. Any remedies might as well be applied to the whole market to make it easier for suppliers and brokers alike. The current ruling based on size, TO, employees is impractical. I do not believe it will have a massive impact but some of the recommendations should benefit customers 4. More costs on suppliers who bear the brunt of all these legislation changes at time when they are under enough pressure

Q24) ADR scheme To better understand the costs of introducing an ADR scheme it would be helpful if stakeholders can provide evidence on: - What additional costs stakeholders may incur through the implementation of an ADR scheme - Information and evidence on the benefits of implementing an ADR scheme - An estimate of existing costs incurred by stakeholders in resolving microbusiness disputes - Any other views on how this proposal may impact the microbusiness supply market; these impacts can be financial and non-financial.

For a scheme to be successful it needs to be known, promotional costs will be high as businesses in general are too busy to take notice. Note the lack of success in getting SME's to switch water supplier. Despite a fortune in promoting it most customer don't know the market is deregulated. However, the Omdsman scheme is useless and suppliers individually unmotivated. The scheme will only be effective if is un-bureaucratic and well promoted. I don't see this being the case

Q25) Changes to the contracting process We welcome views on the proposals to introduce a cooling-off period and the additional requirement for brokers to send a written copy of the Principal Terms to microbusinesses. In particular: - An estimate of how many contracts may be impacted by a cooling-off period. This could be based on the number of existing contracts that microbusinesses query or wish to amend within the proposed cooling-off period. - Any other

views on how this proposal may impact the microbusiness supply market; these impacts can be financial and non-financial.

I have covered this off previously . Cooling off periods are bad news for supplier, brokers and customers. Will lead to solidification of pricing and uncompetitive pricing. It flies in the face of having a dynamic energy wholesale market that supplier can play to gain advantage over competitors. It will lead to customer gaming the market, getting prices and then changing their minds if the market falls and they can get better prices from other suppliers. This would be unfair on the original supplier and will make the SME market unappealing for many. The net impact would be to the customer disadvantage due to less choice and higher prices . please Don't do it.

Q26) Broker commission. We welcome views on the impacts of providing additional transparency around broker costs to microbusinesses. In particular: - If stakeholders consider there are significant additional costs associated with these proposals - Evidence and views on the impact this proposal could have on the energy brokers and TPI market. These impacts can be financial and non-financial - Evidence on the additional costs to suppliers of providing additional written information to microbusinesses on bills and account statements- Evidence and views on the impact this proposal will have on microbusinesses. These impacts can be financial and non-financial- Any other views on how this proposal may impact the microbusiness supply market; these impacts can be financial and non-financial.

The main cost would be on suppliers to amend their systems to show the commission. This will make commission transparent. This concept has been considered ever since the market opened in 94 and 98. As an option it has been steadfastly ignored. Many brokers and not a few suppliers will not want this as it will expose them. I would hope it will help businesses avoid being ripped off but it is essential that the rules also apply to PCW's. These also appear free but supplier pay PCW's on a transactional basis of business they generate for them. In essence it is a commission but suppliers and PCW's will argue it isn't. I have heard it argued that it is not fair that commission be shown because supplier don't have to declare their margin. This is nonsense, commission isn't profit or margin, it is revenue. However, it is also not true that this is the same such as the financial services industry. Whilst fees have to be declared these are not always on the service providers invoices but are declared as part of the brokering service. Policing this would be expensive if it were to apply to energy and I do not think the costs would be justified and no one would want to pay for them

Q27) 30-day contract extension following blocked switches. We welcome stakeholders providing views on the impacts of extending contract terms for a thirty-day period. In particular: - The number of microbusinesses who are temporarily placed on OOC contracts due to problems with the switching process and the length of time they are on those rates - The difference between contractual rates and out of contract rates microbusinesses are temporarily placed on due to problems with the switching process - Any other views on how this proposal may impact the microbusiness supply market; these impacts can be financial and non-financial.

As with the cooling off period this is not a practical remedy due to the way supplier price their contracts. There is already a window before registration for objections to be raised and resolved. The main culprit here are supplier using the termination clauses in their contract as an excuse to hold on to customers. The cooling off period will exacerbate this practice but making the supplier honour the contract rates for a further 30 days makes no sense and would be unfair if in the period since the prices were fixed the wholesale market has increased. This could mean having to supply a customer at a loss. If this sort of remedy is applied it will again result in supplier having to build risk

into prices thereby making them more expensive to the disadvantage of the customer. Please do not do this.

Q28) Switching notification window. We propose to amend the licences to ban contractual notice periods to terminate or switch contracts (except for evergreen contracts). It would be helpful if stakeholders can provide evidence on: - An estimate of costs, if any, of implementing this measure - The impact removing this measure will have on the switching process - Any other views on how this proposal may impact the microbusiness supply market; these impacts can be financial and non-financial.

1. All supply contracts are evergreen. because suppliers cannot simply terminate energy supplies they have to be?! However the rules still allow supplier contracts to roll contracts over for a further 12 months on rates which the customer rarely has any control over. My preference would be to run contracts like many already do i.e. the fixed price period comes to an end and the customer goes on to default rates until they enter into a new contract with the current or ANO supplier. this is easy to understand and administer and prevents customer being tied unfairly. most brokers should welcome this unless they too are relying on customer inertia to maintain their commissions

Q29) Sales and marketing rules. We propose changes to make sure there is good quality and consistent sales and marketing activities by suppliers and TPIs. It would be helpful if stakeholders can provide evidence on: - An estimate of the costs of implementing these measures - Any other views on how this proposal may impact the microbusiness supply market; these impacts can be financial and non-financial.

I dont understand how you would implement measure this. Are you saying that every piece of marketing would have to be reviewed by Ofgem before it was published? How will you determine what is classed as good quality. This is too subjective and debatable. Who's job would it be to review every single piece of marketing that C 50 suppliers put out across a year. it would cost a fortune to administer, police and would be difficult to enforce. This is definitely one of the weaker suggestions up for debate.

Q30) Files to support your response may be uploaded here