

Reply to CMA from Peter Thompson - independent contributor.

**Position taken in my overall response.**

It is noticeable that the commercial pressure to adopt much of what the Supplier end of the market is seeking must have been considerable.

However, as a customer and someone who worked in the Gas industry for 41 years and 11 years on is still involved and very aware of the current situation I feel the consideration of the customer perspective should be taken more fully into account.

- Customers will engage in the energy market when they can be certain of what they are seeking can be easily achieved. i.e. the least cost deal.
- Those who currently do not engage are part of the population who will not trust the fact that they will achieve the best deal and therefore seeking to engage is a waste of time.
- The remainder are prepared / can afford to pay on average an additional £4 per week and just do not wish to experience the hassle.
  
- The market in energy for Domestic and SME customers, as the CMA has identified, contains a number of AEC's and barriers in my view these are created by Suppliers in order to introduce bumps into what should be a smooth and engaged operation for those it seeks to serve.
- The opposing parties, Suppliers and Customers, require different outcomes. The CMA is seeking to direct change to enable the customers to engage more fully and therefore create a more challenging market in which Suppliers respond.
- The Suppliers on the other hand seek to frustrate the ability of customers to move away from them easily and through tariff manipulation seek to attract custom and maintain higher returns which is their organisations principle aim and objective.
  
- I would ask if the members of the team on the CMA know they pay the least cost for their energy. How engaged are they with the switching of supplier and why?
- Answers to these questions may help highlight the disenfranchising of customers and their apathy in switching.
- It is a hassle to seek prices in the market and there is no certainty or reference point that the best deal was achieved.
  
- The energy market (Suppliers) have for too long, tried to create and maintain the link between service and provision. The provision of energy we all experience is first class in this country. The supplier has very little to do with that provision.
- The efforts of Suppliers to market unnecessary service additions to the provision of fuel, adds cost and no benefit, all paid for through the cost of a kWh of energy. The consequential cross subsidisation caused by linking such offers of service to the provision of fuel should be removed.
- Service offers of any kind should be advertised separately from any offers for fuel. This is particularly relevant in the Domestic side of the market.
  
- If the CMA are keen to engage the customers in seeking the least cost for their energy then Suppliers should be limited to the tariff offerings per market segment and be required to produce tariffs in a template which allows simple comparison and may be this is limited to the domestic sector.

- The frustration of customers, which we all share, is the lack of opportunity to contrast and compare, independent of supplier or PCW, the volume of energy used in the last 12 months in an easy to use system. A system which does not require personal data to be input, which would bring many unnecessary offers from the web site operator, but which will indicate the least cost Supplier for the following 12 months or longer.
- The single most effective way to create the environment where that is possible would be for an independent authority, Ofgem or the CAB to produce a web site, which contained all the current published tariffs. The customer would identify the segment of the market they are in, would input the volume of energy used, gas and / or electricity over the previous 12 months. The resultant value presented using the internal calculator based on the current tariffs would provide a cost for the next 12 months or longer, the Supplier covering that tariff and those Suppliers who were within 10% of that value would be listed allowing the customer to choose which supplier to go with or stay with the incumbent. Where customers do not have direct access to the internet or the ability to operate the system the offices of the CAB and other support organisations would of course have access to the calculator and be able to provide the information presented, in order for the customer to make their decision.
- A significant AEC is the failure or the lack of incentive on Suppliers to provide to the central data location, Xoserve or Echoes, all particular data including readings and meter data which is necessary to identify the customer. Then to ensure this data is replicated across all locations where it is retained or referenced. The lack of accuracy, because of the lack of incentive / regulation plays into the hands of those Suppliers who wish to frustrate the switching of customers in all segments of the market.
- If the role out of Smart meters is to achieve the very basic of help to the industry, it must be part of the ensuring that the data for each meter, both removed and installed is correctly recorded and accurately held along with the detailed address, its location at that address along with its readings. A photo might be appropriate to be held to deal with and reduce the level of disputes. Some of these meters will not have been read for some time and the impact of the adjustment in energy bills will be significant, as many will have been billed on estimates.
- The CMA has assessed that Tpi's have a poor record. However this is mainly in the Domestic sector as they principally worked for Suppliers. Many Tpi's work hard to overcome the tar being brushed around based on the less scrupulous.
- Independent Tpi's who are signed to the Code of Practice of the Utilities Intermediaries Association (UIA) set up in 2006 are trustworthy and will provide a level of service and surety not seen in many Tpi's, however they focus mainly in the Micro, SME sector and larger commercial and industrial sites.
- The recognition by and the support of the CMA and Ofgem for the UIA and those who work to such a Code of Practice could encourage more practitioners to join the organisation.
- If this was seen in the market then more principled independent Tpi's, who had achieved membership of the UIA may be drawn into the Domestic market where previously the Supplier linked Tpi has ruined the customer experience.

**Let me turn to address specific paragraphs set out in the 'Notice of possible remedies' to which I now wish to refer**

48. The customer does not have the time at present to evaluate the various tariffs in the format and style presently presented. As 'simpler choices' have not broken open the market, neither will further choice by increasing tariff numbers. This will only seek to confuse not streamline the customer decision.

49. The remedy will not work as the CMA intends. PCW's do not have all tariffs, or all Suppliers linked to their web sites. The method of presentation and calculation of tariffs by Suppliers is mulita-various and one must ask how do they provide comparison when so much varies.

50. The energy market should be driven by customers, not Suppliers. If the customers were engaged, the need for the CMA referral would not be required. Fast, cheap and easy is what the customers require. This is counter to the aims of Suppliers. Encouraging Suppliers to issue different tariffs to PCW's would create a lottery for customers to achieve the least cost which would depend on the PCW they chose or who came top of the google listing.

51. (a) Increasing competition between parties in the provision of energy pricing will result in the additional frustration felt by customers as they gaze misty eyed at the detail and wonder how on earth the best deal is achieved.

51. (b) Restricting further the number of tariffs offered by Suppliers and made available to PCW's will heighten competition in the energy market to price, where the focus should be. Creating competition between service providers of the information about available tariffs should not be the focus.

51. (c) Should PCW's be required to inform customers with whom they have supplier relationships, the answer is – Yes. As the often limited number will surprise many who seek prices via this route.

51. (d) The answer is – No (see above)

51. (d) (i) if the purpose is to allow the overall cost of energy bills to be managed by those in society who can least afford energy and in so doing facilitate reduced cost, then the tariff structure should be one which allows for that to happen. Users of small quantities should be able to choose the most appropriate tariff from a limited range to ensure the least cost and from a trust worthy source.

52. Much of what I have said in my notes above fits very well with what the CMA has determined.

53. 'Weak customer response' is an interesting way of describing the situation and seems to place responsibility on the customer, an interesting perspective and one which may indicate the direction from where the CMA has taken much of the evidence. Could it indeed be the case, that the methods used by Suppliers have created, and not sought to overcome, the barriers which that perspective reveals. 20 years nearly, of the opportunity to engage with the market is a long time for the regulator to encourage / create the wish to seek a better deal in the segment of the market on which it is now focused. Or maybe they do not wish to be engaged despite the effort and regulatory desire?

53. (a) Each Micro business is owned by a domestic customer who knows very well the opportunities to move between supplier. I guess they find the process as difficult as the Suppliers wish to make it.

53 (b) (i) Agree

53 (b) (ii) Historically Tpi's working for Suppliers were not helpful in the domestic market, instance the severe fines on some Suppliers.

Tpi's who voluntarily sign up to a Code of Practice rather than being coerced by a supplier and who are independent, serve the customers and provide an excellent intermediary role to Suppliers. They overall further the standing of Tpi's by correcting some of the misinformation that some Tpi's have projected.

Where a Tpi seeks to misuse its position or Tpi's associated with a supplier work outside of what is an expected protocol then the Regulator must use every tool to bring change to that situation and very quickly in order to protect customers from excessive charges and contracts which are not in the customers best interest.

54. Switching supplier is easy. It is only inhibited or frustrated by data quality, or the supplier's inability to handle data and ensure their systems match those of the central data holder. Several million customers have moved between Suppliers with existing and traditional meters. The introduction of Smart meters will not in itself change the numbers of people who change Supplier if they hold the position as outlined in 53. above.

Switching Suppliers in 1 day or 14 days is not a significant barrier to switching. Not being able to verify that you have done the right thing for the right price is the most significant barrier to switching, plus the fall out if the switch does not go according to the customers wishes. The new supplier of customer choice would like to take on the customer but there is no incentive for the incumbent supplier to assist. I believe this can be dealt with in 59. below.

56. Suppliers have the responsibility to know what equipment (the metering system) is being used to sell their energy in the customer's premises. They have the responsibility to ensure accurate and appropriate equipment even if they do not own it. If they have not done as they are licenced to do then significant regulatory pressure should be applied to ensure obligations are fulfilled.

The obligation to visit each gas meter every two years is a significant issue. The sense check, sight, sound, smell, is to ensure a number of aspects. That the meter is working. That the meter is not noisy in the case of gas and could be misreading. That the meter is not leaking. That the meter location, which is the customer responsibility, is not in danger from local activities i.e. operation of fork lift trucks or erosion from caustic substances. Or open to the atmosphere and left to deteriorate. That theft is not occurring or there are signs that theft has been occurring, i.e. significant marks on the meter connections or additional unnecessary wires. All these things are still very relevant and assist the industry in reduced risk and energy loss. The reinstating of the two year condition to visit meters must be done across all Suppliers until a smart meter is installed.

57. The ability to switch supplier is more to do with the alignment of data between the parties involved than in the location in which that data is held or dealt with. Making DCC responsible for this activity will be as good as the dedication of the parties to make that work. I can vouch for the dedication of the people in Xoserve to get this right presently, but I see gaps in the will of the Suppliers / shippers to ensure compliance.

59. (a) It should ensure the exchanging of all meters in the domestic, Micro and SME segments of the industry whose whereabouts are known. All will change eventually, as customers are willing. Incentivising meter owners may help speed up the process alternatively incentivising customers to have their meters replaced may also help. That may be by bringing in beneficial time of use tariffs for electricity and so creating a want, and the gas meter being exchanged on the back of the change of electricity meter

59. (b) If customers with DTS meters wish to switch supplier then changing the meters for whatever model away from DTS, will assist.

59. (c) The switching process must be in the control of the customer. They already know their details and it must be the customer only who provide it to the PCW at a time of their choosing.

(i) the ability to switch is about the data being in line, this is the Suppliers responsibility and not the responsibility of the system the customer has chosen to decide upon a supplier.

(ii) Access to Ecoes by any competitive organisation will create the potential for the unscrupulous to misuse the information. i.e. cherry pick sites and use the detail to generate unnecessary calls to customers.

(iii) The information likely to be attached to the Ecoes system post Smart role out may mean that the likelihood of misuse will be increased if the opportunity for others to be given access is taken.

59. (d) A fine of £1000 should be made against the incumbent supplier who has signally shown that his data was not in line with that which accurately identifies the detail to allow switching. This fine process should be introduced, becoming effective per address immediately after an actual meter read where access was gained and where subsequently the customer chooses to switch but the switching failed because of data issues. This would focus the supplier on obtaining accurate data at the time of his meter reader attending and passing it through the system to ensure every aspect was in line. Demonstrating effective passing on of the data would absolve the Supplier from incurring the fine but responsibility would move to the organisation responsible for not activating the change. Monies, after reasonable expenses would be shared between the new supplier and the customer.

59. (e) Some switching is erroneous and the customer needs the time to react, a cooling off period is required to ensure the customer is taken into account.

59. (f) The landlord or other person may pay the energy bill on behalf of the tenant and the energy may be part of the property rental. Legislation should be in place to allow every energy user, who wishes, to be responsible for their energy; payment and choice of supplier.

60. (a) The information regarding energy usage must be owned by the customer. The customer by choosing a supplier gives permission for that data to be held on the Suppliers systems. If the customer is approached and can authorise in writing the provision of that data to a third party then that is satisfactory. No third party should be given access to that customers data without the customers express authority.

The supplier should be the party to advise the customer on the most efficient use of energy, it is they with whom the customer has contracted and not the PCW.

The unscrupulous will misuse the information and the customer will be presented with inappropriate and unsolicited contacts. This the CMA should not be responsible for encouraging.

60. (b) Customers for which the management of energy is important will engage with the Smart equipment information that is presented to them.

Suppliers must present changes to invoices, which stimulate interest. Sending invoice notifications by email and having the invoice available on line, contributes to lack of engagement by customers who pay by direct debit. This will continue post Smart unless Suppliers change the style of notification.

61. The obligation to visit each gas meter every two years is a significant issue. The sense check, sight, sound, smell, is to ensure a number of aspects. That the meter is working. That the meter is not noisy in the case of gas or is leaking. That it is not misreading. That the meter location, which is the customer responsibility, is not in danger from local activities i.e. operation of fork lift trucks or erosion from caustic substances. Or open to the atmosphere and left to deteriorate. That theft is not occurring or there are signs that theft has been occurring, i.e. significant marks on the meter connections or additional unnecessary wires. All these things are still very relevant and assist the customer and asset owner in reduced risk and the industry from energy loss and risk of leaks and explosion.

Despite having read the latest Ofgem consultation, the mid-sized meter market in Micro and SME business are a significant risk. I support the reinstating of this requirement to visit meters every two years and it must be done across all Suppliers.

62. (a) The estimated cost of a visit every two years is possibly £10, £5 per year. If the average energy bill in Domestic property is £1,300 this equates to 0.38 %. I consider the impact minimal.

62. (b) Remove

62. (c) Centrica's potential saving over other Suppliers through this derogation would suggest it should spend this saving to get up to speed. Derogation rescinded, one year to reintroduce.

63. In my view there would be no particular beneficial effects on microbusiness. All are run by people who live in domestic premises and are therefore aware of options to change supplier.

65. (a) The overall cost of Smart meters, their introduction, additional facilities, systems for transmitting and storing reads, will not be recovered for many years and in gas it is debatable it will ever be worth it. However for customers who choose to use prepayment meters or for those for whom it is the only way they can receive energy because of budgeting issues then rolling out Smart early will not make a significant difference. The cost of energy through the prepayment system reflects the greater risk to Suppliers from debt repayment and cost of meter and servicing, compared to energy purchased via Direct Debit through a standard meter.

If therefore, there is to be no cross subsidy to cover the additional risk, then that will be the case with or without Smart.

65. (b) Each version has cost implications and would skew the process for Suppliers without benefitting customers.

65. (c) No more so than any tariff the Supplier presented currently. Many prepayment customers pay at different rates presently, as they have to pay off debt or just for the ongoing cost of their energy while in a situation where they prefer it as a budget tool. All would like to pay less for their energy

65. (d) The requirement to only install a Smart Prepayment where a Prepayment meter is requested will be no more arduous from an installation process providing the increased numbers can be sourced. However the effect on the asset arrangements and the write off of 'dumb' prepayment meters which could no longer be installed, will change the accounting and will be the subject of request to Ofgem for adjustments in allowed revenues.

65. (e) Overall the cost of service and repair of Smart Prepayment meters may be less than 'dumb'. The 'Dumb' technology is more than 20 years old. Roll out will be at the pace customers accept the need to be disrupted. No benefit will be seen until time of use tariffs create the incentive for customers to have the electricity meter changed and at the same time the gas meter may well be exchanged. The cost of roll out has to borne by customers and will take some time to be recovered.

71. (a) The frustration of customers, which we all share, is the lack of opportunity to contrast and compare, independent of supplier or PCW, the volume of energy used in the last 12 months in an easy to use system which can be trusted. A system which does not require personal data to be input but which would indicate the least cost Supplier for the following 12 months or longer.

The single most effective way to create the environment where that is possible would be for an independent authority, Ofgem or the CAB to produce a web site, which contained the current low cost published tariffs of each supplier. The customer who would identify the segment of the market they are within, would input the volume of energy used, gas and / or electricity over the previous 12 months. The resultant value presented using the internal calculator based on the current tariffs would provide a cost for the next 12 months, the Supplier covering that tariff and those Suppliers who were within 10% of that value would be listed allowing the customer to choose which supplier to go with or stay with the incumbent.

71. (b) Where customers do not have direct access to the internet or the ability to operate the system, the offices of the CAB, Age UK and other supportive organisations would of course have access to the calculator and be able to provide the information presented, in order for the customer to make their decision.

71. (c) PCW's might see the need to improve their offering. Alternatively, it could be used as a benchmark and only through a PCW could a full quote be obtained and link to a supplier made.

71. (d) It should seek to respond with the lowest cost tariff which the customer has input in the style being used i.e. standing charge plus energy per kWh or unit rate per kWh which includes all charges.

71. (e) Ofgem as the regulator could 'encourage' the cooperation of Suppliers or use licence requirements. Suppliers would wish to have their lowest cost tariff available so they could win custom. The detail would be available to the other Suppliers in the market and sharpen up the offerings by each supplier. Independents would also have the opportunity to have their tariffs on the site by being able to send them to Ofgem.

71. (f) Information only.

71. (g) The cost of web site and operation. Government should resource the initiative as they would see the RPI and CPI being affected by reduced energy costs and therefore not have to pay out so much in pension and other benefit costs for those elements driven by the two indices.

The benefit to Ofgem would be the peace of mind that Ofgem was contributing to a managed process with an even playing field to help reduce the cost of energy to consumers by increasing competition.

71. (h) Advertising, which would soon enlighten the market. Advice to all L/A offices and charities dealing with energy issues, CAB offices, Age UK and all such agencies, Doctor and Hospital waiting rooms. All emails sent from Suppliers to customers and all paper bills. Pay point shops where customers add credit to their 'Dumb' / Smart cards should have a leaflet to issue. Every energy related organisation with a web site must prominently display the link.

71. (i) Ofgem should support those organisations which seek to improve the way the industry works by ensuring profile through its own web site. The Utilities Intermediaries Association (UIA) a not for profit Trade Organisation whose Tpi members have voluntarily signed up to operate to a Code of Practice to ensure their customers receive an open and honest service; would be one organisation which should be recognised and given support. Set up in 2006, its growing membership now deals with approximately 20% of the energy in the non-dom market. The UIA would be the right and typical organisation to be recognised.

80. (a) The market is one where disclosure of fees and their origin is well debated. Any purchase from say John Lewis will not come with the detail of how much and where from they receive their fees or margins.

Honesty and transparency is available if a Member of the UIA was asked that question. As in the previous paragraph in answer to 71. (i) the CMA could recommend that Tpi's who are capable of working to the high standard of the UIA CoP and were prepared to be disciplined through the independent Redress scheme if they did not, could seek to join. They have to go through a six months period where members and others in the industry are asked if they know of any reason why their membership application should not be progressed. This seeks to assure the Directors and Board that the applicant is worthy of acceptance and will maintain the integrity and profile of the UIA.

80. (b) The detail of which Suppliers have been asked to provide quotations and if asked the origin and level of any income received as a consequence of the contract with a supplier being placed by the customer.

Most customers understand that there is no such thing as a free lunch. The UIA believes that the advertising by some Tpi's that services are free is wrong. The customer pays at the end of the day.

80. (c) Under FCA rules a Tpi must not indicate which contract to choose unless they are registered to provide financial information. If it was found that a Tpi was steering the customer's choice and the Tpi was not registered then the FCA would need to take appropriate action.

80. (d) The information should be provided to the customer by whatever medium the customer requires. However some Tpi's choose to include the detail in their submissions to the customer without being asked.

80. (f) Customer surveys and systematic reviews of complaints.

83. No comment

84. (a) For any of the segments of customer, one element to be included on a bill, which would help make switching easier is the total of energy used in the previous rolling 12 months. This would allow an easy approach to A. N. Other supplier, Tpi, or PCW for a quote for the next period.

84. (b) The contract has to be complete and often detailed. However any move to simplify the wording would make everyone appreciate the work of the CMA.

84. (c) Yes. Pre Smart in the Dom, Micro and SME markets - quarterly and the reading passed to Supplier! Customer awareness of the numbers and usage helps ensure that the meter is working. The provision of readings has an impact on more accurate invoices, fewer shocks on invoices; more accurate AQ's and improved energy balancing.

84. (d) The colour of the invoice should change to raise impact and highlight why there is an issue . The invoice should be sent by a different method to the norm so as to create awareness.

90. (a) As a warning a month before, use the words:- 'From 1<sup>st</sup> of September 2015 you will pay x% more for your energy because your contract will have terminated. Contact your supplier'

On the 1<sup>st</sup> September use the words:- ' You are now paying x% more for your gas / electricity because your contract has run out. Now contact your supplier.'

Using a competent, Tpi should assist in ensuring the customer is notified of any contract change or renewal as they often have direct and relational contact with the customer where the Supplier does not.

90. (b) ) Identifying the most appropriate person to txt in an organisation and maintain the record up to date may not be as easy as it sounds. Sending an invoice by a different method i.e. by post and in another colour would draw the level of attention required.

90. (c) The timing required by the Licence plus that outlined in 90. (a)

90. (d) Energy Suppliers, or if using a Tpi the supplier to the Tpi and the Tpi to the customer.

90. (e) In the domestic sector the incumbent Suppliers already send information to house holders when a house is sold or a tenant moves on.

90. (f) No! It would stimulate unsolicited calls and mail. If the customer is not going to respond to the incumbent it is very likely they would not respond to a new offer.

95. I have to ask what are the significantly higher out of contract rates for? Is it as people suppose, to draw the customer into negotiating a further period with the incumbent supplier. As a customer I don't think that I would be too enamoured if the person who had served my for one or two years or however long, decided to fleece me. I would much rather the supplier sought better ways of catching my attention. No further comment.

99. (a) Not until Xoserve believe the Shippers and itself are ready and having fully tested the systems and have the security of the information from PWC to confirm. Many £millions are at stake if the timing is not right and making an order will not improve the system just put on pressure which may cause something to be missed.

The effect of the introduction of the UK link systems in 1996 being incomplete prior to go live meant that a settlement had to be implemented which cost the industry a lot of money. Inefficient and incomplete processes were the cause which took many man hours to put right while the whole system had to be run compounding the errors. Listen to the experts in Xoserve.

101. (a) The Annual Quantity (AQ) is calculated, presently annually, if sufficient, timely and appropriate meter readings are received and accepted into the UK Link system. Project Nexus will allow the calculation of a rolling monthly AQ from the meter readings fed into it. It is the regulated provision of these particular readings which will be the key to energy balancing savings.

Until then a Shipper calculated AQ would not overcome the issue, rather it would compound the problems. Please ensure independence of the energy balancing system away from shippers.

Project Nexus is being scoped to receive daily readings and within day readings from every one of the 22 million gas meters. Until Smart role out is completed that number will not be achieved but the key I&C meters and all that have AMR installed are able to transmit daily reads. It is these meters which presently hold the key to the reduction in the opportunity to game.

If the CMA were to require through a Modification to the Uniform Network Code (UNC) all daily reads from every meter to which daily read equipment is attached be transmitted to Xoserve on the day received, that would be a great start to ensuring the accuracy of AQ's and the daily energy balance being more accurate.

Further, if this then were extended to all Smart Meters installed now and in the future as and when Project Nexus is complete, then that would be the second most important strategic step.

103. No comment

109. No comment

112. No comment

114. One of the original objectives of the regulator was, to ensure competition was created where none existed. This was a good principle to adopt. While that was a period of significant change it did create a market which appeared to work, there were more Suppliers and each was more accountable.

118. No comment

125. Independence is important and I can speak only of the UNC code in Gas. The Joint Office of Gas Transporters as Chair is well placed and holds on to the independence with pride and effectiveness.

I would not seek to amend that. However I find the full panel too focused on Transporter / Shipper / Supplier issues and consideration of the impact on the customer less considered. Instance the recent De-Aggregation of meters issue.

My proposal would be for greater representation from knowledgeable customers to be considered.

127. If that were the aim and objective required of Ofgem then I would support such a proposal. That power placed in Ofgem's hands would need to be monitored and managed so that every perspective not just the customers was held in tension and the optimal outcome achieved.

130. The activities of the Modification Panels and the other committee work which is undertaken by many of the same people may make the speeding up / giving of more time by the same people a constraint.

Delay can often be a useful aid to understanding and assessing impact. Setting time frames, including a guillotine, for Modifications to be dealt with, might help sharpen the process.

Instituting an additional body I consider may not achieve the vision CMA are seeking.