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Dear Jonathan

We would firstly like to thank Ofgem for giving the market an opportunity to provide views on the proposed policy amendments that make up the Microbusiness Strategic Review.

We welcome Ofgem's view that the non-Domestic Microbusiness market remains engaged, with circa 70% of the market being involved in Change of Supplier events as well as agreeing with Ofgem that a large part of this market engagement is down to the Third Party Intermediary (TPI) sector actively searching for the best deals for Microbusiness customers as well as offering ancillary services which allow Microbusinesses to focus on running their business rather than spending time on energy matters which are often not a priority for business owners.

It is our view that encouraging direct sales by Suppliers and removing the requirement for TPIs will prevent the desired outcome and lead to a material reduction in switching for Microbusinesses, leading to fewer switches and leading Microbusiness customers to end up on worse deals. Although we agree with some of the theories of harm as presented as part of this strategic review, some of the proposed policy changes appear to be highly onerous on Suppliers as well as costly to both TPIs and customers where a more moderated approach would improve the market without these downsides. In addition to this some of these proposals, especially around audit and compliance requirements, would be costly to implement by both Suppliers and TPIs and these costs will ultimately be levied upon the consumer in the form of increased cost to serve and increased risk premiums – there is a significant risk that the administrative burden could make some TPI models not viable and ultimately resulting in a reduction in competition in a market that has already been highlighted as being one of the most engaged in the energy sector, Although we appreciate that there are a minority of TPIs who do not act in the best interest of the Microbusiness

customer, we believe that these in their current form will result in greater detriment to the market rather than fixing issues of a small number of TPIs .

We also note that this consultation asks questions regarding TPI commission payments. Where we recognise that this is an area that Ofgem wish to remove opacity from, we are keen to identify that these commission payments are not as simple as they may appear. TPIs often provide services directly to Customers and are remunerated via these payments. Thus we would welcome these to be reconsidered as Broker service costs rather than commission payments. Commission implies an incentive offered by the Supplier, however this is not the case - these payments represent the delivered cost of the Broker's service paid for by the Customer usually on their monthly Supplier invoice.

We have provided our responses to the consultation in the appendix below and would be happy to support Ofgem in further developing the proposed policy changes in future.

Yours sincerely,

Dan Fittock
Regulation and Compliance Manager
Corona Energy

Appendix A – Consultation Question Responses

1. **What are the most effective ways to ensure that microbusinesses can access key information about the retail energy market?**

   Information needs to be set out in a clear, concise and easy to understand fashion. We believe that there is currently adequate consumer guidance provided on both The Ofgem and Citizens Advice websites to enable Microbusinesses to make informed decisions regarding their energy spend, however we are of the opinion that signposting to these resources could likely be improved through a marketing campaign similar to that seen as part of the Smart rollout and run by SEGB. At Corona Energy we also utilise analytic technology applied to our calls, webchats and emails to pinpoint the various phrases from our call recordings to highlight which areas our customers are most interested in discussing. These analytical measures help us tailor our offerings to our customers as well as ensuring that any signs of dissatisfaction are picked up as part of our complaints processes.

   However we also believe that Microbusiness customers are some of the most targeted consumers in the market in terms of engagement and we are of the opinion that pushing further attempts to engage some of these customers may further alienate them from the energy market rather than engage them as planned. Some Microbusinesses, especially smaller companies, are focussed on the running of their businesses and have less of an appetite to engage in the energy market or have less time to review their energy consumption when compared to other areas of commercial costs such as staffing, business rates and commercial rents. We agree with the intentions of this review, however additional attempts at engagement may lead to unforeseen and negative results.

2. **Do you agree with our proposal to strengthen the requirements to present a written version of the Principal Terms to customers?**

   We agree with the proposal to strengthen the requirement to provide written Principle Terms to Customers, and would welcome a further requirement detailing which terms specifically a Customer should be receiving in this document. We would like to see the following key terms included to ensure that the Customer is furnished with all relevant information:

   - Customer name
   - Customer billing address
   - Site address
   - MPxN
   - Contract start date
   - Contract end date
   - Pricing information
   - Any metering specifics

3. **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?**

Commission implies an incentive offered by the Supplier, however this is not the case - these payments represent the delivered cost of the Broker's service paid for by the Customer usually on their monthly Supplier invoice.

Where we fully support the principle of this proposal in order to remove the opacity of the energy market, we believe that the Broker should always disclose their service offering and associated costs directly to the Customer. The Customer to Broker relationship is a bilateral relationship which does not involve the Supplier and we believe that Broker service cost is something that the Broker must make clear to the Customer in a similar fashion to the financial industry where Broker service costs must be clearly and transparently provided from the Broker to the Customer in the Key Facts document provided to the Customer. There would be a significant administrative burden on both Suppliers and Brokers to provide any required proof of these activities as part of the compliance and assurance measures that would be required to implement this proposal, which would ultimately be passed on to the Customer.

The suggested format of the Broker service cost disclosure would not be possible with current industry practices. Where Broker service cost structures are often levied against the p/kWh or a supply contract, this would make disclosure of the total Broker service cost amount at the point of sale difficult to define, as any calculation would be based on an EAC which would not be accurate. This could also lead to Brokers inflating the EAC upon a Change of Supplier (CoS) gain in order to inflate the amount of Broker service cost that they could claim - thus not enabling Suppliers to provide accurate Broker service cost disclosure to the customer in the format of a monetary amount. We suggest that any disclosure of Broker service cost should be represented against the unit rate and/or standing charge, allowing for this to be represented as its own line item on bills and contracts. This would also allow for a monetary value to be estimated based on the provided EAC at point of sale, however this would require the caveat that the monetary value is an estimate only based on the EAC data provided by the Broker (for CoS gain) or the previous year's consumption data (for renewals).

In addition to the above points, any changes to the bill structure to include new data such as Broker service cost payments will have large and complex impacts on Supplier systems that would be both challenging and costly to achieve by the implementation date suggested in this consultation. These changes would be both time consuming with a high cost which would ultimately be passed on to the Customer in order to cover the cost to

Suppliers. Additionally this may result in an increase in marketing campaigns with Microbusinesses being contacted more frequently by some Brokers, resulting in an increase in 'engagement fatigue' where non-Domestic consumers feel hounded to interact with the energy market where they do not wish to. . The proposals also do not indicate an approach for historic contracts and how Ofgem would like to approach these, as the disclosure of Broker service cost payments would not be included in the principle terms of the contracts of existing live, and existing future go-live contracts. It should be noted that if there is indeed a retrospective aspect to this proposal, the resulting system requirements on Suppliers will be even more costly and burdensome by several orders of magnitude.

Including Broker's service costs on bills, statements of account and contracts would allow other Brokers to view the service costs of their competitors, however this may not accurately reflect the work which an individual Broker is undertaking for a Customer or the quality of service a Customer is receiving from a Broker. Although we agree that disclosure of Broker service costs would help to reduce costs for some consumers in the short term, this would not reflect the varying service provisions that a Broker may be providing to a customer – which may include energy management or the provision of physical equipment. At a time where it has been agreed by Ofgem that the inclusion of Brokers in the non-Domestic market helps to achieve a switch rate of 70%, we believe that any intervention that would decrease this rate would materially damage competition.

4. **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?**

   We believe that Broker service cost disclosure should be presented to the Customer by the Broker in a transparent manner and via a controlled format similar to the Key Facts document utilised in the financial industry and regulated by the FCA. We support this approach as it has been tried and tested with evidence supporting that it is an effective way for individuals, such as Microbusinesses, to understand the requirements of the contract and the costs involved.

5. **What challenges do you think suppliers and brokers may face implementing these proposals?**

   It remains unclear as to how some of these measures will apply in an operational setting. For example - will Brokers be expected to interrogate the entire market for its customers? What happens if a Supplier declines to quote a contract, will this result in a non-compliance? To what standard will these requirements be measured against? Do these provisions include a requirement to provide quotations in other languages to aid

Microbusiness owners in understanding the complex nature of the energy market? How is a Supplier able to assess whether Brokers have indeed interrogated the entire market when the price comparisons are provided between the Broker and the Customer and are commercially sensitive and subject to change in line with market fluctuations?

We believe that without a centralised approach, Brokers would face significant system costs for both implementation of these changes as well as an administrative burden to manage varying approaches adopted by different Suppliers. Additionally the implementation of these changes against the backdrop of Smart metering and Faster Switching implementation will represent significant costs, process changes and resourcing challenges for Suppliers and Brokers.

As previously noted, where we understand and support the principle of these proposed changes, we do not believe that these would be implementable in their current format as the operational requirements do not appear to have been considered.

6. **Do you have any comments on the associated draft supply licence conditions in Appendix 1 of this document?**

The supplied drafting changes suggest that any single non compliance to the proposed measures would be considered to be a material licence breach, and we do not think that such an approach would be feasible in a competitive market. We believe that the proposed legal text requires amendment to ensure that there is a fair and equitable approach to compliance breaches and enforcement actions that take into account the severity and magnitude of any potential breaches to compliance. Additionally the measures set out appear to be highly descriptive, which does not appear to be in line with Ofgem's historical approach of principles based regulation.

7. **Do you think there are other changes which would better address the consumer harm that has been identified?**

The TPI Code of Practice (TPICoP) developed by ElectraLink and building on Ofgem's previous TPI Code of Practice appears to be a more equitable approach to many of these issues. Mandating Suppliers to only work with Brokers who sign up to this code, which is administered by a neutral and existing central industry body, in a MAMCoP style regime would ensure that Broker standards remain high and a centralised assurance scheme run by the TPICoP administrator would ensure a uniform approach across the industry, as well as providing an ADR route that is not reliant on the Ombudsman to allow for a true alternative approach to arbitration.

8. **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?**

The introduction of this principle places both a very high standard and a significant burden on both Suppliers and Brokers. From the Supplier perspective, the introduction of this principle would require regular auditing of all Brokers that a Supplier undertakes business with - a practice which some medium and small scale Suppliers are unlikely to have any significant experience or expertise in. Additionally the proposal does not set any standard against which Broker standards can be assessed. Who would set these standards? Would these standards be descriptive or prescriptive? How would Suppliers be required to evidence their assurance regimes? Based on the drafting, Brokers appear to have the choice to not work with some Suppliers if their new standards in response to these proposals were deemed too burdensome, and would reduce the available contract options for Microbusinesses. We agree with the concept of holding brokers to an appropriate standard of conduct and a centralised, mandatory code of practice (similar in nature to MAMCoP) would allow market-wide oversight of brokers and prevent brokers from moving between individual Suppliers to avoid detection of malpractice.

From a Broker perspective there would equally be a large administrative burden in order to achieve the assurance measures set by each individual Supplier. Without a standardised approach to a Broker Conduct Principle, each Supplier would likely require differing requirements and evidence formats from their Brokers in order for them to achieve this new licence requirement. Such an administrative burden is likely to force smaller Brokers out of the market who are reliant on keeping their overheads down in order to maintain a viable business, leading to a decrease in competition in the non-Domestic market.

9. **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?**

We do not agree with the introduction of specific sales and marketing requirements on Suppliers and Brokers, as we believe that with the introduction of a centrally administered TPICoP this would not be required. The minimum standards implemented as part of this code of practice would ensure that Brokers adhere to a minimum standard of behaviours that should include sales and marketing techniques. Without implementing this centralised approach, the administrative burden on Brokers to meet the requirements of each individual Supplier could be high and the associated costs would challenge the viability of many Broker business models.

10. **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?**

We do not agree that a cooling off period would be an effective countermeasure to ensure that Microbusinesses have the flexibility to protect themselves in the contracting process as we believe that core issue resulting in this proposed policy change is down to the use of verbal contracts. With the provision of the new requirement for principle terms and sending the relevant information to the customer, we do not believe that the use of the cooling-off period is required.

A cooling-off period would also add significant hedging risks to Suppliers, where the market is volatile by nature this is likely to result in an increased risk premium and higher costs for consumers who this would be passed on to by Suppliers. For example, in the last 14 days there has been an approximate market movement of circa 10%.

At Corona Energy we undertake a 'Welcoming Call' with all of our newly contracted customers utilising the contact information provided by the Broker to ensure that the Customer is aware that their Supply will be moving to Corona Energy, the date that the CoS is taking place and confirming a number of contractual details to ensure that the contract is not fraudulent. Such measures would be a softer-touch approach and give Microbusinesses opportunity to query a contract prior to go-live without heavily impacting the existing CoS process.

Additionally we have concerns regarding how the 14 day cooling off period interacts with new obligations on Suppliers under the Switching Programme, as it does not appear that this has been considered as part of the drafting of these changes.

11. **What challenges do you think suppliers and brokers may face implementing these proposals?**

The primary concern is how the cooling off period will align with new provisions introduced as part of the Switching Programme, as the introduction of a cooling off period will require significant system changes on top of the requirements already being developed for the implementation of Faster Switching.

I&C Suppliers hedge customer volume at the point of contracting, the implementation of this change will mean significant variability in volume delivery and hedging strategy leaving us exposed to any market movements in this period. Ultimately this will lead to increase price risk to suppliers and increased risk premiums to customers.

We also believe significant challenges will be encountered for both Brokers and Suppliers in the introduction of assurance and compliance regimes required to underpin the introduction of any Broker Conduct Principles. Without this being managed centrally, such as the ElectraLink TPICoP, the challenge would be either how a Broker would manage the differing compliance requirements for individual Suppliers or how different Suppliers would agree on a standardised industry approach.

12. **Do you have any comments on the associated draft supply licence conditions in Appendix 1 of this document?**

    The supplied drafting changes suggest that any single non compliance to the proposed measures would be considered to be a material licence breach, and we do not think that such an approach would be feasible in a competitive market. Additionally the measures set out appear to be highly descriptive, which does not appear to be in line with Ofgem's historical approach of principles based regulation.

13. **Do you think there are other changes which would better address the consumer harm that has been identified?**

    The TPI Code of Practice (TPICoP) developed by ElectraLink and building on Ofgem's previous TPI Code of Practice appears to be a more equitable approach to many of these issues. Mandating Suppliers to only work with Brokers who sign up to this code, which is administered by a neutral and existing central industry body, in a MAMCoP style regime would ensure that Broker standards remain high and a centralised assurance scheme run by the TPICoP administrator would ensure a uniform approach across the industry, as well as providing an ADR route that is not reliant on the Ombudsman to allow for a true alternative approach to arbitration.

14. **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?**

    We agree that there is a gap in the market for the arbitration of disputes between Customers and Brokers. While the Ombudsman is an effective arbitration service for domestic customers, we have fed back through ICoSS and various bilateral discussions with the Ombudsman that we are concerned that due to the complexities in both metering and contracting arrangements that make up the non-Domestic market, the Ombudsman does not appear to have the technical expertise to effectively arbitrate for all areas of the non-Domestic market and so we welcome the approach of an ADR in Ofgem's proposals.

    In order for this ADR to be a viable option, there are a number of requirements that we believe need to be met:

- The use of a third party service, separate and independent of the Ombudsman, which has the competence and high degree of understanding around the complexities of the non-Domestic market
- Obligation on Brokers to fully engage with the ADR and be bound by its decisions
- Focus on arbitration between the Customer and the Broker, with the Supplier dispute resolution not being within the scope of the ADR other than providing evidence where appropriate

15. **What challenges do you think suppliers and brokers may face implementing our proposal regarding dispute resolution?**

    Based on the contents of this consultation, the main barrier to implementation will be coordinating an agreed approach between Suppliers and how to obligate Brokers to be bound by the decisions made by the ADR provider. The current approach of mandating this approach via Suppliers would not be effective as without robust compliance regimes set up by Suppliers to manage their Broker's practices at a highly detailed manner, Brokers would not necessarily be penalised in any meaningful manner for not adhering to the rulings of the ADR provider. As previously mentioned, if a mandatory TPICoP similar to MAMCoP were to be implemented and Suppliers obligated to only work with Brokers with a TPICoP accreditation, the TPICoP could include the ADR and via their membership - be required to adhere to its rulings.

16. **Do you have any comments on the associated draft supply licence conditions in Appendix 1 of this document?**

    The supplied drafting changes suggest that any single non compliance to the proposed measures would be considered to be a material licence breach, and we do not think that such an approach would be feasible in a competitive market. Additionally the measures set out appear to be highly descriptive, which does not appear to be in line with Ofgem's historical approach of principles based regulation.

17. **Do you think there are other changes which would better address the consumer harm that has been identified?**

    The TPI Code of Practice (TPICoP) developed by ElectraLink and building on Ofgem's previous TPI Code of Practice appears to be a more equitable approach to many of these issues. Mandating Suppliers to only work with Brokers who sign up to this code, which is administered by a neutral and existing central industry body, in a MAMCoP style regime would ensure that Broker standards remain high and a centralised assurance scheme run by the TPICoP administrator would ensure a uniform approach across the industry, as well as providing an ADR route that is not reliant on the Ombudsman to allow for a true alternative approach to arbitration.

18. **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?**

Due to the nature of commercial contracts and the fashion in which the non-Domestic market operates, being contracted and not tariff based, we do not believe that the application of termination notices is a barrier to switching for microbusiness customers. Termination notices are standard for many types of contracts cross various industries and represent a key point of intervention and engagement for users who don't necessarily engage with the industry otherwise. The non-application of a termination notice ensures that a customer does not roll onto expensive out of contract rates and ensures a continuity of supply with fair and equitable pricing, whereas the application of a termination notice facilitates engagement with the market and allows for a Microbusiness customer to consider their energy spend in comparison to not requiring as much thought when they are in mid-contract. Contract end dates represent a key point in the lifecycle of a Microbusiness supply contract where a Customer interacts with the market, and the removal of this requirement my lead to a disincentive for interactions with the market.

19. **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?**

We do not agree that the proposal represents an effective approach to limit the financial impact of switching delays, as this proposal would add significant hedging risks to Suppliers which would be ultimately passed on to all Customers.

Any variability in volume delivery will lead to hedging activity and additional risk and risk premiums for customers. As an example a contract committed for 3 years would mean a fixed price for the customer based on the commodity price at the point of contracting, this commodity price can vary significantly over that period of time (we have seen 100% movements in recent years). The customer could potentially enjoy significantly cheaper price on the 30 day period after the contract vs the market and so be rewarded for having debt on the contract. The size of market movement that would have to be covered would lead to significant risk premiums for customers as suppliers develop hedging strategies to attempt to forecast the likelihood of debt and objection.

We question the principle of this proposal, as it could appear that this would incentivise Customers not to pay their bills. As per current Licence Conditions, the only valid objection reasons are Contract (Suppliers can object to a CoS event if a valid contract is held) and aged debt (Suppliers can object to a CoS if a debt of over 28 days is unpaid), both

of which are deemed as reasonable justifications for objecting. On this basis, if a customer had an aged debt and attempted a CoS event, the Supplier would be obligated to extend their contracted rates by another 30 days. The events of Covid-19 have highlighted the fragility of the Supplier market, which plays an essential role in ensuring a competitive energy market. If further unpaid debt is accrued, which is almost certain under this proposal, the market is likely to see an increased number of Supplier of Last Resort (SoLR) events and a material decrease in competition.

We also believe that the current market trends indicate that the requirement to extend contracted rates for 30 days in the event of an objection is not required as Brokers are key to Microbusiness market interaction. If more stringent requirements on accuracy are placed on Brokers, such as a mandated TPICoP, then this proposal would not be required.

20. **What challenges do you think suppliers and brokers may face implementing our proposals regarding improving the switching experience?**

    There is likely to be substantial Supplier system impacts in order to facilitate these changes, such as amendments to system architecture and automated processes to ensure that rates are applied for an additional 30 days before changing to either a rollover contract, OOC rates or deemed rates. This will also impact the purchasing strategies of Suppliers and may create issues in hedging and energy purchasing due to potential losses when purchasing at live market on-the-day prices but requiring to charge the customer at contracted rates - these rates being based on lower market values up to and including 5 years ago.

21. **Do you have any comments on the associated draft supply licence conditions in Appendix 1 of this document?**

    The supplied drafting changes suggest that any single non compliance to the proposed measures would be considered to be a material licence breach, and we do not think that such an approach would be feasible in a competitive market. Additionally the measures set out appear to be highly descriptive, which does not appear to be in line with Ofgem's historical approach of principles based regulation.

22. **Do you think there are other changes which would better address the consumer harm that has been identified?**

    We refer to our previously mentioned recommendations in this consultation response.