

Will Fletcher
Project Manager
Competition and Markets Authority
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- Non-confidential response -

Dear Will,

Inenco response to the CMA Energy Market Investigation potential remedies

The Inenco Group is one of the UK's largest business energy consultancies, procuring over £1.6 billion of power and gas each year for over 8000 businesses, from SMEs to energy intensive organisations. Our Inenco Direct division specialises in business energy purchasing for small and medium-sized businesses.

The views expressed in this letter are limited to the remedies directly related to the micro business market in which we operate.

Remedy 7a – Introduction of a new requirement in the licences of retail energy suppliers to provide price lists for micro businesses on their own websites and to make this information available to PCWs

76a) would this remedy be effective in increasing price transparency for micro business 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 micro businesses? If not, are there other measures that would encourage this development either as an alternative to this remedy or in conjunction with it?

While price comparison websites have generally been a force for good in the domestic market, they have by no means been a perfect solution. [✂] The challenge with the business market, even at the micro end of the spectrum, is that businesses can have complex requirements that benefit from dialogue with an informed advisor who can help them to identify the right product or tariff for their individual needs.

Online comparison sites have been available to businesses for some time. The challenge has always been that business people choose the way in which they wish to engage with the market and it has been consistently proven that although they use online research as tool to inform their decision making, they very much choose to negotiate as they typically negotiate all their business deals – bilaterally.

There is already a great deal of support and free advice out there for businesses wishing to get help managing their energy costs: we believe the next step in helping to develop business engagement must be driving up the credibility of the TPI market. This should be done through measures such as increased regulation and a confidence code introduced and managed by Ofgem.

(b) Do micro businesses 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?

The metering for business customers is far more complex than domestic meters [✂] In our experience, we know that online comparison tools are less successful because of two main reasons: [✂] Businesses would rather ring us and speak to an expert; and they often do not have the above information and do not feel they could spend the time obtaining the information or, more concerning, they sometimes fill in the wrong details and suppliers would spend a long time trying to switch a meter supply erroneously.

(c) Should energy suppliers be permitted to fulfil this requirement by providing an automated quoting service on their websites (where micro businesses can put in their details in order to obtain quotes) rather than a list of prices?

This already exists: in our experience it is rarely used by businesses. Pricing teams at TPIs and suppliers also track the wholesale energy market a lot closer than in the domestic space, and it would be very easy for any service like this to be out of date very quickly.

Remedy 7b – Introduction of rules governing the information that TPIs are required to provide to microbusiness customers

80(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, ie that TPIs were providing the specified information?

We believe that consideration must be given to the rise of TPIs in both the domestic and SME markets. The energy retail market is still dominated by the large suppliers and the CMA enquiry has already raised concerns with the level of switching rates, particularly away from the Big Six suppliers. We believe that the presence of TPIs in the market is having a positive impact on switching rates and engagement in the market.

As a TPI, we believe that our fees must be market reflective and reflect the additional value our service provides businesses. Like most TPIs, we do not deceive customers that we provide a free service.

[✂]

(b) What information should be provided by TPIs to microbusinesses in order to enable them to make informed choices?

Within the SME market, TPIs engage businesses in price conversations based on unit prices (ie pence per kWh and pence per day). This makes it a lot more straight forward for SMEs to understand if they are getting a better deal. For example: a business owner is paying 12.5p/kwh with Supplier X can switch to Supplier Y with a price of 11.2p/kwh. This means that whatever he consumes during his contract period, he knows that each unit he is consuming is cheaper than his previous supplier.

In the domestic market, information is driven by a customer's estimated consumption which is the most inaccurate statistic in the market. We believe that the SME market is ahead of the domestic market and the domestic comparison process could learn a lot from the SME model.



(c) Could the provision of certain types of information have unintended consequences (eg 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?

No – as already mentioned, we believe that the unit rate is the most effective way to engage business customers and any additional provision of information would need to be communicated clearly.

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?

We believe that Ofgem's Code of Conduct will encourage greater transparency and ensure TPIs treat customers fairly – this should negate the need for additional remedies.

(f) Are there any additional measures that should be implemented alongside this remedy to enhance its effectiveness?

We believe that TPIs play an important role in helping businesses to achieve a competitive price and find the tariff to best meet their needs. The role of the TPI in increasing engagement and helping businesses get best value is functioning well.

[✂]

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

84 (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)?

[✂]

(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?

As long as it is reasonable and businesses received adequate notice before the auto-rollover occurred, we believe a minimum 30 days' notice period is required.

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

Yes – this is extremely important to increase engagement and also ensure businesses have adequate information to make an informed purchasing decision. In the domestic market, the supplier is obligated to provide customers with information on their tariff and how and where to get advice.

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

84a) 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?

Bills are often seen as long complicated documents. We believe that the key points could be summarised on one page: all the regulatory requirements turn a bill into a novel and disengage businesses from reading their bills.



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?

More meter reads would improve billing and increase accuracy, however investing operational costs in doing so could increase cost to serve by suppliers which would ultimately be passed through onto customer energy bills.

The roll out of smart meters will negate this need by providing suppliers with accurate meter information, which will have the effect of driving up confidence and trust in the industry.

Remedy 10 – Measures to prompt customers on default tariffs to engage in the market

90(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?

“You are paying more than you should be for your energy” – to make them aware that they are no longer in a contract and this usually mean they are paying more than they should.

Remedy 11 – A transitional ‘safeguard regulated tariff’ for disengaged domestic and microbusiness customers

95(a) should the safeguard tariffs be set on a cost-plus basis, or should they be related to other retail prices?

It would be almost impossible to set a reasonable price cap which suits all suppliers. The commodity cost can be hugely variable based on multiple factors including time of commodity purchase, accuracy of portfolio consumption, consumption patterns, weather! We do not believe this is a workable solution.

If you would like to discuss any of these responses in more detail, please do not hesitate to contact me on geoff.childs@inenco.com.

Yours sincerely,

Geoff Childs

Managing Director, Inenco Direct

