

Future Supply Market Arrangements

21st December 2017



The Energy Check Response

*Understand
Your Utilities,
Save Money,
Protect Your
Future*

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Introduction

The Energy Check are an energy consultancy based in South Shields in the North East of England with a further office in Birmingham. We currently employ 80 staff. Our aim is to provide a reliable, professional, consultative service aimed at reducing energy costs, energy consumption and carbon footprints. We do this in 3 ways;

- Energy Procurement
- Energy Management
- Energy Efficiency

Energy Procurement is undertaken as defined by Ofgem as a Third Party Intermediary (TPI). All our other roles of energy management and efficiency are undertaken as additional services to the customer with or without the energy procurement

Since our business inception in 2014 we have delivered for our customers over £2million in energy cost savings, eliminated over 80,000t of carbon dioxide emissions and reduced energy consumption in the UK by over 8.6GWh. We are continuing to build on this with a target by 2020 of delivering £9.5million in energy cost savings, eliminating 90,000t of Carbon Dioxide emissions and reducing energy consumption for our customers of 15GWh. We are one of the leading consultants in the UK and currently rated as Excellent on Trust Pilot with a score of 9.2/10 across 130 reviews.

We work with businesses of all sizes, manage over 2,000 meters and are constantly evolving to stay relevant in a competitive market. We are growing our customer base by 100 meters per month and are looking for this to continue as we support customers in improving their energy management.

We are underpinned by Our Core Values;

- Honesty
- Respect
- Accuracy
- Transparency
- Professionalism
- Customer Focused



This is our formal response to a call for early views from Ofgem on Future Supply Market Arrangements dated 17th November 2017.

We have chosen to only respond to Topic 4 – Q4.



Consumer Protection

Ofgem issued a call for evidence to establish stakeholder views on future supply market arrangements. One of the topics discussed was Consumer Protection;

“There is a set of standard licence conditions for each licensable activity, including supplying gas and electricity to consumers. Suppliers are obliged to comply with the standard supply licence conditions from the day the licence is granted, and must understand the duties and obligations imposed by these conditions. The licences also set out that the licensee must become party to and/or comply with certain industry codes. As we see an increasing variety of services offered to consumers in the energy market, we (and other regulators) will need to consider how best to protect consumers from any associated risks.

One way to do this is to make sure our supply licence obligations are fit for purpose, and enable greater innovation and flexibility in how consumers are served. This has been a key focus of our work to transition towards an increased reliance on principles-based rules for suppliers, and a reduced reliance on detailed prescriptive rules

The supply licences are based largely around one definition of ‘supply’. We are also considering whether this is the best way to ensure consumers receive a quality service from other types of energy ‘suppliers’ (and associated service providers) as the supply market evolves over time. Protection from new risks might be required. Relying on the current supply licence may not be the best way to ensure consumers are protected in a future where how – and from whom – consumers access their supply and associated energy management services looks very different from today.

Regardless of who consumers may engage with for their energy needs in the future, including any default supply arrangements, there will be a need to protect consumers from harm. Consumers could still experience harm from intermediaries entering the market and not providing appropriate levels of service or care. One option could be a general authorisation regime with graduated obligations depending on the scope and/or scale of supply-related activities being performed. Other options might be to change the scope of current licencing arrangements, or to rely more heavily on wider consumer protection powers.

We are interested in views on how we can ensure consumers remain protected, however they access supply and engage in the market.



Q4 How big an issue is it that we do not currently regulate intermediaries in the energy market? Is there a case for doing so? If so, how would we best do it? We are especially interested in frameworks that enable a wider variety and increased number of market participants to provide supply.”



The Energy Check Response

Our Position

TPI's command a very important role in ensuring positive customer engagement with an active energy market.

From recent Ofgem surveys;

- 43% of businesses engage with the market because of brokers/consultants recommending switching.
- Over 80% switched because they were offered or found a lower priced contract.
- 47% of businesses that did not switch said there was no point as they can't see significant savings being made.
- 31% believe it is too much hassle.
- 27% found it too time consuming and complex.
- 21% think it would take too long.
- 19% think comparing prices was too difficult.
- 12% think it was too difficult to switch.
- 19% of all SME businesses have never switched supplier, never switched tariff or compared tariffs in the last 5 years..

TPI's play a major role in improving the above figures and they have had and will continue to play a large part in the explanation of contracts, costs and charges, contract durations and end dates in a market which can be complex and difficult to understand due to the products available, different ways of interacting with the market and continued volatility of energy costs.

We have concerns that the introduction of regulation of TPI's will cause serious harm to the industry and to customer engagement with the market whilst stifling innovation.

From Ofgem research there has been an increase in negative views of brokers, however those that do engage with a broker are satisfied with the services offered at 80% agreement. This



aforementioned negative view appears to be from the impact of cold calling and we believe this is where attention should be focused.

TPI's are the main influence in getting customers to switch suppliers, thereby increasing engagement in the market. Some suppliers solely rely upon TPI's to generate business therefore affording them only access to market and customers. Considering that 1 in 4 businesses have rolled over and went out of contract, brokers work tirelessly to prevent this, so better engagement is needed, however, the industry needs to consider the impact on the customers.

We believe Ofgem should carefully consider the issues that have been raised by customers. This is the important consideration and pressure from other TPI's whom are operating in a competitive market should be treated with caution. We have found an alarming rising rate of other TPI's whom are acting without due respect for other TPI's operating in the market. We have often witnessed other TPI's use social media platforms to spread negative messages and views of the industry and other TPI's which does not help or promote our industry. If the customer has been exposed to malpractice, miss-selling or fraud, there are legal avenues which can be taken, and the consumer is protected under consumer protection law. This is the action that should be taken.

We would point to the research undertaken by BMG Research on behalf of Ofgem in June 2015 detailing the experiences and perceptions of energy brokers by Micro and Small Businesses. Businesses suggested the following improvements to broker services:

- Fewer cold calls from brokers;
- The proper identification of the broker's firm at the outset of the call;
- A more co-operative approach from brokers when dealing with businesses;
- working at a pace required by the businesses, rather than applying pressure to act before businesses have had the time to give options full consideration;
- Brokers to provide a larger number of tariff and contract options;
- Tariff and contract options to be based on a wider variety of suppliers;
- providing options from both larger and smaller suppliers;
- Greater differentiation between tariff and contract options;



- more detail/explanation of differences between options from brokers when presenting them to businesses;
- Clear and timely communication from brokers;
- Statements/updates from brokers highlighting progress and savings made during contract periods;
- Brokers taking care of all necessary administration on behalf of businesses in ending existing and setting up new contracts.

There are a couple of major points which are not suggested by customers which seem to be suggested by TPI's in the industry;

1. Energy brokers to be regulated by Ofgem.
2. Energy brokers to publish their charges.
3. Energy brokers are taking advantage of customers.

We call on Ofgem to exercise caution when listening to TPI's whom suggest customers are being taken advantage of. TPI's are businesses themselves and they need to remain sustainable in order to deliver benefits for their customers. They need to retain the flexibility to stay profitable otherwise this can lead to a dangerous downfall in levels of service, market engagement and customer satisfaction. At present Suppliers are administering control over TPI's and they hold a strong control in dictating how the TPI operates with cap's on commission levels, audits, compliance checks and they hold the ability to withhold payments for any such non-compliance.

Over the last few years we have seen TPI's innovate and become more than just a tariff comparison service. The Energy Check have done just that, becoming an energy consultant focused on more than providing a quick tariff comparison. We undertake energy audits, surveys, provide expert advice on reducing demand on the network at peak times, reduce over-sized kVA allocations, actively promote the uptake of renewable energy technology and ensure our customers are aware of the charges on their energy bills and how they can seek to reduce the impact of such charges. These are services not commonly offered by Suppliers. Customers need to retain the flexibility to include the charges for such services in their energy rates so they can spread the cost of those services over the term of their contract. The



customer signs the contract and retains the consultant when a quality service has been promised and delivered. They see the value in reduction of energy consumption, carbon emissions and energy costs.

Our Proposal

1. Ofgem are focused on protecting the consumer and as such should listen carefully to the consumers concerns. Their primary concern being the number of calls they are receiving. This is what is driving the negative perception of TPI's. We believe Ofgem should initiate a comprehensive communication plan informing customers of the steps they can take to eliminate calls from TPI's/Suppliers. There are already measures out there such as the Corporate Telephone Preference Service which would mean there would be no need to regulate this aspect. This service will prevent calls from businesses to businesses whom have opted in to this service. Whilst this may raise some concerns that it may stifle market engagement, customers need to know they have the option to avoid such calls. It can also empower the customer to make the decision to engage an energy broker/consultant at a time they wish to engage and will avoid the concerns raised by the customer;

- Fewer cold calls from brokers;
- The proper identification of the broker's firm at the outset of the call;
- A more co-operative approach from brokers when dealing with businesses;
- working at a pace required by the businesses, rather than applying pressure to act before businesses have had the time to give options full consideration;

Registering with this site will make it illegal for unsolicited calls and with fines of £5,000 per unsolicited call this is a great deterrent which will help protect customers and deliver on their wishes.

Consideration should also be given to a dedicated Corporate Telephone Preference Service for Energy so that customers are not restricted to losing all prospecting calls. This could be an initiative driven by Ofgem and the current CTPS.



2. We believe Ofgem should insist that Suppliers instill upon TPI's the requirement to have a dedicated Compliance Manager. This Compliance Manager should be detailed on the website of the TPI clearly along with clear instructions on how a Complaint can be made and how it will be handled. Ofgem should then take a clear approach to dealing with complaints from TPI's/Customers/Suppliers about other TPI's on that complaints should be raised initially directly with the TPI's Compliance Manager. If no satisfactory response is received it should be dealt with by the Supplier, with the Supplier taking the final decision and any action necessary.

This addresses our concern about the way in which TPI's currently act towards other TPI's and the industry in which they operate.

3. We believe Ofgem should continually implement annual customer engagement surveys assessing the perceptions of TPI's from customers and seeking views from the market on how we can continually improve the customer experience. This is the research on which any considerations to regulatory changes should be initiated.
4. We believe Ofgem should insist on Suppliers putting a requirement on TPI's being registered on a Customer Review site such as Trust Pilot. In the digital age where customers often seek reviews before making a commitment to a business and wish to have the ability to leave positive and negative feedback on their experiences with such businesses we believe this will bring a real positive change to the industry. It makes TPI's accountable for their actions, allows the public to see TPI's performance and how they deal and handle with complaints.

The Energy Check has seen a huge improvement in our customer service when employees realised that customers can make public comments about their performance.

This concludes our initial response to the call for evidence and we welcome any further discussions around the subject.





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