



Bulb's response to Ofgem's Microbusiness Strategic Review

23 October 2020

Executive Summary

- Brokers should be held to the same high standards as energy suppliers.
- We welcome proposals to better regulate non-domestic brokers, especially those whose practices lead to customer detriment.
- In the absence of Ofgem receiving statutory powers to regulate brokers, we accept that indirect regulation through the SLC achieves this aim.
- We support Ofgem directly regulating third parties operating in the non-domestic and domestic energy sector and encourage BEIS to provide Ofgem with new statutory powers to do so.
- Bulb supports any moves towards increasing transparency in the energy market and reducing customer harm.

Full response

Business energy should be low cost and easy to manage. Microbusiness customers often operate in very similar circumstances to domestic customers, but without the same protections. Bulb supports measures which will better align microbusiness customer protections with domestic customer protections.

Previously, we have called for Ofgem to:

- Regulate brokers
- Require brokers to disclose commission charges
- Require suppliers to publish all their non-half-hourly tariffs in an open, standardised format to enable business price comparison websites to emerge.
- Cap out-of-contract prices, which are often needlessly high and used to pressurise business consumers into not switching
- Ban Letters of Authority, which enable brokers to sign businesses up to new contracts without their explicit consent.
- Require suppliers to publish fuel mix to allow consumers to make greener choices

This strategic review addresses most of these concerns. We also support proposals to reduce blocked switches for non-domestic energy users and the requirement to provide clear and transparent information on their Contract. We would like to see Ofgem go further and consider banning Letters of Authority and creating a non-domestic PSR.



SLC 0A

Treating microbusiness customers fairly

Microbusinesses have more in common with domestic customers than SMEs or larger enterprises. We support extending SLC 0A to better protect microbusinesses.

Standards of Conduct

Bulb strongly supports Ofgem applying the same service standards to energy brokers and other third parties.

Broker designated activities

Bulb agrees that the definition of broker activities should be included in the SLC.

SLC 7A

Bulb supports the principle of ensuring that brokers must bring the Principal Terms of the contract to the attention of the customer. We support measures which result in greater transparency. It is important that brokers and suppliers take all reasonable steps to ensure this contractual information is provided to businesses. We do not think Ofgem's proposed absolute benchmark is proportionate.

We support disclosing all charges paid to brokers in an effort to prevent 'double payment' when the broker charges commission to both the supplier and the customer. Similar regulation has worked effectively in the private rental sector with the Tenant Fees Act 2019, preventing letting agents from double charging landlords and tenants. While suppliers can try to enforce through contracts and monitoring, Ofgem should have direct powers to regulate and enforce against brokers who fail to provide this transparency.

Cooling-off period

Bulb already provides all business switches with a cooling-off period of 14 days (the same as for our domestic members). We support all suppliers introducing a cooling-off period for their business customers.

Termination notice requirements

Bulb already provides business customers with the ability to terminate a contract without giving notice, and we don't charge exit fees. We want to enable faster switching and fewer blocked switches. We also support this amendment for out-of-contract contracts. The practice of suppliers requiring businesses to provide termination notice creates unnecessary detriment for businesses and leads to unnecessary friction in the switching process.

SLC 14.3

30 day contract extension following blocked switches

We want to keep costs low for our members. That's why we only offer a single VariFair tariff to our business members. In the case of a blocked switch, we support other suppliers having to honour the original rates of their contract with their customer until a switch away or contract renegotiation is complete.



SLC 20.5

Microbusiness Alternative Dispute Resolution (ADR) scheme

Bulb supports introducing a requirement to ensure suppliers only work with brokers signed up to an Alternative Dispute Resolution scheme. This would increase trust in the system if operated properly. However, we would like Ofgem to clarify the following:

- 1) Complaints often relate to inaccurate meter readings. At the moment, without direct contact with the customer or a visit from a meter reader, we cannot confirm the accuracy of the meter readings. We are concerned a complaint could be raised against the broker under the ADR scheme and we could not verify the accuracy of the reading. We would need direct contact between supplier and customer, at the very least, to ensure accurate meter readings.
- 2) Can Ofgem confirm that the broker would bear the cost of any complaints raised to the ADR scheme? Complaints against the supplier are rightly paid for by the supplier. To create the right incentives, complaints against the broker should be paid for by the broker.
- 3) Does Ofgem expect the Ombudsman to administer the scheme or would this be put out to tender? It would be operationally simpler for suppliers if the same Ombudsman covered both supplier and broker complaints.
- 4) One feature of the non-domestic market is broker aggregators, who sub-contract to other brokers. Would Ofgem expect both broker aggregators and sub-brokers to sign up to the ADR scheme?

SLC X

Informed contract choices - contract comparability and marketing

Bulb supports the ambition of including SLC 25 principles in the non-domestic licence. In the absence of direct powers, we support Ofgem's approach of using suppliers to regulate the behaviour of brokers. This matches the regulatory framework in domestic, where suppliers are already responsible for the sales and marketing activities of its third party agencies.

Some brokers ask clients to give them the ability to enter contracts on their behalf on a repeat and ongoing basis. Businesses may then find themselves locked into bad contracts that they haven't explicitly consented to. We repeat our call to Ofgem to ban the use of ongoing Letters of Authority which enable brokers to sign businesses up to new contracts without their explicit consent. At the very least, business customers should consent to each switch and have the option to terminate without incurring significant fees.

Inclusive communications for businesses

Although it has not been included in the scope of this strategic review, Bulb strongly recommends that Ofgem considers how suppliers can support business owners in vulnerable situations. This includes vulnerable people who run businesses or vulnerable



people who live in a domestic property supplied by a non-domestic supply point (i.e. dwellings above commercial properties).

For instance, providing inclusive communication should be part of SLC 0, treating customers fairly. For suppliers of both domestic and non-domestic customers, inclusive communication and energy saving advice could be offered to business members immediately, at minimal cost, and without involving any extra third parties, making it simple to implement.

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If you have any questions, please email policy@bulb.co.uk