

## Appendix 1 - Broker Survey Response

OFGEM have proposed that each broker will have to present a summary of the total expected costs, inclusive of broker commissions to the consumer at the time of contracting. They also propose that broker commissions should be transparent to consumers throughout any period of the contract. (This could be through invoices, requests of the micro business etc).

% of people

### Showing commission at the quote stage is a good idea

Strongly agree	8%
Agree	17%
Neutral	15%
Disagree	15%
Strongly disagree	45%

### Showing commission as part of the supply contracts at the time of contracting is a good idea

Strongly agree	4%
Agree	26%
Neutral	17%
Disagree	9%
Strongly disagree	43%

### Showing commission throughout the contract on bills, statements etc is a good idea

Strongly agree	4%
Agree	8%
Neutral	17%
Disagree	8%
Strongly disagree	64%

### Providing commission values at the request of the customer is a good idea

Strongly agree	17%
Agree	32%
Neutral	17%
Disagree	6%
Strongly disagree	28%

### Please expand on your answers below. We want to know how you think commissions should be presented, or your opinions against the proposal. (These are the re-occurring themes)

Customer needs to be aware commissions is paid through their unit rates	17%
Full Transparency needed	17%
If brokers have to, supplier should to	17%
Would give suppliers more power as would encourage more customers to go direct and ignore tpi's	17%
Going to penalise good brokers yet again	15%
A cap should be blanket across the market instead	15%
Shouldn't be shown at all	9%
Presented as an annual amount based on the expected usage at contracting time only	13%
Its confusing for customers and just make it harder	15%
Bad apples will always find a way	9%

### Further comments

You don't go into a restaurant and ask how much does the chef get paid or ask for the cost price of the ingredients so I don't see why it is necessary to declare the brokers earnings. I think a limit on the uplift of 1p across the board would be easier to enforce.

Showing the customer any commissions at the point of sale would greatly reduce the chances of the contract being signed and will strain the relationship between broker and customer. At Tesco it doesn't show you how much Tesco paid the farmer for the chicken and therefore how much money they make selling the chicken to you. If every customer knew how much profit Tesco are making they are less likely to use them.

No other business would disclose the margins they make on a contract . Why should energy be different?

Commissions should be upfront throughout the sales process, detailing it on the bill will prevent suppliers being constantly bombarded with requests for the info.

Transparency will not resolve the issue as some customer will remain uneducated and where 3 to 5 p uplifts can be applied they will be

No other business would disclose the margins they make on a contract . Why should energy be different?

As we deal with business people & work in 'free' market, clients do not need to know what we are paid as our business has always been run to fully support the client throughout their contract; 18 years of expertise isn't free!!

Having commissions on bills will expose a brokers margins to competitors.

OFGEM have put forward a proposal to bring in “standards of conduct” to ensure a better practice of brokers and suppliers, with specific sales and marketing requirements to try to improve the trust and effectiveness of the market. These will be monitored regularly. The sales and marketing changes are to: - Ensure that the structure of contracts is clear and easily comprehensible- Not mislead or otherwise use inappropriate tactics when selling or marketing- Only recommend contracts which are appropriate to a customer’s characteristics and/or preferences and not your own- Maintain a record of information provided to microbusiness customers concerning a contract during face-to-face marketing activities or telesales activities for a period of 2 years. % of People

Do you think these changes will create more trust within the market		
Yes		74%
No		26%
Please expand on your answers below. We want to know why you agree/disagree		
Of course it's a good idea - any regulation is better than none		36%
Explanations of the recommendations made to customers should be required		13%
Great plan but who will monitor it? And how will it be monitored?		21%
Verbal's need to be banned		9%
Brokers should not be allowed to sign contracts on the customers behalf		4%
It should be compulsory to sign up to a code of conduct as a tpi		11%
Further Comments		
How do you control social media platforms, trust pilot etc, the system for the domestic market is already suppose to have been simplified with fewer tariffs but complaints are at a record high. Do the large comparison sites such as Go Compare or Money Super Market disclose commissions across all of their offered services...no.		
What fact finding would be necessary to decide what was appropriate to the customer? What evidence would you need to justify the benefit of a 36 month contract over a 12 month contract? But in favour of clarity and not to mislead. We already abide by the Code of Conduct with suppliers such as E-on Energy, I see no reason why OFGEM would not impose such similar standards across all TPI. This will help prevent the unscrupulous TPI's from conducting bad business and misleading clients/customers.		
Unless this is policed and brokers are audited or licenced with being able to prove that they are adhering to these rules then there would be no point and would not create more trust.		
There needs to be a route for customers to be heard that works (the ombudsman is normally a waste of time) and suppliers / brokers that are found to have misled/miss sold to customers punished financially		
Making the market more transparent will engender trust, drive better behaviours within the broker population, discourage people who feel they can make a "fast buck" and allow those brokers who uphold good corporate conduct to flourish		
If brokers are underhand then they will find ways to manipulate information they provide to keep themselves out of trouble		
keep things as simple for the suppliers and customers as possible. The reason a customer uses a broker is often because of confusion or lack of time. Don't make it harder yet		
What challenges and impacts may you face trying to implement these changes?		
Aggregator... How does it work for us?		11%
None		28%
More admin		26%
Will this have an impact on your ability to sell?		
Yes		42%
No		58%
Further Comments		
I think it will create 'minimum' thresholds that TPIs will deal with This will then have a negative impact on the market		
YES AS IT WILL NOT BE WORTH DEALING WITH MBC ON THE PHONE, THE MARKET WILL GO TO ONLINE SWITCHING LIKE THE CONSUMER MARKET		
Should in theory be beneficial for us as we do all the above anyway so should create a level playing field		

**OFGEM have put forward a proposal of creating a 14-day cooling off period for any contract signed.**

**% of people**

**The introduction of a cooling off period will protect the consumers**

Strongly agree	15%
Agree	30%
Neutral	15%
Disagree	11%
Strongly disagree	28%

**The introduction of a cooling off period will harm brokers**

Strongly agree	23%
Agree	21%
Neutral	17%
Disagree	17%
Strongly disagree	23%

**Please expand on your answers below. We want to know why you agree/disagree**

Will create more problems that it will solve	32%
Will actually create less competition because when the new supplier is aware they will match whatever rates have been offered elsewhere	11%
Customers need to be accountable too, this give them too much freedom	8%
Good for customers, bad for brokers and suppliers	21%
If you can put all the other changes into place - this will not be required.	17%
This is a good idea	13%
It will drive down margins for brokers allowing customers to go after cheaper deals which isn't right either	9%
Other brokers have more chance to win your customers	9%
Switches and cancelled contracts, increased admin, confusion will all happen because of this	8%

**Further Comments**

the 14 day cooling off period opens up too many possibilities of it being used for the wrong reasons What's to stop a customer signing with a new supplier and then the current supplier finds out and signs them back with them on either the same or cheaper rates? with no penalty for the customer I just feel it is going to create an unfair advantage on the current supplier to gazump the new supplier contract

It will allow current suppliers to call and undercut brokers offerings. As soon as termination or the contract is submitted there is nothing stopping internal sales teams calling to undercut by the applied uplift. Cooling off will make hedging harder and increase prices for the customer. If the consultant has acted fairly and correctly no cooling off should be required. This won't harm brokers that act fairly in the interest of their customers.

Customers will manipulate the system if they have the option to cancel along with the ability to see our commission. They will agree contracts and then cancel them and go back and forth until they have the cheapest commission from a broker possible.

I am neutral on both of the above because:

Point 1 - I think will encourage the rogue brokers to advise the customer that they can use the cooling off period and change to a contract through them

Point 2 - I don't think it will harm brokers per say but I do think it could encourage more rogue behaviour as in point 1 which then becomes harmful to the brokers trying to do the right thing for the customer

A 14 day cooling off will create chaos in the market, probably with customers signing multiple contracts and not knowing which supplier they are with.

You risk losing the contract because markets drop and someone else can offer a cheaper price but on the other hand you may win business with the roles reversed.

Prices can change multiple times a day. How is a 14 day cooling off period supposed to work. We work with businesses, if you operate a business, you should have a basic understanding of contracts.

If a supplier has to 'hold rates' for 14 days they will have to add extra risk, which will add extra cost to all market players.

It's fine, but what happens if the market drops dramatically, so another broker comes in with a lower price but higher commission

A pointless and impractical solution that shows that they simply do not understand the market. Basically this will allow customer to wait for 13 days and if the market has moved stop the contract and go to market again. Completely unfair on suppliers and will have the opposite affect on customer competitiveness as supplier will have to increase prices to manage the risk. Will potentially increase administration and call for increased

**Ofgem propose to introduce a supply licence condition requiring suppliers to only work with brokers signed up to an ADR (Alternative Dispute Resolution) scheme. This would allow microbusinesses to raise a complaint to the ADR provider if they cannot resolve a dispute with their broker directly.** % of people

**The ADR scheme represents an effective way to help the consumer where a microbusiness has a dispute with their broker**

Strongly agree	38%
Agree	26%
Neutral	23%
Disagree	8%
Strongly disagree	6%

**Please expand on your answer below. We want to know what challenges you may face when having to use an ADR scheme or any alternative suggestions to protect microbusiness.**

Great idea	43%
Will there be more costs	21%
What if you don't get approved ( i.e. you're a one man band)	9%
Good suppliers should be able to sort these problems	13%
Must be independent and impartial (fully impartial)	21%

**Further comments**

I don't know enough about this, but in any instance it would be good for a customer to have another avenue to go down if they're not happy. As long as there is fair opportunity for the broker to provide a resolution first.

Yes this is a good idea providing that the resolution scheme is impartial and not based on any financial incentive.

Having never had a complaint and never likely to do anything that merits a complaint I do not want to pay for a Dispute Resolution service to deal with brokers that rip off their clients.

Ofgem are proposing to remove the requirements for microbusiness to submit a termination and that an application from another supplier should be sufficient. Ofgem are also proposing that suppliers should keep microbusiness on the same rates for a 30-day period when there is a delay in switching to a new supplier.		% of people
<b>Removing termination requirements is a good idea</b>		
Strongly agree		45%
Agree		19%
Neutral		9%
Disagree		8%
Strongly disagree		19%
<b>Removing termination should apply to new and existing contracts</b>		
Strongly agree		45%
Agree		19%
Neutral		9%
Disagree		8%
Strongly disagree		19%
<b>Termination requirements are currently an unnecessary barrier to switching</b>		
Strongly agree		42%
Agree		11%
Neutral		15%
Disagree		9%
Strongly disagree		23%
<b>Honouring customer rates for 30 days when there is a delay to switch is a good idea</b>		
Strongly agree		36%
Agree		21%
Neutral		11%
Disagree		15%
Strongly disagree		17%
<b>Micro businesses currently get overcharged due to missing termination</b>		
Strongly agree		42%
Agree		30%
Neutral		17%
Disagree		6%
Strongly disagree		6%
<b>Please expand on your answers below. We want to know what challenges you or the customer may face as a result of the above changes.</b>		
termination issues are because some suppliers aren't up to date with their work.		13%
What about the well performing suppliers who log terminations with no problems		11%
good idea for the customer		30%
Work needs to be done around suppliers out of contract and standard variable rates		15%
Will give bad brokers more opportunity to steal meters and move them elsewhere		9%
As long as there is no debt . Good idea		21%
terminations get rejected because suppliers expect too much		8%
will create a lot of work for suppliers though		15%
<b>Further comments:</b>		
I worry that if termination is removed. Fraudulent contracts will just be put in place, and this could cause Chaos		
Suppliers should receive a termination from the customer, or Consultant with a Level 2 LOA.Letter headed or DocuSigned. With the customers account number?!		
A customer signs a 1,2,3 year contract which has an end date. why does a customer need to give termination if they have signed a contract agreeing a end date. removing this will prevent suppliers holding businesses on OOC Rates.		
I think the Termination Notice is a good way of providing evidence that the customer may intend to switch supplier, I have come across customer who have switched supplier without their knowledge, usually the result of a sales call. A Letter of Authority is a excellent way to prove that the customer has authorised that broker to act on their behalf.		
Our micro businesses wouldn't be overcharged we always submit in time on their behalf so they're free to change supplier should they wish to.		
A supplier needs to plan for the future and the termination notice is essential for them to be able to do this.		
If you have a contract you should obey its terms. No need for suppliers to hold rates post contract end. This will just mean that everyone pays a bit more. Micro businesses probably do get charged extra due to missing termination but they should not do it.		

## Futher Comments

The Commissions on bills is the biggest factor. Lots of brokers provide value for money deals and showing commissions may make customers think this isn't the case. Customers are not aware that even direct deals contain commission for the supplier, they direct sales teams have targets and they are inflating rates themselves. Suppliers with direct teams often sell high rates more expensive than ours, are the suppliers expected to show their profits when they oversell in these cases?? A Commission cap would be the best option rather than making commissions visible. 1p max uplift for example.

I think there should be some mechanism that routes out the rouge brokers, usually verbal contracts, who tie customers into long, expensive contracts.

Stating commission rates will be more complicated, I think they will have a negative effect on the market leaving customers without the expertise of brokers. I have seen some shocking out of contract rates from suppliers and it is brokers who negotiate better rates for customers. As previously stated, customers know the service is not free but I don't think it should be stated as this may put off customers from using brokers. A lot of suppliers pay in arrears on consumption so how would the commission be calculated? How would the commission split between aggregator and broker be managed?

14 day cooling off period would mean that brokers could persuade a customer to take their contract and maybe not cancel the existing contract which would mean that a single site could have multiple registrations. If the brokers is reputable he would have issued a full cost comparison, discussed the rates and the savings/increase to the customer in full before the customer signed the contracts.

Removal of the termination notice would mean that in theory the customer could move supplier every 30 days/3 month/6 months. from the start of a contract, which to my mind would create a mountain of extra work for the suppliers and some brokers may encourage this to gain multiple commission.

Objections made to transfers due to outstanding balances. This doesn't seem to have been addressed but probably results in 50% of objections as an estimate. There should be some rule that this isn't allowed for example if only the latest invoice hasn't been paid yet. There have been instances of objection where suppliers object simply because the DD hasn't been taken yet even though it is setup for DD! Other instances are where suppliers object due to agreed payment plans being on accounts usually because of a billing issue created by the incumbent supplier.

I don't have any major issues with the suggested changes, tightens things up a bit and should maybe be applied to SMEs, however I suspect this maybe a bit of a trial run before expansion of these ideas to see how things go.

We are greatly concerned regarding the commission aspect and declaration thereof. This will have a grossly negative affect on the TPI market as a whole and will all but kill it off in my opinion. It will drive direct sales for suppliers to exclude TPIs altogether and will result in the decrease of switching suppliers and consumers saving money and will have the complete opposite impact that I believe OFGEM are hoping for. I am all for better transparency and tighter rules for TPIs but you would not ask Tesco how much mark-up they apply to a tin of beans compared to Asda.

I have always had an issue with suppliers and their need to apply targets to TPIs to maintain an agreement with them. This is mainly focused on the larger suppliers (BG and Eon). It stops brokers being able to show a consumer the whole market fairly and does a disservice to the broker, the customer and the supplier. If the supplier was competitive enough, they would win more business and the targets would not be required.

These proposed changes will make more work and more costs to the honest participants in the market, whilst the less than honest players will continue to rip off clients.

Supplier contracts should be in plain and simple language to prevent concerns down the road.

Insisting on a signed contract instead of a verbal contract is a simple way to ensure a client fully appreciates what they are agreeing too.

If OFGEM start to monitor TPI commission, when will they start to monitor supplier margin? The whole point of a free market is to allow market forces to drive down costs, much of the proposals will have knock on impacts that will drive up costs for all involved. As I have explained previously just cap the max notch suppliers can allow to be added to contracts, its an easy way to protect customers from crazy 9p pass through uplifts that seem to be the norm in the north east. Commission on contracts will kill the broker market and kill competition, it would be a massive step backwards and create even more lost jobs during what's a difficult economic time. Everything else looks good mostly apart from the 14 day cooling off period as I think that will just cause massive leakage issues and within weeks of implementation the online world would be flooded with people offering to beat what you had agreed. Protection for the customer in relation to the complaints resolution and brokers being regulated to ensure they are fair in what they offer is fine and adds to the competition. Basically anything that affects competition will make the market less fair for the customer (as it undoubtedly was 10, 5 or even 2 years ago). Nowadays there are so many brokers competing for contracts that customers get offered fair prices, kill the broker market and you will kill competition.

Ban verbal contracts, every customer should have time to see, read and digest the offer proposed rather than being rushed!

I have a feeling that Suppliers have a shrewd idea which brokers behave badly and charge too much. I would be happy if all Suppliers had maximum commission levels - lower than now.

I believe these changes on whole will be of benefit to both our business and the wider energy market, as it will ensure honest, open and transparent dealing with customers and brokers, leading to a more positive view all round.

The market needs stronger regulation of telesales operations and better enforcement.

Suppliers should never be allowed to refuse to provide information or data or termination upon request as long as there is a letter of authority accompanying any request by an intermediary, even one that does not have an agency with that supplier.

I believe that Ofgem are too focused on reactive measures. The worst brokers/suppliers in the industry will still continue to allow bad practice and it even though some of it may get stopped I don't believe that it will improve the customer experience from certain organisations. I believe that they are ticking boxes as they under pressure to do so but will continue to demonstrate a lack of ability to take action against the companies that tarnish the industry. It is obvious to all who these offenders are but they continue year after year to continue with the same bad practice and no action is taken against them

Regards regulation, Ofgem should adopt the existing UJA code which is not only fit for purpose but would be a relatively cheap option as it is already up and running.

I think the broker market needs to be shock up, to many out there are ripping people off and not helping the customer at all except there pockets, we believe that this would be a great idea and this will help us a lot by showing customers they should use us than other brokers because we always go the extra mile for the customer

I think we need more work on the collaboration between suppliers and TPIs. I think this will negatively impact the SME brokers and cold calling centres.

As for other suggestions;

- Ofgem should instruct suppliers to cap commission (for example; nothing more than 1p uplift).

- Quicker COT process

- Introduction of industry qualifications. We have released AQA energy qualifications, which we would love to speak to Ofgem about.

I strongly agree that there needs to be more rules put in place and the bad behaviour of a small minority of brokers needs to be eradicated. But I feel just as strongly that if brokers are made to declare their commissions and cooling off periods were to be brought in, an unthinkable amount of jobs would be lost in the broker sector!! And from a customer point of view, all the power would simply be shifted back into suppliers' hands!