



# **Improving the Non-Domestic Consumer Experience**

**Utility Regulator**

**Power NI Response**

12 December 2024

## Introduction

Power NI welcomes the opportunity to respond to the Utility Regulator's (UR's) consultation paper on proposed measures for improving the non-domestic consumer experience. The UR have a statutory duty to protect consumers, and this extends to include non-domestic customers. With Northern Ireland now in line with the rest of GB in terms of price regulation, the non-domestic market has evolved and continues to grow.

Power NI are active in the non-domestic market and have developed good relationships with local business, representative organisations as well as with Third Party Intermediaries (TPIs) to ensure customers are provided with the best products and services available. It is important to note that Power NI and all suppliers are subject to regulatory requirements via Licence and Codes of Practice; this is not the case for all market participants.

It is also important for the UR to recognise that non-domestic customers have a different level of commerciality than residential customers and therefore should be treated accordingly. All customers should expect a certain level of protection however suppliers need to be afforded the opportunity to compete and an overly mandated, prescribed and standardised approach will limit the operation of the market and therefore restrict competitive differentiation. The UR should be mindful that their statutory duty also extends to competition.

Power NI remain committed to engaging with the UR to develop appropriate regulatory protection for non-domestic customers and would encourage the UR to look towards more principles based regulation rather than the prescriptive measures being proposed.

## Specific Questions

***Q1: What are your views on the suitability of the scope of coverage for these measures applying to small business defined as annual consumption of 0-50MWh for small Industrial and Commercial (I&C) electricity customers and 0-73.2MWh for small I&C gas customers?***

***Power NI response:***

Power NI believe this definition for small Industrial and Commercial (I&C) customers to be suitable.

**Potential Measure 1 – Suppliers to publish tariff rates for small businesses on their website.**

***Q2: Question 2a. Should suppliers be mandated to provide transparent price information for small businesses on their website? If so, please describe what format should this take? Please provide a clear rationale to support your answer.***

***Power NI response:***

It is unclear what the UR is trying to achieve and for whose benefit this proposal is made. Should prices not be readily available to customers means a Supplier risks either not retaining or not winning a customer. The UR's proposed mandate appears to not recognise the existence of a competitive market where Suppliers and TPIs are active. The UR suggests publishing on a website will increase transparency however does not specify for whom is this potential transparency intended.

As outlined Suppliers committed to providing pricing information to the CCNI for publication on their website. The UR state that this hasn't been working effectively however offer no evidence to support this. The CCNI regularly attend meetings with Suppliers both collectively and individually and this issue has not been raised. Power NI believes the current approach is working effectively and benefits from allowing the CCNI to offer an impartial comparison service in line with the broader services it offers customers. Power NI is not clear on why the UR is seeking to undermine this.

***2b. If yes, how do you suggest that this measure should be implemented? (For example, licence requirement / Code of Practice / guidance document).***

***Power NI response:***

Power NI does not support this measure.

***2c. Do you think that this required pricing information should include standing charges, unit rates and all other associated charges per electricity meter and gas meter, which is available for a Small Business Customer to enter into a supply contract?***

***Power NI response:***

Any pricing information provided to any customer should always include standing charges, unit rates and all other associated charges.

**Potential Measure 2 – Suppliers to publish information providing access to customer support services.**

***Q3: Question 3a. Should energy suppliers be required to publish information on their websites sign-posting non-domestic consumers to relevant support and advice services? Please provide reasoning to support your answer.***

***Power NI response:***

Power NI already provide support to SMEs in terms of hardship, debt and direct to other support services where appropriate, with treatment of commercial customers in difficult circumstances no different to that of domestic customers. Power NI's processes have been and will continue to focus on customer engagement, recognising specific circumstances and reaching a mutually agreed and reasonable solution.

Customers are always encouraged to get in contact if they find themselves experiencing difficulties and if necessary, Power NI will make several attempts to speak with the customer via a dedicated Payment and Accounts Resolution (PAR) team who will discuss their individual circumstances and signpost to an a support service if required.

Whilst there is a wide range of support and advice services available for domestic customers, the support for non-domestic customers is considerably less with only a limited number of organisations that can provide adequate support. Providing this signposting information for domestic customers is currently a requirement under a code of practice, so Power NI support publishing similar information for non-domestic customers, given the importance of doing as much as possible as preventative measures to help facilitate customers before they get into difficult circumstances.

It is worth noting that the UR would need to consider that there are a limited number of organisations available to support, which was discussed in detail during meetings regarding the recent Energy Charter for Non-Domestic customers. Appropriate engagement with advice organisations would need to be considered, in particular their resource management to deal with any uplifts in demands that may arise as a result of any additional signposting from Suppliers.

***3b. If yes, how do you suggest that this measure should be implemented? (For example, licence requirement/ Code of Practice/ guidance document).***

***Power NI response:***

Service is a differentiator; Power NI does not believe such measures should be mandated as it represents further UR interference in a competitive marketplace.

**Potential Measure 3 – Standard, mandatory statement on bills stating that the customer may not be on the cheapest tariff and how to switch.**

***Q4: Question 4a. Should non-domestic consumer bills include a standard, mandatory statement stating that the consumer may not be on the cheapest tariff and information on how to switch? Please provide a clear rationale to support your answer.***

***Power NI response:***

There already exists requirements placed on suppliers mandating bill messages advising that there may be other tariffs which may be a better fit for your business, encouraging contact and the CCNI's details for impartial advice and support. It is not clear why the UR feel these are insufficient nor does the UR provide any evidence of expected benefits from this proposal.

Power NI believe the suggestion will in fact be counterintuitive and, in many cases, misleading. When offering a fixed price, for example, the price book is periodically refreshed this would mean that a customer who signed a one-year fixed contract last week will have a different price offered than a customer who signs a contract this week. That price could be either higher or lower dependent upon wholesale market movements. The UR appear to be suggesting that the customer should seek to break their contract or at least a message on a bill encourages a customer to contact only to be told that they have locked into a contracted position. This is a poor customer experience.

***4b. If yes, how do you suggest that this measure should be implemented? (For example, licence requirement/ Code of Practice/ guidance document).***

***Power NI response:***

The current statement included on Power NI bills is in line with the current Code of Practice on Non-Domestic Bills and Statements and appropriately reflects the market context.

***4c. Are there any other publications that you would suggest this statement be included in? Please provide a clear rationale to support your answer.***

***Power NI response:***

Power NI does not support this statement as it will be misleading.

**Potential Measure 4 – Security deposits with respect to the duration these may be held for.**

***Q5: Question 5a. Should there be a requirement for suppliers to provide non-domestic consumers with clear information around when the security deposit will be paid back to them, and require the supplier to confirm if there are alternative measures or options available other than the deposit? Please provide a clear rationale to support your answer.***

***Power NI response:***

Power NI believe that this is a fair requirement and that all suppliers should be required to provide clarity around timelines and transparency of rationale for retaining deposits. SME are the backbone of the community and economy, so it is important that deposits are dealt with in a fair and transparent manner. It is important that the UR recognise that a review of a customer's credit position is complex and the basis of any deposit held should be

individual, it cannot be a broad-brush approach. The risk needs to be assessed at individual level, not a sectorial level.

***5b. If yes, how do you suggest that this measure should be implemented? (For example, licence requirement/ Code of Practice/ guidance document).***

***Power NI response:***

A Licence Condition in relation to Domestic Security Deposits exists. A new section in relation to Non-Domestic Security Deposits could be added which would have the advantage of keeping all references to Security Deposits in a single place rather than scattered in Licences and in Codes.

#### **Potential Measure 5 – Maximum notice periods on deemed contracts**

***Question 6a. Should notice periods under deemed contracts be prohibited? Please provide reasoning to support your answer.***

***Power NI response:***

Power NI would be supportive of this proposal given that Power NI do not require any notice period to be given for a customer on a deemed contract.

Power NI have seen examples of contracts which in some cases require customers to give 30 days' notice, even when they fall out of contract. This means a customer could be locked in for a further two months post contract end before they are aware and provide the adequate notice period. Practices like this not only hinder a customer's ability to engage effectively within the market and drive competition, but it results in customers being exposed to higher default rates for an extended period of time which feels inappropriate with regards to consumer protection, given customers are unable to move out of a higher rate.

***6b. If yes, how do you suggest that this measure should be implemented? (For example, licence requirement/ Code of Practice/ guidance document).***

***Power NI response:***

Given the significant impact that a notice period could have on a small business, Power NI feel strongly that a measure should be implemented to prevent notice periods in the strongest form possible i.e. a licence requirement. This would help to ensure that all customers are treated fairly and prevent customers from being given an ability to exit their contract.

## **Potential Measure 6 – Prepayment Meters for non-domestic consumers**

***Question 7. Should the feasibility of an electricity prepayment meter solution for non-domestics be further explored? Please provide reasoning to support your answer.***

### ***Power NI response:***

Power NI have been involved in previous discussion around the feasibility of a prepayment solution for non-domestic customers. Due to various issues including concerns around VAT this was unable to be resolved and therefore has prevented the implementation of prepayment to date. This particular issue will not be able to be resolved without the UR directly engaging with HMRC.

Despite this Power NI do believe there is scope to investigate the potential through the introduction of smart metering and believe that it should be explored in more detail as part of the smart metering roll out.

There are some areas that would need serious consideration regards to smart metering prepayment including the issues around self-disconnection and the impact on a non-domestic premises, health and safety, liabilities in circumstances where there could be issues.

It is not a broad-brush approach to tackling debt and would only be fit for purpose in a particular set of circumstances. More work needs to be done in this area and Power NI are happy to support further discussions on this where necessary.

## **Other Potential Measures**

***Question 8. Are there any other additional measures to enhance the operation of the non-domestic retail energy market which respondents think should be considered as part of this consultation process?***

### ***Power NI response:***

The removal of price regulation in the non-domestic electricity market brought Northern Ireland in line with the rest of GB. While this development has had a positive impact on the marketplace and there is active competition between several suppliers, the market for Third Party Intermediaries (TPIs) has grown significantly.

While TPIs can offer a useful service to customers and there are many reputable TPIs, experience would suggest that this sales activity can have negative impacts, in particular regarding the impartiality of advice offered and the level of commission charged. There is an asymmetry in the current governance of the Northern Ireland energy market when it comes to regulation and consumer protection. Suppliers are subject to strict regulatory controls underpinned by licence. These requirements come with significant penalties for any failures compared to TPIs who have no governance or regulation.

The UR has taken steps to regulate the sales activities of suppliers in the energy market through a mandatory Code of Practice. It is therefore inequitable and not in the interest of

consumers that a situation exists in which one group of market participants are held to a different standard of sales activity than another.

The activities of any party who is active in the energy market reflects on the industry as a whole and participants must work to ensure that consumer is protected. The TPI experience in GB has undoubtedly had an adverse impact on the entire GB energy industry and it is important that such an outcome does not occur in the Northern Ireland energy markets.

Power NI has experience of working with over 30 TPIs in the market, ranging from large organisations to small, local businesses. While they can drive competition within the market and have a heavy influence, customers do require some level of protection to ensure that they operate in a fair and transparent manner.

There are specific areas which Power NI believe should be looked at from a regulatory perspective:

- **Transparency**

Experience has shown that TPIs operate 'under the radar' when it comes to pricing and commission earned. There is little evidence of transparency of commission agreed with the customer and the same for pricing of contracts.

When a supplier submits a price to a TPI for customer contracts, there is no formalised feedback process provided by TPIs to understand what was or was not successful about the price, what the successful margin was and therefore hinders suppliers from being able to learn and potentially improve future offers for customers and drive competition where possible.

- **Commission**

Commission is a contentious area and Power NI have experience of seeing large differences in costs between various TPIs and even varying differences at customer level. For example, costs ranging from 1p/kWh vs flat fee of £150 depending on the customer.

It is the URs statutory duty to protect consumers whilst ensuring integrity in the market and getting a fair, transparent deal for their energy should be paramount. Power NI therefore would urge the UR to look at this area and is committed to positively engaging with the UR on this work.

***8b. If so, please describe the measure and how it could be implemented (for example CoP/ licence modification/ guidance document).***

***Power NI response:***

Power NI believes that the publication of TPI commissions on customer bills would give customers a better understanding of how they are paying the TPI's fee. Power NI strongly advocates that any requirement should be a requirement for all and therefore mandatory.