

Full Power Utilities – response to MBSR policy consultation (Survey Monkey)

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Q1) What are the most effective ways to ensure that microbusinesses can access key information about the retail energy market?

As well as the proposals put forward (working collaboratively with consumer groups etc), TPIs, like Full Power Utilities Ltd, can help raise awareness of the retail energy market amongst microbusinesses, as well as helping to educate them during the sale process. We (Full Power Utilities) for example, have a base of introducer agents (IAs) that are regularly speaking to microbusinesses in their locale, helping them to understand the options available to them. Many of our IAs are members of local business networking groups and regularly educate their business owner colleagues about the world of commercial energy, by delivering presentations and offering free advice via their social media channels. This activity is backed by Full Power's accredited, introducer training programme. In short, good TPIs could and should play a pivotal role in helping microbusinesses access key information and it is one of the many reasons why the microbusiness market needs to remain an attractive one for TPIs.

Q2) Do you agree with our proposal to strengthen the requirements to present a written version of the Principal Terms to customers?

In principle, we agree that the requirements should be strengthened, but as we will outline in our answers to the following few questions, we do not agree with all of the proposals and we feel there are alternative, more beneficial methods available.

Q3) 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?

Whilst, in the main, we agree with the proposals on this matter, we feel that there are better methods that can be introduced that will have a greater positive impact on microbusiness consumers and offer them greater protection. We do strongly agree that microbusinesses require additional protection from expensive or unfair tariffs agreed via TPIs (brokers), but we do not agree that the disclosure and publication of TPI commissions on bills and statement of accounts, is the most effective way of managing this. We do not believe that TPI commission disclosure, as proposed, will remedy the issue of sharp practice from a minority of TPIs, as it still leaves the door open to TPIs being able to include high levels of commission for themselves. Even if the consumer is made aware of the level of commission a TPI is set to earn, they may still not know what other, more favourable options are available to them and the opportunity would still be there for certain TPIs to employ aggressive sales techniques, to try to justify their high levels of commission. Another important point to consider, is that TPIs are, in most cases, unable to secure more competitive rates from the suppliers, than the consumer can secure themselves. If a TPI's commission is declared on the supply contract/principal terms, the consumer could simply take the TPI's quote and directly call the supplier offering the most attractive rates (as identified by the TPI) and cut out the TPI. This would leave the TPI with no revenue, having already provided a valuable service (by way of data collection/aggregation and tendering the market) and would encourage TPIs to leave the microbusiness space. The 14-day cooling-off period proposal compounds this issue. Further to this, the proposal to disclose the TPI's commission on every consumer bill would leave TPIs at the mercy

of a 'Dutch auction', as aggressive, cold calling TPIs, would look to obtain copy bills from microbusiness consumers, work out how much uplift the TPI is earning and promise to undercut the clients current offer, if within the 14 day cooling-off period. Again, this would drive TPIs away from the microbusiness space, leaving less expert advice available to microbusiness consumers and would lead to increased levels of aggressive tele sales tactics from certain TPIs. Whilst we are not entirely adverse to the disclosure of TPI commission - we happily disclose it now when asked by our clients - we feel that the proposal will not achieve what it sets out to achieve and will instead create additional problems for microbusinesses, if TPIs decide to focus their efforts away from the microbusiness market. If TPI commission is to be disclosed, we feel it should only be disclosed on the supply contract for the reasons outlined above.

Q4) 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 agree that disclosure of TPI costs/commission to microbusiness consumers could be beneficial, but only on the supply contract/principal terms. We do not feel that TPI commission should be presented on every supplier bill and statement of account. We question the need to constantly remind the consumer of the TPIs charges, if the consumer has already been made aware of them and has agreed to them at point of sale. Is it not sufficient to just detail the charges on the principal terms/supply contract that the client agrees to, as is the case in other industries that TPIs operate within (e.g. Insurance and financial services)?

Q5) What challenges do you think suppliers and brokers may face implementing these proposals?

As mentioned in our previous answer, TPIs are, in most cases, unable to secure more competitive rates from the suppliers, than the consumer can secure themselves. If a TPI's commission is declared on the supply contract/principal terms, the consumer could simply take the TPI's quote and directly call the supplier offering the most attractive rates (as identified by the TPI) and cut out the TPI. This would leave the TPI with no revenue, having already provided a valuable service (by way of data collection/aggregation and tendering the market) and would encourage TPIs to leave the microbusiness space. The 14-day cooling-off period proposal compounds this issue. With good TPIs already making small amounts of profit on many microbusiness contracts (once the cost to serve is factored in), the additional input required to detail and justify their costs, could lead to many microbusiness consumers becoming too costly to serve, especially if the TPIs commission is disclosed on every bill and a 'Dutch auction' situation arises. Suppliers will also incur substantial costs in having to re-structure their billing platforms, to accommodate the disclosure of TPI costs. We feel that these costs will in turn, be passed onto the consumer by way of price increases.

Q6) Do you have any comments on the associated draft supply licence conditions in Appendix 1 of the policy consultation document?

N/A

Q7) Do you think there are other changes which would better address the consumer harm that has been identified?

We feel that the subject of microbusiness consumers falling victim to expensive or unfair tariffs, via TPIs, can be remedied by simply enforcing that within ALL supplier licenses, for microbusiness consumers, the suppliers are not allowed to pay more than 1p per kWh (as an example) in commission to TPIs. If this were to be enforced, it would immediately limit the amount a consumer

could be charged for their energy supply – similar to the price-cap in the domestic market. In addition, we agree with the many other stakeholders consulted in your process, that verbal contracts should be outlawed within the commercial energy market altogether. We, as a TPI, have never used the practice of verbal contracts, as we feel it is open to sharp practice and high levels of misunderstanding from the consumers side. We cannot understand why this process is not under review, as many of the consumers we end up helping, who had been placed on expensive tariffs, had unknowingly agreed their supply contract over the phone. Your proposal simply states: 'we believe that this could have detrimental effects on consumers for whom the verbal contracting process works well'. With the availability of services such as Docu-sign, written contracts can now be sent, reviewed and signed by the consumer electronically on a smart phone or PC. Whilst we understand that some consumers may not have access to a smart phone or PC, there are other methods (such as the postal service). For those who are unable to read written contracts, there are also other methods available (such as a voice-recorded contract), that means the consumer can take their time to review the contract terms, rather than be talked into a contract on the fly. By ruling out verbal contracts, the need for a cooling-off period could also be avoided.

Q8) 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?

We believe this overdue and will work to raise standards in the TPI industry. We don't believe there are reasons why suppliers/brokers couldn't achieve a conduct principle and we welcome the proposal.

Q9) 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?

Yes and yes.

Q10) 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?

Whilst we agree that a cooling-off period would add extra protection for microbusiness consumers, we feel that it would only be necessary where the consumer has not had sufficient time to review the contract terms put to them - i.e. where a verbal contract has taken place. We feel that via a written contract, the consumer is given plenty of time to review the contract terms and should only sign the contract if they are happy with it. To add, we believe that the cooling-off period will have a negative impact on the supplier's position of purchasing energy. This really needs to be considered to protect microbusinesses from potential tariff increases, as suppliers seek to protect their margins. If the fundamental issue is driven by verbal contracts, it makes much more sense to abolish that method of securing contracts.

Q11) What challenges do you think suppliers and brokers may face implementing these proposals?

We believe that the introduction of a cooling-off period (regardless of length), will create undue uncertainty for suppliers and TPIs and will increase their cost to serve. In the case of suppliers, we feel that these increased costs could be reflected in the tariffs they offer. In the case of TPIs, we

refer back to our previous comments about TPIs being driven away from the microbusiness market and the negative impact this would have on microbusinesses.

Q12) Do you have any comments on the associated draft supply licence conditions in Appendix 1 of the policy consultation document?

N/A

Q13) Do you think there are other changes which would better address the consumer harm that has been identified?

As previously mentioned, the removal of verbal contracts.

Q14) 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?

Yes

Q14) What challenges do you think suppliers and brokers may face implementing our proposals regarding dispute resolution?

Whilst we believe the proposals will generate some short-term disruption caused to suppliers and TPIs, we support the proposal fully.

Q15) Do you have any comments on the associated draft supply licence conditions in Appendix 1 of the policy consultation document?

N/A

Q16) Do you think there are other changes which would better address the consumer harm that has been identified?

N/A

Q17) 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?

Yes and yes.

Q18) 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?

Yes, we agree.

Q19) What challenges do you think suppliers and brokers may face implementing our proposals regarding improving the switching experience?

We believe that the proposals may put additional financial pressure on suppliers, who may find themselves having to honour prices for an additional 30 days, especially if the commodity and non-commodity costs have increased since the original supply contract was agreed. These additional costs may be passed onto the consumer by way of higher tariffs across the board. We would like to add that this should also be extended out to the 'change of tenancy' process. There are some suppliers in the market that can take UP TO 12 weeks to complete a change of tenancy. This means

that the microbusiness is on out of contract prices with the inherited supplier and they are left with two options; switch supplier and swallow up the deemed/totally ludicrous and unfair charges OR secure expensive rates with the incumbent supplier on a backdated contract. It is quite alarming that the COT process has not been reviewed as many businesses are stung by suppliers. We would be happy to discuss this further as we feel very passionately about it.

Q20) Do you have any comments on the associated draft supply licence conditions in Appendix 1 of the policy consultation document?

N/A

Q21) Do you think there are other changes which would better address the consumer harm that has been identified?

N/A

Q22) Option 1: Do nothing. We welcome stakeholders to provide any additional evidence to supplement our existing evidence base that demonstrates the financial and non-financial impact of the status quo. This includes further data on the monetary and non-monetary impacts to microbusinesses, suppliers and brokers of continuing with the current arrangements.

N/A

Q23) Option 2: Implement a package of short to medium term policy solutions. Our preferred option is to implement each of the proposals in the package of short to medium term policy measures explained above and in the policy consultation. To bolster our understanding of the impacts of implementing these measures it would be helpful if stakeholders can respond to the questions below. Where possible we welcome stakeholder evidence to support responses to these questions. Where we ask for specific data on contracts or financial impacts, we would welcome stakeholders providing at least one year's worth of data. Broker conduct principle To improve our understanding of the impact of introducing a broker conduct principle it would be helpful if stakeholders can provide views and evidence for the questions below: - What additional costs may stakeholders incur through the introduction of a broker conduct principle - Evidence and data on existing broker and TPI monitoring costs and how these may change with the introduction of a licence obligation requiring monitoring broker conduct - Views on the impacts this proposal will have on microbusinesses; these impacts can be financial and non-financial - Any other views on how this proposal may impact the microbusiness supply market; these impacts can be financial and non-financial.

As a TPI ourselves, we fully support the proposal of a 'broker conduct principle'. Whilst there may be some additional cost to our operations to ensure that the principles are constantly and consistently met by our team, we do not feel it prohibitive enough to mention or challenge. We are willing to adopt any new broker conduct principles installed, as this will only raise standards in our industry and work to re-build some of the trust in TPIs, that has been lost due to the actions of a minority of TPIs.

Q24) ADR scheme To better understand the costs of introducing an ADR scheme it would be helpful if stakeholders can provide evidence on: - What additional costs stakeholders may incur through the implementation of an ADR scheme - Information and evidence on the benefits of implementing an ADR scheme - An estimate of existing costs incurred by stakeholders in resolving microbusiness disputes - Any other views on how this proposal may impact the microbusiness supply market; these impacts can be financial and non-financial.

As with our comments on the 'broker conduct principle', we fully support the proposal of an ADR scheme.

Q25) Changes to the contracting process We welcome views on the proposals to introduce a cooling-off period and the additional requirement for brokers to send a written copy of the Principal Terms to microbusinesses. In particular: - An estimate of how many contracts may be impacted by a cooling-off period. This could be based on the number of existing contracts that microbusinesses query or wish to amend within the proposed cooling-off period. - Any other views on how this proposal may impact the microbusiness supply market; these impacts can be financial and non-financial.

We refer to our previous comments on this subject.

Q26) Broker commission. We welcome views on the impacts of providing additional transparency around broker costs to microbusinesses. In particular: - If stakeholders consider there are significant additional costs associated with these proposals - Evidence and views on the impact this proposal could have on the energy brokers and TPI market. These impacts can be financial and non-financial - Evidence on the additional costs to suppliers of providing additional written information to microbusinesses on bills and account statements- Evidence and views on the impact this proposal will have on microbusinesses. These impacts can be financial and non-financial- Any other views on how this proposal may impact the microbusiness supply market; these impacts can be financial and non-financial.

We refer to our previous comments on this subject.

Q27) 30-day contract extension following blocked switches. We welcome stakeholders providing views on the impacts of extending contract terms for a thirty-day period. In particular: - The number of microbusinesses who are temporarily placed on OOC contracts due to problems with the switching process and the length of time they are on those rates - The difference between contractual rates and out of contract rates microbusinesses are temporarily placed on due to problems with the switching process - Any other views on how this proposal may impact the microbusiness supply market; these impacts can be financial and non-financial.

We refer to our previous comments on this subject.

Q28) Switching notification window. We propose to amend the licences to ban contractual notice periods to terminate or switch contracts (except for evergreen contracts). It would be helpful if stakeholders can provide evidence on: - An estimate of costs, if any, of implementing this measure - The impact removing this measure will have on the switching process - Any other views on how this proposal may impact the microbusiness supply market; these impacts can be financial and non-financial.

We refer to our previous comments on this subject.

Q29) Sales and marketing rules. We propose changes to make sure there is good quality and consistent sales and marketing activities by suppliers and TPIs. It would be helpful if stakeholders can provide evidence on: - An estimate of the costs of implementing these measures - Any other views on how this proposal may impact the microbusiness supply market; these impacts can be financial and non-financial.

As previously mentioned, we as TPI do not make any unsolicited sales calls. All of our new business is a result of inbound marketing, via our website, social media activity, large-scale partnerships and our

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Introducer Agent (IA) Programme. We are confident that the training we provide to our Introducer Agents, via our accredited training programme, means our sales and marketing messages are accurate and not mis-leading in any way. We would welcome additional guidance from Ofgem on this matter, by way of any new sales and marketing rules.

Q30) Files to support your response may be uploaded here

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