

**Retail and Reducing Energy Costs: a Working Group of the Retail Consultation
Forum**

**Submission in response to
CER Consultation CER/16/031**

Review of the Electricity and Gas Supplier's Handbook

25 April 2016

INTRODUCTION

The Retail Consultation Forum Working Group *Retail and Reducing Energy Costs* welcomes the opportunity to respond to the CER's current consultation on reviewing the Electricity and Gas Supplier's Handbook.

This Working Group is made up of retail representatives, energy specialists from the public and private sector, and officials from the Department of Jobs, Enterprise and Innovation. It was established in November 2015 in response to a report from the Joint Oireachtas Committee on Jobs, Enterprise and Innovation on *Policy Options to support Business Growth and Job Creation and Retention in Town and Village Centres*, which made a number of recommendations to address current issues and challenges facing the retail sector, including the cost of utilities.

The Working Group's objective is to examine and propose solutions to the challenges of reducing energy costs, such as clarity of information, awareness of practical actions, and availability of cost comparison information, with a focus on the concerns of smaller retailers, who make up a significant proportion of Ireland's SME sector.

The Group notes CER's statutory mandate to protect the interests of energy customers, both residential and commercial, and its acknowledgement that small and medium businesses often display similar behaviour in terms of interaction with energy suppliers and engagement with energy markets as domestic customers. The Group agrees with this, and suggests that the current separation of requirements between 'household' and 'non-household' customers masks large variations in needs and behaviours between businesses of different sizes.

With this in mind, the Group has identified a number of areas where CER's mandate could be reflected through increased clarity and consistency for business customers, such as 'code of conduct' requirements, quality and accessibility of information, and increasing customers' ability to understand and compare offers. The Group also believes that its responses and suggestions make a positive contribution towards three of the overarching objectives of this review, namely:

- Creating an **enduring regulatory framework** that continues to protect customers in the face of new market entries, the introduction of new energy deals, different marketing and advertising strategies and different business models
- **Increasing market participation** through improving awareness among customers of available offers, making it easier and more accessible for energy customers to make better choices, and increasing the level of accuracy, accessibility, and transparency of information presented by suppliers to customers
- Ensuring that there are no barriers to switching energy suppliers and that **switching energy supplier is free, easy and accessible** to all energy customers

4.1 THE INTRODUCTORY SECTION

Question 1

The Group welcomes the suggestion that a set of overarching principles should apply to both household and non-household customers, given that:

- A set of governing principles applicable to all energy customers, or increased consistency in these requirements, is important to promoting confidence in the retail energy market, increasing transparency and trust in supplier-business customer interactions, and avoiding a sense that one group of customers may be treated differently to another
- At present, suppliers of non-household customers are not obliged to produce a Customer Charter, a Code of Practice on Vulnerable Customers and Code of Practice on PAYG Metering and Budget Controllers (though we acknowledge that these two requirements may by definition not apply to commercial consumers), or a Terms and Conditions of Supply document
- There is a need for greater transparency and consistency in the ways in which suppliers deal with, in particular, small businesses. For example, in the experience of the Group, some suppliers deliberately drop small customers or request large pre-payments on the basis of a perceived credit risk even when there have been no historical payment issues
- A comprehensive customer protection framework should, in principle, protect all energy customers. This could be achieved through (as suggested) an overarching set of principles, or through more consistent requirements between codes of practice documents for both household and non-household customers – for example a requirement for suppliers of non-household customers to produce a Customer Charter and Terms and Conditions of Supply document.

4.3.1 CODE OF PRACTICE ON MARKETING AND SIGN-UP

Quality and accessibility of information provided by energy suppliers to customers

Questions 6, 7 and 8

In relation to proposed requirements 1, 2 and 3 in this section, regarding the clarity, accuracy, and availability of up to date information on energy tariffs, the Group welcomes these proposals and suggests there is a strong argument for extending these requirements to include information on commercial tariffs for non-household customers, given that:

- Businesses currently lack fair access to the market as suppliers do not publish their business energy tariffs, or unit prices for business customers, online. For residential customers this information is publicly available. A business customer however must call for a quote, and compare rates and offers on an individual basis.¹ There is a consequent lack of transparency in the marketplace for these customers that hinders informed decision making, makes comparison more difficult, and does not allow the customer to see if they are receiving a fair rate relative to others
- The lack of publicly available business energy tariffs may also contribute to the fact that these rates are excluded from price comparison websites; thus businesses cannot avail of easy, open and transparent comparison in the same way that household customers can
- The group proposes that there is a need for increased transparency in this area, and that suppliers should be required make available online their energy rates and tariffs for business

¹ Survey (website and follow-up query by phone) of main energy providers, not including PAYG suppliers: Electric Ireland, SSE Airtricity, Bord Gais Energy, Energia.

customers, or, in the case that rates are calculated on a case-by-case basis, the rationale and method of calculation should be published on the supplier's website

Increasing customers' ability to understand and compare energy offers

Question 10

From the perspective of a business energy customer, the Group would welcome the inclusion of measures to increase customers' ability to understand and compare energy offers, particularly b) simplifying the energy tariff and c) comparison with the customers' own energy plan, given that:

- In the Group's experience business tariff structures can be very confusing for the customer, who is then often unable to understand the impact of discounts or price increases since they can impact different elements of their tariffs. As a result, SMEs find it difficult to make independent comparisons and are often reliant on sales representatives to convince them of the relative merits of one provider over another
- CER's 'Findings from 2015 research on attitudes and experiences in the domestic and SME electricity and gas markets in Ireland' survey recorded:
 - Clarity of offers/discounts was rated at 18% for SME's own suppliers and 17% for competitor suppliers (electricity), and 16% for own suppliers and 15% for competitors (gas)
 - Among SME customers 35% of electricity and 42% of gas indicate lack of awareness of offers in the marketplace
 - SME customers surveyed demonstrate a 'low ability to compare offers', as well as a 'low ability to estimate unit and standing charges'

The Group suggests that these findings are reflective of a need for greater transparency and clarity in how tariffs, offers, and thus comparison between them, are presented to business customers.

Issues for consultation pertaining to the customer sign up process

Improving customer participation

Question 18

On the question of other options to maximise market participation, the Group would again suggest that the current lack of publicly available information on business energy prices, tariffs and clarity on offers could be hindering market participation for business customers, and could be an impacting factor in the low awareness among SME customers of offers and discounts. As above, the group suggests that overall market participation, and fairness for all customers, could be improved if energy suppliers are required to publish details of tariffs, rates and offers available to business customers online.

4.3.2 CODE OF PRACTICE ON BILLING AND DISCONNECTIONS

Issues for consultation pertaining to billing

Question 19

In response to this question regarding obligations arising from the Energy Efficiency Directive 2012/27/EU, the Group would agree with proposed requirements 1 and 2, as, in the Group's experience:

- Awareness of actual consumption, and the costs thus incurred, is a critical factor in encouraging and supporting business customers to reduce their energy usage, and this information is not always clearly flagged on the energy bill
- Format of energy bills among business customers is variable; in the group's experience some energy bills do not even contain the rate per Kilowatt being charged. Awareness of current actual prices and actual consumption (as per proposed requirement 2, section i) would greatly improve clarity in these cases and help support business customers in conserving energy

Energy and non-energy related charges

Question 21

In response to this question, regarding the regulation of security deposits, the Group welcomes the proposed requirements, given that:

- In the group's experience, there is currently a lack of transparency and consistency in the area of security deposits; retail representatives in the Group are aware of cases where suppliers have deliberately requested large pre-payments on the basis of perceived credit risk even when there have been no historical payment issues. In this way, large deposits can become a barrier to market participation for (in particular) small business customers
- Limits on the level of these deposits would be welcomed by the Group, or, as suggested, clear guidelines from the CER, both of which would enhance clarity for business customers and ensure they are fairly and consistently treated

Consistency, completeness and transparency of information presented on energy bills and energy statements

Question 23

The Group would welcome the proposed requirement for suppliers to ensure and maintain consistency, clarity and transparency of information in energy bills/statements, terms and conditions of supply, schedules of tariffs and charges, based on the belief that clear information is critical to good decision-making. Further, the Group supports this requirement based on retail representatives' experiences of assisting clients with their bills, where it is often found that:

- Many SME customers do not understand the language of energy supply or the means by which they can interpret their bills
- A lack of clarity in billing information can hinder a customer from reducing consumption, assessing how costs could be reduced, or judging the merits of an offer or a switch, as it can be unclear which aspect of the tariff is being impacted by discounts or price increases

CONCLUDING COMMENTS

The Retail Consultation Forum Working Group on SMEs reducing energy costs welcomes this opportunity to provide input into CER's review of the Electricity and Gas Supplier's Handbook, and

particularly welcomes that many of the proposed requirements speak to issues that have been raised to the Group as concerns for business customers regarding supplier-customer interaction. We look forward to reviewing the next draft of the document in the coming period, and to commenting further where appropriate.

ENDS