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FAO Jonathan Blagrove,

Gazprom Energy Response to the Policy Consultation for the Strategic Review of the Microbusiness Retail Market

Thank you for providing the opportunity to respond to the consultation on the strategic review into the Microbusiness Retail Market. We will explore the questions raised in the consultation in more detail in Appendix 1 following this letter. In responding to the consultation, we would first like to provide some general comments and observations.

Future arrangements for Third Party Intermediaries (TPI's)

One of the proposals outlined in the Policy Consultation looks to address TPI conduct via the Supplier under new or expanded Licence Conditions. We have concerns with this approach and do not believe it is the optimum solution for addressing concerns over TPI conduct.

The proposed approach will result in a number of different interpretations being applied by licensees, and accordingly it will be more costly and difficult for Suppliers to implement, given the vast number of Brokers operating in the market. As a consequence it will also make the regulation of these arrangements more complex with the regulator required to determine individual Supplier compliance. This additional cost and complexity would ultimately be at the detriment to the consumer.

On this basis we have supported, and continue to support, the implementation of a suitable regulatory framework to ensure TPIs operate in an appropriate manner, in the interest of the consumer. We have supported Ofgem's review into a TPI Code of Practice in 2016 and the one prior to that in 2013. Gazprom Energy (alongside other Suppliers, Brokers and TPIs) were involved in the development of the draft Code of Practice (TPI CoP) and we were disappointed when these reviews ended without the introduction of an approved accreditation scheme for TPIs.

With an Ofgem approved TPI Code of Practice regime we believe that Ofgem, Suppliers and consumers would have even more confidence in the TPI market, which would logically lead to an increase in confidence and engagement in the market from Microbusiness consumers.



Without overarching obligations and a common Code of Practice we will always be exposed to the small section of Suppliers and TPIs who may choose not to operate in the interest of the consumer and interpret the Broker conduct principle accordingly. This could leave the market in confusion if Suppliers and TPIs interpret the conduct principle differently e.g. Supplier A believes TPI X is in breach of the principle whilst Supplier B does not.

Instead we advocate regulating this key area of the Microbusiness market via **an obligation on Suppliers to only deal with parties who are suitably accredited in accordance with a TPI CoP** which will provide an important protection for Microbusiness customers and is similar to the approach taken with Meter Asset Managers under the MAMCoP. This will ensure that a consistent minimum set of standards exist and are interpreted consistently. It will remove any commercial pressures by being subject to an independent governance and audit regime. By obliging Suppliers to only deal with parties accredited under the scheme it will also ensure a consistent treatment of TPIs across the market. The existence of a mandatory central registration scheme will also provide confidence to consumers that the parties they deal with are suitably accredited.

When these matters were previously discussed there did not exist an obvious home for the governance of such arrangements. However, we believe the introduction of the Retail Energy Code (REC) provides the optimum governance framework to support a mandatory TPI Code of Practice. Indeed, other similar codes of practice already live in the market will be moved into the remit of the REC, including the Meter Asset Management Code of Practice (MAMCoP), Advanced Meter Reading Service Provider Code of Practice (ASPCoP) and the Smart Metering Installation Code of Practice (SMICoP).

We would strongly support the introduction of an obligation on Suppliers to only enter into arrangements with TPIs who are party to and accredited under the RECCo TPI CoP.

Cooling Off Period

We would also like to specifically highlight our serious concerns with the proposal to implement a 14-day Cooling-off Period in the microbusiness market. This proposal would require substantial changes to both Industry, Shipper and Supplier processes and systems. We would also note that Ofgem's Faster Switching Programme, which will implement material changes to Industry processes and systems, has made no provision for such a function in the non-domestic market.

To include such a proposal will undoubtedly result in a fundamental change to that programme's scope, which will add severe delays and costs. Given the delays and costs we have already had to endure due to COVID-19, the integrity of the Faster Switching Programme timetable should be prioritised. Further delay and additional costs will ultimately be to the detriment of every consumer in the market.

We appreciate the opportunity to respond and input into this Policy Consultation and we explore the above, alongside the other proposals, in Appendix 1 following this letter. Should you have any questions relating to the information provided in our response, please do not hesitate to contact Steve Mulinganie, our Regulation Manager, steve.mulinganie@gazprom-energy.com in the first instance.

Kind regards,

Grace Rothery
Head of UK Retail, Gazprom Energy

Appendix 1 – Detailed Response to Questions

Awareness: Knowing about opportunities and risks

Question 1

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

We believe that the majority of microbusiness consumers are engaged and understanding of the energy market, which Ofgem’s own analysis has shown¹. We believe it is a disservice to many microbusiness consumers to say that they do not understand the energy market and agreeing contracts.

Existing Licence conditions on Suppliers ensure that microbusiness consumers have access to additional materials that help with transparency, including but not limited to the Principle Terms of the contract, Statement of Renewal Terms and that these be written in plain and intelligible language.

However, we have no concerns with the proposal for Ofgem to work more closely with leading consumer groups and providing additional independent support for Microbusinesses.

Browsing: Searching for deals

Question 2

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

We do not object to the principle of this proposal, but we do believe more clarity is needed in what this actually constitutes. In the consultation document it is proposed that a written copy of the Principle Terms is provided to the consumer in advance of the sale. However, in the draft Licence Conditions it is not clear what Ofgem’s expectations are.

It would be useful to understand if the proposal requires a physical written copy or if a digital copy, e.g. an email, would also be applicable.

We would also highlight our concern with the removal of “all reasonable steps” from Licence given this is a legally defined term.

¹https://www.ofgem.gov.uk/system/files/docs/2018/10/micro_and_small_business_engagement_survey_2018_report.pdf

Question 3

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?

We support the principle of this proposal, as this would ensure further price transparency for microbusiness customers. However, we do not agree that this would be best suited on all bills and statements of account as we question the benefit this will bring to consumers after they have entered into the contract. The changes Suppliers would have to make to their billing systems would be very costly, which would ultimately be of little help to the consumer if this information is provided post sale.

Instead we would argue this transparency would best serve the microbusiness consumer at the point of agreeing the contract. It is also important for the microbusiness consumer to understand that TPIs can offer comparatively different services, which may not be taken into account if the commission payment alone is disclosed.

As such we argue that this information would be best provided to the consumer at the point of sale, alongside a breakdown of the services being provided. This is something that could be managed effectively with a mandatory, centralised TPI Code of Practice. The new REC provides the optimum governance framework to support this.

If Suppliers were to be Licenced, which we do not believe is the best solution, we believe that this should be provided during the Welcome communications with the consumer. We also believe this should not be applied retrospectively to existing contracts as the cost to do so would be significant.

Question 4

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 believe additional guidance would be beneficial and would prevent a multitude of differing interpretations being taken forward, which in turn could cause confusion to the consumer when the intention is the opposite. We believe a £/kWh approach would be the most appropriate methodology.

A TPI Code of Practice would be the best method to administer this requirement, as it would implement a mandatory and universal set of principles that all TPIs would have to follow in order to operate in the market. This would make it easier to monitor and enforce compliance. We have long been proponents of a TPI Code of Practice and in the absence of a central one we have implemented our own.

However, we continue to believe that an Ofgem approved TPI Code of Practice would mean consumers have even more confidence in the market. The REC provides the optimum governance framework to support this, as seen with other industry codes of practice moving into the remit of the REC, including the MAMCoP, ASPCoP and SMICoP.

Question 5

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

If the proposal is implemented as it is currently written in the consultation, and Suppliers are obligated to provide this information on all bills and statements of account, then this would lead to significant costs to implement the process and system changes required.

As mentioned previously we do not believe the proposal as it is currently written will greatly benefit microbusiness consumers and should instead be provided at the point of sale.

Question 6

Do you have any comments on the associated draft supply licence conditions in Appendix 1 of this document?

We do not have any further comments to make and have addressed this within our responses to Questions 2-5.

Question 7

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

As outlined in our responses to Questions 3 and 4 we believe a TPI Code of Practice, under the REC, would be a better solution. Suppliers would then be obligated to only work with those TPIs that are accredited under this Code of Practice.

Contracting: Signing up to a new contract

Question 8

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 agree that TPIs should be subject to the same standards expected of Suppliers, given the integral role they play in the non-domestic market. However, we do not agree that the draft amendments to the Licence, as proposed in the consultation, is the optimum way to achieve this.

In the absence of a centralised Code of Practice we have implemented our own based on the previous work conducted by Ofgem. This ensures we only work with TPIs that adhere to the standards we expect of ourselves. Alongside this we conduct compliance audits to ensure these practices are continually being applied.

Question 8 (continued)

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 an Ofgem approved mandatory Code of Practice would better support the principle of achieving positive TPI conduct. In our experience the majority of TPIs would welcome this, as they currently operate to a high standard. By implementing a centralised Code of Practice, you would ensure a universal approach is being applied across the microbusiness market.

Question 9

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?

We do not agree that regulating TPI conduct via Suppliers is the best approach. TPIs rarely have exclusivity with a single Supplier and instead have arrangements in place with a number of Suppliers. Therefore, it would be very difficult to get a consistent approach applied across the market.

As mentioned previously, we would welcome and support the implementation of a robust governance framework, housed within the new REC, to ensure TPIs behave and act in an appropriate and consistent manner, in the interest of the consumer.

Question 10

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?

We have serious concerns with the proposal to introduce a 14-day cooling-off period into the Microbusiness market. This proposal would require substantial changes to both Industry and Supplier processes and systems. Ofgem's Faster Switching Programme, which will implement material changes to Industry processes and systems, has made no provision for such a function in the non-domestic market.

To include such a proposal will undoubtedly result in a fundamental change to that programme's scope, which will add severe delays and costs. Given the delays and costs we have already had to endure due to COVID-19, the integrity of the Faster Switching Programme timetable should be prioritised. Further delay and additional costs will ultimately be to the detriment of every consumer in the market.

Question 10 (continued)

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?

Furthermore, the contractual processes in place in the non-domestic market is not the same as the tariff model in effect in the domestic market. These are bilateral contracts that are agreed with a number of components taken into account, often months or years in advance of the contract going live. Removing that price certainty will be to the cost of Suppliers and consumers.

We also have concerns over how this cooling-off period would be used in practice. For the small number of TPIs that are not operating in the interests of consumers this could be a mechanism they utilise to pursue customers in the manner of a “feeding frenzy”.

Question 11

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

Please see response to Question 10.

Question 12

Do you have any comments on the associated draft supply licence conditions in Appendix 1 of this document?

We have no comments on the specific wording of the draft licence conditions but again highlight that we do not support this proposal.

Question 13

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

We have no further comments to make at this time. We continue to support the implementation of a centralised Code of Practice within the new REC and mandating Suppliers to only work with accredited TPIs.

Dialogue: Two-way communication with service providers

Question 14

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?

We support this proposal of introducing an independent ADR service for TPIs. However, there should be a clear understanding of the separation of the responsibilities between this ADR scheme and the existing Energy Ombudsman service for the Supply market.

We would also like to take this opportunity to express our concerns with the current Energy Ombudsman service in the Supply market and think that it would be in the interests of the consumer to hold a competitive process for securing an additional ADR scheme for the TPI market.

Question 15

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

As detailed above we believe that there should be a clear understanding of the separation of the responsibilities between this ADR scheme and the existing Energy Ombudsman service for the Supply market.

Question 16

Do you have any comments on the associated draft supply licence conditions in Appendix 1 of this document?

We do not believe that TPI compliance with the ADR scheme should be held within the Supply Licence. We believe that this would be better facilitated within a centralised Code of Practice operated by the new REC.

Question 17

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

We have no further comments to make at this time.

Exiting: Switching away from an old contract

Question 18

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?

We agree with this proposal and are currently in the process of removing this requirement from our Contract Terms.

Question 19

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?

We agree with the principle of this proposal, but we would highlight that this will require system and process change, and increase Supplier risk.

The most common reason for a Supplier to object to a switch, once the contract term has been served, is due to a remaining debt on the consumer's account. We do not believe microbusiness consumer contracts should be extended for 30 days in this scenario and should only be applicable where the delay is due to Supplier error.

Question 20

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

Suppliers will have to make changes to processes and systems to accommodate the proposal to extend contract terms by 30 days where an objection has been raised, which will result in costs incurred.

As detailed previously we have serious concerns on the proposal to implement a 14-day cooling-off period into the Microbusiness switching process (please see response to Question 10).

Question 21

Do you have any comments on the associated draft supply licence conditions in Appendix 1 of this document?

As detailed previously we believe that these proposed Licence Conditions should not include cases where an objection has been raised due to outstanding consumer debt.

Question 22

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

We have no further comments to make at this time.