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24.4.15

Dear Andy

Re: Supplier Objections: a call for evidence

As requested, we are sharing our 'Objections Tracker' with you which has now been updated to include data from 26,600 Non-Domestic Meter Point transfer requests. This illustrates trends such as the volumes of Objections we are seeing, those subsequently being lifted and wide inconsistencies between different suppliers.

It also confirms the rise in Objections that we predicted in meetings with Ofgem's Non-Domestic Team in Autumn 2014, resulting from deterioration in the quality of broker support services being delivered by business energy suppliers. As feared, this situation seems to have been compounded in recent months by more SMEs moving onto Variable Rate arrangements in the wake of voluntary removal of Rollovers and consequently losing visibility of their Contract End Dates. Furthermore, the number of times a transfer is Objected to has risen, we believe, as a direct result of the introduction of shorter (one day) Objection resolution windows.

Also in this response we're happy to reiterate our recommendations to help resolve these problems.

Objections Tracker

As the data in the attached Tracker is for your evidence only and not intended for publication, we have selected some headlines here to provide context:

- Average volume of Objections received by Make It Cheaper in 2014: 17%
- Average volume of Objections received by Make It Cheaper in 2015: 26%
- Range of Objections Rates across 17 suppliers: 9% - 55%
- Average number of Objections per Contract in 2014: 1.3
- Average number of Objections per Contract in 2015: 1.9

The success rate of Objected transfers subsequently going live ranges from 11% to 90% between suppliers, with an average YTD for Make It Cheaper of 53%. Such huge variances make it virtually impossible to advise a customer of the likelihood or timings of Objections being resolved and can result in poor customer experiences, not to mention additional high costs for their businesses. Failure of Terminations to be processed within SLA by one particular supplier has caused an increase of 30% in Objections for its customers.

All suppliers have their own rules concerning when - and how many times - to apply. Early applying leads to unnecessary Objections, while the reapplying rules set by the new suppliers can lead to multiple Objections and

switches not happening. Clearer visibility and more aligned rules on when to apply / reapply would undoubtedly reduce the volume of multiple Objections, particularly in respect of the 1 day Objection resolution window. Similarly, there is clear need for a universal Letter of Authority (LOA) mandate to allow brokers faster access to Objection-related information.

At present - when we receive notification of an Objection - we send an email to the customer with an electronic LOA for them to sign. If we are unable to contact the customer via email, we will call them to arrange a wet signature LOA (which takes significantly more time). When we receive the LOA back, signed, we will use this to contact the incumbent supplier to understand the Objection reason and contact the customer to resolve the issue where necessary. The suppliers themselves have different processes when it comes to LOAs ranging from acceptance over the phone to submitting into a portal and being granted authorisation after 5 working days.

Suppliers are also required to contact customers in writing explaining the Objection and reasons behind it but we find that the customers have rarely received this at the time of our contact because the physical time it takes to print, send and receive these communications means they sit outside of the 1 day resolution window and offer little use in the Objection resolution process. Hence the LOA is an extremely useful tool for proactive brokers to resolve Objections.

Outlook for the Next 12 Months

Loss of CED in Post-Rollover Contracts: In the current switching environment, the new supplier requires us to tell them on what date the new supply should start and they then apply at the relevant time. Fixed Term Contracts with End Dates make this easy as the customer has to finish cover on a specific date, now provided on bills. Contracts without End Dates have, however, become more prevalent with the phasing out of Rollovers in favour of Variable Rate alternatives and – without one – an aligned Start and End Date between suppliers is much harder to agree. Suppliers already automatically raise an Objection if the Start Date is just one day out and we can only see more Objections being raised as a higher proportion of Start Dates are disputed in the ambiguity caused by the absence of a Contract End Date. To help understand the different interpretations adopted by suppliers, we've updated our 'Smallprint Pointer' (<http://www.makeitcheaper.com/smallprintpointer>) to reflect these changes. This shows - by rolling a cursor over an image of a bill - exactly where to find key information, what action needs to be taken and what happens if a new contract is not organised before the old one expires.

Varying Standards of Termination Acknowledgement: The concept of Start Dates occurring on the 30th day after Termination Notice has been served cannot be relied upon if each supplier acknowledges Notices in different ways. Unfortunately we know this to be the case – particularly now that we have begun to execute Terminations on behalf of customers. Indeed, we are seeing first-hand how some suppliers are taking a month or more just to process a Termination request. Even with 5-day-acknowledgment coming in next week (30.4.15), we are concerned that the actual Start Date will often be in dispute between incumbent and new suppliers, leading to an Objection and customers being moved onto Out-of-Contract rates, increasing their energy costs significantly.

1 Day Resolution Window: We are all for speeding-up switching but – because of inefficiencies in Objection handling processes described above - this is too narrow a window in which to resolve the majority of problems. For a start, notification from suppliers may take several days and will often require contact to be made with the customer for clarification or to provide a LOA, which may not be immediately possible. The suppliers themselves take up to 5 days to acknowledge receipt of an LOA which can further delay the Objection resolution. We endeavour to resolve Objections as fast as we can and have invested heavily in ways to do this... but it still takes an average of 12 days.

Consequences

Left as it is, the industry could be sleepwalking into a situation where the level of Objections continue to rise whilst the resolution rate drops. An even worse scenario is that some suppliers will have identified this emerging situation as one they can use to their commercial advantage. For example, the unlikelihood of a broker or customer being able to resolve an Objection within a day may tempt some suppliers to raise more Objections erroneously.

The outcomes are not attractive whichever way you look at it:

- More Objections leading to extra work for customers, brokers & suppliers
- Successful switching rates drop due to more unresolved Objections
- SMEs becoming disengaged with the market through frustration and disillusionment
- Bills going up because of punitive Out of Contract rates applying to Objected transfers

Solutions

So, we propose the following to come into play ASAP:

1 Where 30 days' notice periods apply (ie Variable Contracts)

- I. Remove the need to terminate with the old supplier altogether (ie same as domestic transfers, where the act of applying serves as notice).
- II. Remove the ability to Object (Your Options in Section 4.1.7 have some merit).

2 Where it is still necessary to Terminate (ie Fixed Contracts)

- I. Executable LOAs to allow brokers to Terminate contracts by email on behalf of customers in a compliant way (same LOA can assist with any Objections arising).
- II. No need for acknowledgment if the suppliers improve their internal processes (as this can be a mask for winback activity).
- III. 2 week window opening either side of Contract End Date within which the new supplier can pick up supply (ie up to a week either before or after the actual Contract End Date) with no Out-of-Contract rates experienced by the customer.

3 Where Objections do occur

- I. Termination LOA to cover immediate Objection handling by the broker on behalf of the customer.
- II. Same Day SLA for the Objecting supplier to respond - with an Objection reason - to whoever has served the termination.

Yours sincerely,



Jonathan Elliott

Founder & CEO