



Will Fletcher
Project Manager
Competition and Markets Authority
Victoria House
Southampton Row
London
WC1B 4AD

Peter Olsen
General Counsel
Corona Energy
Edward Hyde Building
38 Clarendon Road
Watford
WD17 1JW
www.coronaenergy.co.uk
Tel: 08442 64 64 64

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Dear Sirs

Competition and Markets Authority case: Energy market investigation

Thank you for the opportunity to respond to the notice of possible remedies (7.7.15) document. We do not consider our response to be confidential and we are happy for our response to be shared with interested parties. We have only answered the questions we feel are relevant to Corona Energy (CE) namely the non-domestic gas and electricity microbusiness markets.

Introduction

Corona Energy is a shipper and supplier of gas and a recent supplier of electricity to the non-domestic market. Our customers range from micro-businesses and SMEs through to large industrial and multi-site customers.

Summary of our response:

Overall we have some concerns as to whether the remedies you are proposing will achieve their stated aims. In particular:

- The microbusiness sector is far more competitive and engaged with suppliers than the domestic sector and operates in a different way. Accordingly many of the proposals do not work within the non-domestic market.

Edward Hyde Building, 38 Clarendon Road, Watford, WD17 1JW

T 08442 64 64 64 F 0870 24 29 665 E mail@coronaenergy.co.uk W www.coronaenergy.co.uk

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- The proposal to ban automatic rollovers for disengaged microbusiness customers has no compelling evidence to support it (as per Ofgem's previous work on the matter).
- The proposal to introduce a regulated tariff for disengaged microbusiness customers will be very difficult (if not impossible) to introduce and operate.
- The proposal to introduce other elements of information provision should not be implemented as there is already sufficient information and recent changes implemented as part of the Retail Market Review (RMR) should be evaluated before any changes are forced on suppliers.
- The proposal to introduce an Ofgem PCW would be detrimental to the microbusiness sector given that tariffs are not used in this sector.
- The proposal to intervene in the implementation in Project Nexus is not justified given that this Project needs to be delivered accurately and effectively.

We have set out below more detail in the answers to some of the questions related to your remedies.

Yours faithfully

Peter Olsen
General Counsel
Corona Energy

Edward Hyde Building, 38 Clarendon Road, Watford, WD17 1JW

T 08442 64 64 64 F 0870 24 29 665 E mail@coronaenergy.co.uk W www.coronaenergy.co.uk

Remedy 6 – Ofgem to provide an independent price comparison service for domestic (and microbusiness) customers

(a) Would this remedy be effective in increasing customers’ trust in PCWs and thereby encourage engagement in the markets and switching?

Corona Energy (Corona) is a non-domestic supplier only and therefore our responses are limited to whether a PCW is suitable for microbusinesses only.

It is our view that the non-domestic (microbusiness/SME) market is working reasonably well and therefore does not require significant changes. Competition is present, evidenced by high levels of microbusiness/SME mobility between suppliers and lower retail margins as suppliers compete for business.

Microbusiness customers are more active in monitoring the competitiveness of their business costs and energy and due to changes to the market and additional requirements for suppliers to provide information customers are now better placed to negotiate competitive terms with suppliers either directly or by using TPI services.

Corona does not support an independent PCW for microbusiness customers for the following reasons:

- Corona does not market any form of tariff for microbusiness customers
- Corona (in line with many other suppliers) provide bespoke prices to microbusiness customers based on several factors such as demand profiles, credit worthiness, location and the ability to hedge wholesale price movements by locking in the purchase of the gas
- Bespoke pricing provides a better outcome (reflective of the costs associated with an individual customer) than a tariff does which will generally socialise costs across a wider set of customers.
- Accordingly it would be impossible to correctly operate a useful PCW in the microbusiness sector (hence why there are no true microbusiness commercial PCWs in operation).

Even without the practical difficulties out lined above Corona does not believe that an Ofgem operated PCW is appropriate for the following reasons:

- A regulator PCW would be anti-competitive and would monopolise the existing energy marketplace potentially forcing the closure of PCWs
- What would the regulator PCW provide that current PCWs do not currently offer?



- How would the regulator PCW be funded?
- How would the regulator PCW be regulated (and by whom) to ensure fairness and competitiveness in the microbusiness marketplace?
- Would the regulator PCW need to be authorised by the financial conduct authority (FCA)?
- What would happen if the regulator PCW breached Ofgem's Confidence Code certification or the future proposed TPI code?

In addition to the above comments we have concerns that Ofgem is being asked to fulfil a role and operate as a PCW for both domestic and microbusiness customers. Our view is that Ofgem should remain as the industry regulator and not to be a PCW provider. In summary there does not need to be a regulator PCW for the following reasons:

- Existing PCWs (certainly for domestic users) are more experienced, have better resources and can adapt quickly in their competitive environment (e.g. creative advertising to engage customers to switch)
- Corona does not believe that Ofgem would consider offering a regulator PCW. In our view running a website of this importance is both complex and expensive to maintain efficiently
- We believe a regulator PCW would turn Ofgem into becoming the sole provider for both PCW and TPI services by constraining features currently available in the those areas

Even if it was possible to overcome all the difficulties it is hard to see how this would help build trust in PCWs. Even a cursory attempt at using the Australian regulators website delivered 3 similar prices that when compared demonstrated a wide range of other terms that would be important to the customer. It would be impossible to work out whether the price differential is worth the differences in the other terms.

Given our views in 7A (a) this remedy would not offer any tangible benefit to microbusiness customers.

(b) Should this service be online-only, or should it also operate over the telephone for those customers without access to the internet?

In the context of our previous response in 6 (a) we see little benefit to this as it would be merely duplicating work already performed by PCWs (website) and TPIs (telephone).

(c) Is there a risk that such an independent service could undermine the development of other PCWs in the energy sector? How could this risk be mitigated?

In the context of the points we have raised in 6 (a) and (b) we consider any

<p>independent service operated by the regulator would undermine existing PCWs and force them to close.</p>
<p>(d) Should the Ofgem website quote the energy suppliers' list prices only? Or should it seek to provide full details of all quotes available on the market (including on other PCWs), i.e. function as a meta-PCW?</p>
<p>In the context of our previous response in 6 (a), (b) and (c) we have concerns about the introduction of an independent service for microbusiness customers.</p> <p>Our view is that this service would not be suitable for microbusiness customers simply because we do not offer tariffs.</p>
<p>(e) How could we ensure that an Ofgem price comparison service was robust in terms of offering all tariffs available on the market? Should there be an obligation on retail energy suppliers and/or PCWs to provide information to Ofgem on their tariffs?</p>
<p>In the context of our previous response in 6 (a) Corona do not offer or publish tariff information to microbusiness customers. The microbusiness sector remains competitive because Corona is able to offer bespoke pricing to customers based around individual circumstances.</p> <p>We do not believe that an obligation on PCWs to provide information to Ofgem on tariffs will work and it should be left to suppliers if they want to provide this information. In our opinion one size does not fit all and this is demonstrated in the insurance market where brands like Direct Line and until recently Churchill refused to participate with the various comparison sites. This should be a commercial decision for individual suppliers.</p> <p>Furthermore, not all customers are driven purely by price. Service provision is important (more so when delivering a homogenous commodity) as are added value services.</p> <p>Corona does not want to see any obligation / licence condition on retail energy suppliers to provide tariff information to Ofgem.</p>
<p>(f) Should any price comparison service operated by Ofgem be transactional, i.e. be able to carry out switches for consumers, or should it provide information only?</p>
<p>In the context of our previous response in 6 (a), (b), (c) and (e) Corona does not support an independent service run by the regulator for microbusiness customers.</p> <p>Our view is that the Ofgem website and the GoEnergyShopping website (an Ofgem list of approved independent price comparison sites for domestic</p>



customers) should be for information only and not transactional.
(g) What would be the likely costs to Ofgem of offering this type of price comparison service? Would Ofgem need additional funding and/or statutory powers in order to provide this type of service? If so, where should this funding come from?
This is one of the questions we have asked in our previous response in 6 (a). We are unable to provide any details on costs but we would expect them to be significant. A regulator PCW for microbusinesses if pursued should be funded solely by Ofgem or the Government.
(h) How should customers be made aware of the existence of this service? Should information be provided by energy suppliers on bills/during telephone calls? Should PCWs be required to provide links to the Ofgem website during the search process to allow customers to cross-check prices?
In the context of our response in 6 (a), (b), (c), (e) and (f) Corona does not support an independent service run by the regulator for microbusiness customers.
(i) Is there any additional information that Ofgem should provide on its website relating to energy suppliers and/or tariffs to facilitate the customer search and switching process?
In our opinion the Ofgem website has good use of colour, text that is easy to read and uncluttered layouts that allow visitors to focus on content. There are useful guides and videos for both domestic and non-domestic visitors. Ofgem also provides useful information to microbusiness customers and helpful sections on contracts, standards of conduct (what the customer can expect from suppliers) and guidance on TPIs. We like the fact that Ofgem include useful documents that are easy to understand. One area we feel could be improved is adding better navigation and easier signposting for microbusiness visitors. In our opinion adding new website functionality may well erode the usability of the site and therefore make navigation extremely difficult for users – and this would mean that users stop visiting the site.
<i>Remedy 7 – Measures to reduce actual and perceived barriers to accessing and assessing information in the SME retail energy markets</i>
<i>Remedy 7a – Introduction of a new requirement in the licences of retail energy suppliers to provide price lists for microbusinesses on their own websites and to make this information available to PCWs</i>
(a) Would this remedy be effective in increasing price transparency for microbusiness gas and electricity tariffs? Would it serve to make comparisons



between different suppliers easier, either directly or by encouraging the development of PCW services for microbusinesses? If not, are there other measures that would encourage this development either as an alternative to this remedy or in conjunction with it?

In the context of our response in 6, Corona does not offer tariffs to microbusiness customers and therefore as with many suppliers could not provide online price lists. As an independent energy supplier we offer a wide range of bespoke prices for a variety of businesses in the microbusiness/SME market. Bespoke tariffs enable us to tailor contracts as close as possible to the prevailing market prices with metering and network costs built into the prices.

Furthermore, not all purchase decisions are made by customers solely on price. Customer service levels, online access, non-price commercial terms and added value services are all considerations for customers when deciding on an energy supplier. None of this information could be provided in price lists and therefore it would be difficult to make direct comparisons.

Innovation in the market place also means that products are designed for different purposes. While a standard offering usually involves a unit rate for energy and a daily charge this is not always the case. Some customers will realise that a higher combined unit rate with no daily charge is a better option for them if they are low consumers of energy. Direct comparison from price lists would therefore be impossible.

We do not believe in the concept of developing PCW services for microbusinesses. In our view allowing Ofgem to develop the TPI code of practice and allowing suppliers to provide competitive offerings should be sufficient enough to work for the good of the customer.

(b) Do microbusinesses have sufficient access to the information they need (for example on their meter types) in order to engage effectively in the search and switching process?

Yes. Corona believes there is sufficient information for microbusiness customers to engage with their suppliers:

- Directly by phone or email with suppliers
- Using TPIs
- Online websites (including Ofgem’s website) provide large amounts of guidance and information

(c) How long should energy suppliers be given to provide the required information?

We have no view on this given that we do not believe providing price lists is either possible or useful and we also recognise it depends on the information



required.
(d) Should energy suppliers be permitted to fulfil this requirement by providing an automated quoting service on their websites (where microbusinesses can put in their details in order to obtain quotes) rather than a list of prices?
This would be preferable than demanding price lists but we believe that the costs associated with providing such an automated quoting system would far outweigh any benefit delivered to the customers. The information that could be gained from such a system is already available by talking to suppliers direct or using TPIs.
<i>Remedy 7b – Introduction of rules governing the information that TPIs are required to provide to microbusiness customers</i>
(a) Would this remedy be effective in improving transparency over incentives and trust in TPIs in the energy sector? How could the CMA ensure that this remedy was enforced, i.e. that TPIs were providing the specified information?
<p>Third Party Intermediaries (TPIs) play a vital role in helping microbusiness/SME consumers to negotiate the best deal from their energy supplier.</p> <p>The majority of new/retained micro-business/SME business for Corona is undertaken via TPIs.</p> <p>The role of TPIs in supporting businesses has also changed from simply providing energy procurement to giving additional services such as:</p> <ul style="list-style-type: none"> • Managing prices / renewals / notification about contract end dates • Energy management / AMR validation • Invoice validation <p>The TPIs who deal with Corona are becoming more collaborative with us and this allows Corona to engage more with them so we can offer additional products.</p> <p>Corona would urge Ofgem to continue the work of introducing a code of practice for TPIs.</p> <p>A code of practice with an accreditation will build more trust in TPIs.</p>
(b) What information should be provided by TPIs to microbusinesses in order to enable them to make informed choices?
<p>Any customer using a TPI should ask what suppliers will be approached, how many offers they can expect to receive, help needed to be able to switch suppliers, understanding terms and conditions, service levels and for TPIs to transparency on additional costs for the consumer.</p> <p>Corona would urge Ofgem to continue the work of introducing a code of</p>



<p>practice for TPIs. Corona believes that the framework around the code of practice should give microbusiness consumers the information to make informed choices.</p>
<p>(c) Could the provision of certain types of information have unintended consequences (e.g. customers choosing tariffs based on commission rates rather than total price)? If so, are there any steps that could be taken to mitigate this effect?</p>
<p>If customer has full visibility of available information then it is not for anyone to judge as to whether there are unintended consequences. Changing supplier is not always solely a price consideration. The motivation to switch maybe due to other factors e.g. low service levels with the current supplier.</p>
<p>If the customer has the information (via transparency) they can make informed decisions based on their own drivers and circumstances.</p>
<p>(d) Should the specified information be provided to customers in writing or orally (or both)? At what stage in the sales process should this information be provided?</p>
<p>Licence conditions on suppliers already ensure information regarding the principal terms is provided to customers before they agree to any contract. While putting everything in writing appears to be a more robust process this does not take account of customers' desires to make the process easier and there is part of the customer base that prefer to engage with suppliers and TPIs via the telephone.</p>
<p>(e) Should this remedy be introduced in addition to Ofgem's proposed code of conduct? Or should only this remedy (or only Ofgem's code of conduct) be introduced?</p>
<p>We would be supportive of Ofgem's initiative for a code of practice for TPIs and do not believe that this remedy will provide any additional benefit.</p>
<p>f) Are there any additional measures that should be implemented alongside this remedy to enhance its effectiveness?</p>
<p>None.</p>
<p><i>Remedy 8 – Introduction of a new requirement into the licences of retail energy suppliers that prohibits the inclusion of terms that permit the auto-rollover of microbusiness customers on to new contracts with a narrow window for switching supplier and/or tariff</i></p>
<p>(a) Would this remedy be effective in allowing microbusiness customers greater opportunity to engage (by removing the narrow window in which they can choose not to roll-over automatically)?</p>
<p>In its letter dated 28 November 2014 Ofgem stated it was not persuaded to ban auto-rollovers.</p>
<p>Our viewpoint is this is an important feature of the competitive I&C market. By</p>

definition customers that are with independent suppliers or non-legacy suppliers have engaged with the market and switched supplier at some point. If they then choose to not do so it is because they do not consider important enough in their business to spend time on it. Furthermore, they do not need to spend large amounts of time undertaking switching because they can engage a TPI to do it for them.

If auto-rollovers are banned customers who are not engaged in the market place will be placed on deemed/out of contract rates which are typically higher than rolled contract prices. While the customers may be able to exit a deemed contract immediately the ability to do this will make no difference to a disengaged customer. The unintended consequence is that the customer is paying higher prices than they would have paid had they been rolled.

(b) Are there any means by which energy suppliers could circumvent this remedy to continue to lock customers into energy tariffs that they have not chosen for extended periods of time?

It would be impossible to say without seeing the detail but we would expect any licence condition to be robust and clear in its effect.

(c) What is the minimum or maximum notice period that customers should be required / allowed to give in order to exit a contract that they have been rolled on to?

Roll over contracts cannot be more than 12 months in length so this provides a natural maximum. The shorter the period will have direct impact on the price of the contract because suppliers will not be able to hedge their positions. It is therefore not easy to say what the ideal length should be without understanding how prices are affected.

(d) Should energy suppliers be required to inform customers that they are nearing the end of their contract and prompt them to switch?

Suppliers are already obliged to provide information about contract end dates and options for renewal and termination. Customers are already being informed about this.

Remedy 9 – Measures to provide either domestic and/or microbusiness customers with different or additional information to reduce actual or perceived barriers to accessing and assessing information

(a) Does the current format and content of energy bills facilitate engagement by customers? Is there additional information that should be included on bills? Should the quantity of information on bills be reduced to enhance clarity?

Ofgem introduced changes to SLC7A that took effect on 31 March 2014 as part of the Retail market Review. These serve as reminders for customers when their contract is due to end. Ofgem made further changes to SLC7A in November 2014 (that came into effect 30 April 2015) to reduce the maximum notice period of a fixed term to contract to 30 days. Corona has introduced

<p>these changes.</p> <p>In our opinion adding further information will make invoices more complicated and disengage customers.</p>
<p>(b) When customers seek to switch tariffs, are they given enough/too much information on the terms and conditions of their new contract?</p> <p>There is a licence condition on suppliers to ensure information regarding the principals terms is provided to customers. Whether they want more information is something that can be asked for. If they are given too much information they can choose to ignore it. However, we would note that while the vast majority of customers are interested in the same things (e.g. price, term of contract, cancellation fees) other factors do become more important. Customers may, for example, be prepared to pay a premium for energy generated from green and renewable sources.</p>
<p>(c) Should customers be prompted to read their meters (quarterly or annually), either by information on their bill or by a phone call from their energy supplier? Would this increase engagement by improving the accuracy of billing?</p> <p>Corona doubts whether this will make sufficient difference. Many customers do provide reads and we do provide multiple communication channels to make this as easy as possible. However, those customers who choose not to do this are unlikely to change their behaviour simply because they are prompted to do so once a year or every quarter.</p>
<p>(d) Once customers reach the end of a contract period, should subsequent bills highlight that they have now been moved onto the standard variable tariff and/or other default tariff and encourage them to check whether they are on the most appropriate tariff for them?</p> <p>Corona already does write to customers who go onto our deemed contract to let them know. We believe this is more effective than placing information on bills.</p>
<p><i>Remedy 10 – Measures to prompt customers on default tariffs to engage in the market</i></p>
<p>(a) What information should be included in the prompts to customers on default tariffs in order to maximise the chances that they are acted upon?</p> <p>(i) Should customers who have failed to engage be informed that they are ‘no longer under contract for energy’, that they have been ‘rolled onto a safeguard tariff’, or an alternative message, for example, emphasising how many customers in their area have switched in the last year?</p> <p>Corona believes that microbusinesses have access to enough information to choose to engage in the market or not. The provision of information does not per se solve the problem. It is whether the customer chooses to act upon the information. A message may have some impact on some customers depending on its wording but different wording may impact on a different set</p>

<p>of customers.</p> <p>Identifying how many customers have switched in an area would be impractical because it would require regular, detailed collation of switching information from all suppliers</p> <p>Corona does inform customers when they are on a deemed contract in writing.</p>
<p>(b) How should prompts be communicated to customers? For example, there is some evidence from the financial sector that text prompts are particularly effective at raising awareness in terms of overdrafts etc.</p>
<p>Corona believes the most effective way to get a message across to the customer is via the bill or writing directly to the site where the consumption is occurring. Other methods involve data which is transitory (e.g. mobile telephone numbers) and is likely to lead to errors and unwanted messaging.</p>
<p>(c) What should be the timing and frequency of prompts in order to balance effectiveness in terms of encouraging engagement with the cost and potential irritation that might arise from repeated prompts?</p>
<p>This would depend on the nature of the prompt and the ability for the customer to opt in or out.</p>
<p>(d) Who should provide the prompts: customers' energy suppliers, Ofgem or another party?</p>
<p>This would depend on the nature of the prompt and the ability for the customer to opt in or out.</p>
<p>(e) Are there particular groups of customers who should receive prompts at specific points? For example, should house-buyers be prompted to engage with the market on completion of their purchase?</p>
<p>Where we are told about change of ownerships we do write to customers and tell them they are on a deemed contract.</p>
<p><i>Remedy 11 – A transitional ‘safeguard regulated tariff’ for disengaged domestic and microbusiness customers</i></p>
<p>(a) Should the safeguard tariffs be set on a cost-plus basis, or should they be related to other retail prices?</p>
<p>Corona does not believe a safeguard tariff adds any benefit to the current position. With microbusiness customers if they choose not to engage with the market they are either be rolled or placed on a deemed/out of contract rate. Deemed rates are partly regulated in that they must not be onerous and Ofgem has previously investigated the levels of deemed rates applied by suppliers.</p> <p>The core of the disengaged customers reside with the big 6. The big 6 have voluntarily agreed to not roll customers. Accordingly these customers must</p>



now be on deemed rates (or some other equivalent). Whether this makes the customers any more engaged it hard to say but it seems unlikely. Furthermore, on balance they are likely to be paying more.

It seems to us that a safeguard tariff is nothing more than a deemed rate with another name.

The CMA’s own report raises some very compelling problems with setting a regulated tariff given its impact on competition. Furthermore, a tariff with “headroom” may lead disengaged customers to think they are getting a good deal because they are offered a rate lower than the regulated tariff but still higher than a truly competitive rate.

If a regulated tariff is implemented the operation of the tariff would be difficult to maintain. It should be based on a cost plus basis otherwise it may be set to tight and stifle competition but this approach presents its own difficulties because costs can vary daily due to underlying movements in the wholesale prices.

Subsequent questions indicate the problems associated with trying to create a regulated tariff. There are many aspects of a regulated tariff that are difficult if not impossible to solve without having other unwanted consequences.

As we do not think that a safeguard tariff provides any benefit to customers it is hard for us to form a view on the subsequent questions.

Remedy 12a – Requirement to implement Project Nexus in a timely manner

(a) How long should the parties be given to implement Project Nexus?

Corona has been actively engaged with Project Nexus.

We have stated on many occasions that given this is an industry wide project it is absolutely imperative that is undertaken with proper planning and sufficient contingency to ensure that the delivery is effective. Arbitrarily setting deadlines without transparent and robust planning has already led to the go live date being put back.

There is little point in insisting on a timely implementation unless the industry as a whole can be sure the implementation will be effective. The costs and damage to the industry of a “timely” but ineffective implementation will far outweigh the costs associated with a delayed but effective implementation particularly when the implementation affects the whole industry.

(b) Should the CMA implement this remedy directly (e.g. via an order and/or a



<p>licence modification) or should it make a recommendation to Ofgem to implement the remedy?</p>
<p>Given that there is now a steering group assisted by performance managers for both Xoserve and the industry generally the matter should be left to the industry to deliver an appropriate solution. Transparency will be crucial to ensuring all participants are ready by the go live date. If this is done there should be no need for intervention by the CMA.</p>
<p><i>Remedy 12b – Introduction of a new licence condition on gas shippers to make monthly submissions of Annual Quantity updates mandatory</i></p>
<p>(a) Is it proportionate to require the mandatory monthly updating of AQs? Would it be more proportionate to require less frequent updating of AQs? Would less frequent updating still be effective in terms of removing the scope for gaming of the system?</p>
<p>No it would not be proportionate.</p> <p>Rolling AQs will be implemented when Project Nexus is implemented. To expect suppliers who are trying to deliver Nexus to change systems in the short term to allow for this for a short period of time does not justify the costs and disruption involved.</p> <p>Furthermore, reconciliation leads to updated AQs after a must read so the impact of inaccurate AQs is only temporary in nature.</p>

