


Ensuring a better deal for energy consumers

DECC DISCUSSION DOCUMENT



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Introduction

We know that households across the country are facing a tough time and while we can't control volatile world energy prices, we have been taking action to help people get their bills down.

To date we have focused our action on four key areas:

- the provision of **clearer information** to consumers about the best tariffs and the savings they can make by changing their payment method and tariff;
- **help for consumers**, especially vulnerable consumers, to **improve the energy efficiency** of their homes;
- **additional direct help**, through the Warm Home Discount, for vulnerable consumers to get money off their energy bills;
- **raising awareness of the help available to people to reduce their bills** through initiatives such as Big Energy Saving Week.

Clearer information to help consumers onto the best tariffs

- Securing the agreement of the six largest energy suppliers to provide a sign post on energy bills to encourage consumers to check out the cheapest deals and to write to 8 million standard credit customers to tell them about the savings they could make by paying by direct debit.
- Securing a further agreement in April 2012, negotiated by the Secretary of State and announced by the Deputy Prime Minister, that suppliers would provide more help to consumers to find the best tariff – this information is already appearing on bills.

Helping consumers make their homes more energy efficient

- Government schemes such as the Carbon Emissions Reduction Target (CERT) and the Community Energy Saving Programme (CESP) require energy suppliers to promote energy efficiency measures to consumers, commonly provided at a subsidised rate or free of charge. Between April 2011 and June 2012 there have been around 700,000 cavity walls insulated and over 1.5 million lofts insulated under CERT.
- The Government's Warm Front scheme has assisted more than 40,000 vulnerable households since October 2011 through the provision of a range of heating and insulation measures.

Discounts on energy bills for vulnerable consumers

- Through the Warm Home Discount, we are requiring energy suppliers to support around 2 million low income and vulnerable households each year to 2015 – providing support worth £1.1bn in total. This year around 2 million households will receive support through Warm Home Discount, including a £130 rebate on electricity bills for more than 1 million of the poorest pensioners.

Raising awareness and putting people in touch with sources of help

- Big Energy Week (an initiative agreed at the Consumer Energy Summit, chaired by the Prime Minister in October 2011) and held in January 2012 reached 75,000 consumers either face to face or over the phone with practical advice on how to reduce energy bills. A further 48 million were reached through an extensive media campaign.
- Big Energy Saving Week (funded through an agreement reached by DECC with the energy suppliers), held in October 2012, saw the delivery of around 430 outreach events throughout Great Britain which aimed to provide direct help and advice to over 175,000 consumers and key campaign messages through the media reaching around 50 million.
- A £5m competition for the most innovative local authority or third sector collective purchasing and switching schemes.

More information on the full range of programmes and help the Government provides for consumers can be found in the Annex at page 26 .

Further action to ensure consumers get the cheapest tariffs

Despite the wide-ranging actions the Government has already taken to help consumers with their energy bills, there is still more we can do, particularly to ensure consumers can get the cheapest tariff that meets their preferences. That is why the Government has signalled its intention to include measures in the Energy Bill to ensure consumers get the cheapest tariffs.

It is currently only those most active “switchers” who can be confident they are on the best deal for them. The majority of consumers tend to be on their supplier’s standard variable tariff or on “dead” tariffs that are no longer open to new customers. This applies particularly to vulnerable people who are less likely to switch and often end up paying more than they need to. For example, Ofgem’s findings show that the proportion of those consumers who claim they have never switched is 10 per cent higher amongst consumers in social grades D and E than the average¹. Significant savings can be made through switching - for example, those customers who have never switched and pay by standard credit could save up to £200 a year by switching supplier and paying by direct debit.

There are various factors that deter people from switching. These include a lack of awareness of the savings that can be made from switching, complex tariff structures, a baffling array of tariffs and confusing information on bills, which make it difficult for consumers to compare tariffs easily. We have been working with suppliers and Ofgem to address these issues.

A number of the large suppliers have sought to address some of these issues and have taken steps to reduce the number of tariffs they offer and simplify their structure, redesign bills and build trust with consumers. Some suppliers have introduced price comparison metrics or similar tools.

While these are all welcome developments, the Government has been pushing the industry to go further and faster, while Ofgem have been undertaking their Retail Market Review. Now we have Ofgem’s latest set of Retail Market Review proposals, we are setting out further ideas to help consumers with their energy bills, including the commitment to ensure that customers get the cheapest tariff that meets their preferences, which the Prime Minister promised recently.

In this document we set out as a basis for discussion with stakeholders a package of proposed measures that are designed first and foremost to ensure consumers get the cheapest tariff offered by their supplier that meets their preferences. The package will also enhance overall consumer protection and enable consumers to compare different suppliers’ tariffs and to switch more easily.

The proposals seek to strike the right balance between helping consumers in a market in which the majority currently do not engage, whilst maintaining consumer choice and incentives for

¹ Source Ofgem’s Retail Market review – Initial Findings and Proposals

suppliers to compete and innovate. They are focused on achieving our objective of consumers getting the cheapest tariff available that meets their preferences and to encourage them to seek out even better deals with their supplier and across the market.

We are seeking views both on the individual proposals outlined below and the proposals as a package. In particular we welcome views on whether the proposals to ensure customers get the cheapest tariff that suits their preferences are designed in a way that maintains sufficient choice for consumers and strong incentives for suppliers to continue to compete hard for customers. We are also keen to ensure that the proposals allow for innovation in the market, do not discourage potential new entrants and encourage participation in, and development of, collective switching and purchasing schemes.

Ofgem consultation on Retail Market Review proposals

Some of the measures outlined in Ofgem's current consultation on proposals² as part of their Retail Market Review are key to achieving our aim of ensuring consumers get the lowest tariff. With respect to those measures (highlighted throughout the document), we are proposing to take legislative action in order to ensure that:

- there is no delay to implementation; and
- we are in a position to augment Ofgem's measures if necessary.

Whilst we do not want to pre-empt the results of Ofgem's consultation, we think it is appropriate to consider in tandem our proposals and to ensure the Government is doing all that it can to ensure consumers get the lowest tariffs.

² <http://www.ofgem.gov.uk/Markets/RetMkts/rmr/Documents1/The%20Retail%20Market%20Review%20-%20Updated%20domestic%20proposals.pdf>

Additional measures to protect consumers and promote engagement

We are also considering additional measures to protect consumers and help them to compare tariffs across the market. We welcome views on whether:

- there is benefit in seeking to establish a co-ordinated network of voluntary organisations and community groups that work proactively with trained energy advisers to support vulnerable consumers to engage in the energy market;
- there are any barriers that need to be addressed to allow collective switching and purchasing to flourish;
- to require suppliers to provide customers with their data in a format that facilitates switching by smart phone and third parties;
- there is a need to take a more formal regulatory approach to third party intermediaries given the increasing role they are playing in the retail energy market.

General information

Purpose of this document

The purpose of this document is to seek views on proposals to ensure consumers get the cheapest energy tariffs.

Issued: 20 November 2012

Respond by: 4 January 2013

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Tel: 0300 068 6291
Email: simpler.tariffs@decc.gsi.gov.uk
Consultation reference: URN: 12D/437

Territorial extent:

Great Britain.

How to respond:

We are happy to accept responses in either written or electronic form.

Additional copies:

You may make copies of this document without seeking permission.

Other versions of the document in Welsh, Braille, large print or audio-cassette are available on request.

Confidentiality and data protection

Information provided in response to the proposals in this document, including personal information, may be subject to publication or disclosure in accordance with the access to information legislation (primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004).

If you want information that you provide to be treated as confidential please say so clearly in writing when you send your response to the consultation. It would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic

confidentiality disclaimer generated by your IT system will not, of itself, be regarded by us as a confidentiality request.

It is our intention to share all responses with Ofgem unless respondents specifically request us not to.

We will summarise all responses and place this summary on our website at www.decc.gov.uk/en/content/cms/consultations/. This summary will include a list of names or organisations that responded but not people's personal names, addresses or other contact details.

1. Simpler tariffs and the cheapest tariff for you

1.1 We are committed to ensuring that all customers get the cheapest tariff from their energy supplier that meets their individual preferences. This section sets out proposals to legislate in the Energy Bill to deliver this.

Background

1.2 At present the majority of consumers do not actively seek out the best deal on the market. Evidence from Ofgem's Retail Market Review shows this is due in part to the complexity of tariffs and their proliferation in recent years. Ofgem noted in its '*Retail Market Review – Findings and initial proposals*' published in March 2011 that the number of tariffs had increased to over 400. Complex pricing structures and the range of different approaches taken by suppliers make it extremely difficult, if not impossible, for consumers to compare tariffs between suppliers and to seek out the best deal. 75% of consumers are on standard variable rate tariffs, which tend to be more expensive. Ofgem estimates, in the impact assessment accompanying its current Retail Market Review proposals³, that consumers can save an average of £72 and a possible maximum of £158 a year by switching to the cheapest deal in the market for their payment method. Larger savings can be made by some consumers if they switch supplier and change their payment method.

1.3 In its latest set of Retail Market Review publications, published 26 October 2012, Ofgem found that despite some suppliers' steps to reduce the number of tariffs on offer there is still a baffling array of 410 to choose from. It also found that there are over 650 "dead tariffs" - these are standard variable rate tariffs that serve existing customers, but are not open to new customers. These tariffs make it harder for consumers to identify their own tariff, for example on a switching site list, and therefore make it more difficult to compare it with the current range of tariffs on offer. Ofgem's analysis suggests that for the previous incumbent suppliers (those

³ <http://www.ofgem.gov.uk/Markets/RetMkts/rmr/Documents1/The%20Retail%20Market%20Review%20-%20Draft%20Impact%20Assessment%20for%20the%20updated%20domestic%20proposals.pdf>

companies that inherited their customers when the gas and electricity markets were privatised) around one third of these “dead” tariffs are more expensive than the current standard variable rate the same suppliers offer to other customers.

1.4 Although it is clear that there are too many tariffs for consumers to negotiate their way round, we recognise that it is important to preserve adequate consumer choice. Many consumers value the discounts that some suppliers offer such as dual fuel, direct debit and prompt payment discounts, which also are cheaper for suppliers to deliver than tariffs paid by cheque or cash. Others value the offers by suppliers of retail stores’ loyalty card points and discounted boiler maintenance services. Some consumers express a preference for green tariffs, which they know can cost more than other types of tariff.

1.5 It is also important to recognise that consumers have different preferences when it comes to payment methods and some customers prefer the certainty of fixed term deals so they know what they will have to pay over a given period, even if this may be more expensive than the supplier’s current standard variable rate. For some customers on the standard variable rate it is a positive choice and may be the best tariff to suit their circumstances. It would be wrong to assume that all customers paying by standard credit on a standard variable rate are on the “worst tariff” for them.

Proposals

1.6 We are committed to ensuring that all consumers get the lowest tariff offered by their supplier that meet their individual preferences. We believe that the best way to achieve this is to build on Ofgem’s RMR proposals by legislating in the Energy Bill to:

- Limit suppliers to four “core tariffs” per fuel⁴. This will end the proliferation of tariffs that has taken place over the last few years. However, collective switching schemes will be able to negotiate bespoke prices.
- Require that the four “core tariffs” contain one standard variable rate tariff, and one fixed term fixed price tariff that are comparable like with like across the market. This will ensure that these two tariff types, which account for 85% of all customers, are clear simple and easily compared.

⁴ The small number of customers who have time of use meters will have also have a maximum of 4 different tariffs to choose from.

- Allow suppliers freedom to offer the remaining two tariff types as they wish, to preserve customers' choices, such as green tariffs.
- Require that suppliers offer just a single price for each of the four tariff types⁵. As Ofgem set out, this requirement would not prohibit discounts for dual fuel or lower cost payment methods⁶.
- Prohibit poor value "dead" tariffs. Where customers on a "dead" legacy deal are paying a higher price than their supplier's cheapest standard tariff, they will be switched to the cheaper rate. It is not our intention to require suppliers to transfer customers on "dead" tariffs which are cheaper than their supplier's standard variable rate.

1.7 It is our ambition that by summer 2014, all customers will have been placed on the cheapest price available from their supplier for the tariff type of their choice⁷.

1.8 Once these measures are in place customers will be able to be confident that they have the best price their supplier offers for someone with their preferences. These measures will also make it easier for consumers to shop around for the best market-wide deal.

1.9 We would welcome views on how the detail of these proposals would operate in practice. We would particularly welcome views on the following questions:

- 1. Is four the right number of core tariffs?**
- 2. Have we got the right balance between tariff comparability and opportunities to innovate for suppliers?**
- 3. Do these proposals go far enough in stimulating competition in this market?**

⁵ Notwithstanding regional differences that arise from different regional network operating costs.

⁶ Surcharges, such as late payments charges and meter reconnection charges, would also be treated separately.

⁷ This will happen at the natural end of existing fixed term contracts whose period extends beyond this date.

2. Clearer information

2.1 Energy bills and other communications from suppliers, such as the annual statement, are another source of confusion for the majority of consumers. Consumers need clear information on their bills about their tariff and their energy consumption in order to compare their tariff with what else might be on offer. Even in a future where they are on the lowest tariff with their supplier, given their current preferences, we want consumers to be empowered to take further action, for example by switching to a different payment type or by switching their supplier, or by joining a collective switch.

2.2 Clear tariff and consumption information alone may not prompt people to seek out the best deals. That is why in April the Government brokered an agreement with energy suppliers to inform customers of the best tariff. Ofgem has subsequently published its latest Retail Market Review proposals in which it proposes to require suppliers to provide each of their customers with personalised information on the annual savings they can make from moving to the supplier's cheapest tariff for their current payment method, and the annual savings they can make by moving to the supplier's cheapest overall tariff.

2.3 In addition Ofgem, is proposing that suppliers introduce a Tariff Comparison Rate (TCR) for each of their tariffs. This is intended to establish a single figure 'common currency' for expressing all tariffs and enable consumers to compare different types of tariffs on a 'like for like' basis. Ofgem is proposing that suppliers use the TCR in all marketing materials and to inform their customers of the TCR for their current tariff on bills, annual statement, price increase notification letters, tariff information labels and end of fixed term contract letters. We agree that a tool to help consumers compare tariffs across the market would be of considerable benefit.

2.4 We support Ofgem's proposals to require suppliers to provide clearer information to consumers to help them switch. In order to ensure that they are put into effect we propose to take enabling powers in the Energy Bill:

- To require suppliers to provide, on relevant customer communications, personalised estimates of the savings to be made from moving to the supplier's cheapest tariff for their current payment method and by moving to the supplier's cheapest tariff overall;
- For a tariff comparison tool that will allow for comparison of different tariffs on a like for like basis.

2.5 We would welcome views on these proposals and in particular on the following questions:

- 4. Will these proposals encourage those customers who currently don't switch to engage in the market?**
- 5. Are the proposals likely to promote greater competition between suppliers in both the fixed term and the standard variable rate segments of the market?**
- 6. Will a tariff comparison tool enable consumers to compare tariffs sufficiently well to encourage them to shop around and compare tariffs across the market?**
- 7. What would be the most helpful metric to allow consumers to compare tariffs more easily?**

3. More help for vulnerable consumers

3.1 The proposals outlined in the preceding chapters are intended to help all consumers access the cheapest tariffs, but, we recognise that vulnerable consumers may need additional help and support to give them the confidence to switch and to ensure they are getting the best possible deal that meet their preferences.

3.2 The driver behind campaigns such as Energy Best Deal and Big Energy Saving Week is to provide practical face to face advice by trusted intermediaries such as Citizens Advice, to ensure consumers not only receive the information they need, but have support to give them the confidence to take action to reduce their bills.

3.3 Energy Best Deal is an energy information campaign, developed by Ofgem, run by Citizens Advice and is currently funded by the six largest energy suppliers. The campaign provides training and information to frontline advice workers, such as Citizens Advice advisers and to consumers on energy issues such as switching, differences in payment methods, eligibility for benefits and free or discounted energy efficiency measures and debt advice. Since its launch in 2008, more than 6,000 frontline workers and 8,400 consumers have attended sessions and it is estimated that by spring 2013, an additional 91,000 consumers will have benefitted from help and advice passed on by frontline workers who have attended sessions.

3.4 Similarly, the Government asked Citizens Advice to co-ordinate Big Energy Week, first held in January this year and then October's much more ambitious Big Energy Saving Week. These campaigns were designed to provide practical, face to face advice on energy issues for vulnerable consumers at outreach events throughout the country and over a dedicated telephone helpline and website. January's campaign saw over 130 events run and provided direct help and advice to an estimated 75,000 consumers. October's Big Energy Saving Week saw around 430 events throughout Great Britain which aimed to reach over 175,000 consumers with direct help and advice during the campaign⁸. The funding for Big Energy Saving Week

⁸ Citizens Advice are preparing a full evaluation of the campaign, which should be available in January 2013.

included training for over 500 frontline advisers so they could help consumers with information about switching, differences in payment methods, and eligibility for free or discounted energy efficiency measures and debt advice.

3.5 Whilst both of these campaigns have benefitted many thousands of vulnerable consumers, we know that many vulnerable people may still benefit from further help and advice in order to engage with the market with confidence. We want to build on the legacy of these campaigns and consider whether it would be possible to reach many more people through a proactive advocacy service to reach out to vulnerable consumers to help them benefit from the best tariffs available, including through collective switching or purchasing.

3.6 DECC has worked extensively with the organisations involved in the Energy Best Deal and Big Energy Saving Week campaigns and many more through its work on fuel poverty. This network of local and national frontline organisations is trusted by and has regular contact with vulnerable consumers. One model for an advocacy service would be for it to act as a co-ordinated network that could draw on the services of trained energy advisers to help vulnerable people engage in the energy market.

3.7 We would like to see organisations that offer advice and support to vulnerable people benefiting from the large number of advisors that have been trained for Big Energy Saving Week and through the Energy Best Deal initiative – perhaps by organising workshops or events where their clients can come to receive one to one advice and support on how to identify the best deals and then switch. We would also like the trained advisers to provide advice on energy efficiency and in particular help those who may be eligible to apply for free or discounted energy efficiency measures.

3.8 We would welcome views on whether there is benefit in seeking to establish a co-ordinated network of voluntary organisations and community groups that work proactively with trained energy advisers to support vulnerable consumers to engage in the energy market.

8. Are there appropriate networks already in place that could deliver the proactive approach we are seeking to working with vulnerable consumers to help them engage in the energy market?

- 9. Taking into account the limited resources available, is the approach outlined above the best way to reach vulnerable consumers or are there different approaches that could be more effective?**

4. Helping you switch

4.1 We want to make it easier for people to switch when they have decided to change tariff or suppliers. One method is to promote collective switching – a range of options whereby third parties such as councils or social enterprises bring together consumers to help them switch and to use group discounts to get a better deal. This idea is discussed in more detail in the next chapter.

4.2 Whether you want to switch using a third party, or to switch as an individual, we want to ensure you can get all the information you need to switch as easily and quickly as possible. Businesses, including energy suppliers, use their customers' data to develop new products and services, but so far consumers have not been able to access it or use it easily.

4.3 The Government launched its 'Consumer Empowerment Strategy, "Better Choices: Better Deals" in April 2011⁹. This strategy sets out the pathway to put consumers in charge, so that they are better able to get the best deals for themselves, individually and collectively. The midata project¹⁰ was launched as part of this strategy, to allow people to view, access and use their personal and transaction data in a way that is portable and safe. The midata programme is an important part of the Government's work to unlock for consumers the power of information.

4.4 Whilst the midata project involves a range of sectors, consumers in the energy sector can particularly benefit from access to data about their previous consumption and transactions to help them make better switching decisions in the future. It is appropriate therefore that the Energy Sector has been at the forefront of the midata programme, with all of the six largest energy suppliers signing up to the project following the October 2011 Consumer Energy Summit.

⁹: <http://www.bis.gov.uk/policies/consumer-issues/consumer-empowerment>

¹⁰ <http://www.bis.gov.uk/midata>

4.5 As part of the midata programme, which is being led by the Department for Business Innovation and Skills (BIS), energy suppliers have already agreed to give consumers access to their data in an electronic format they need to help switch suppliers. Five of the six largest suppliers have already or are just about to provide this information to their customers, with the sixth looking to implement by the middle of next year. In practice this means that consumers can access their consumption and tariff data securely from, for example, an energy supplier's website, and elect to receive this in a data file which can be sent to their own email address. Consumers can use this information to better understand their consumption and compare the tariff details to other offers in the market.

4.6 In the future we envisage the creation of applications which use this data to help people to switch supplier more easily, and which through the provision of consumption data could also help people understand the benefits of installing energy efficiency measures. BIS has also recently consulted on proposals to give statutory backing to the midata programme by introducing a right for customers to have personal transaction and consumption data supplied in a re-usable electronic format. They published the Government response to the consultation on 19 November 2012, which sets out, amongst other things, the leading role of the energy sector in the midata programme.

4.7 While BIS are taking forward the work on midata, we want to take this a step further for the energy sector by introducing Quick Response (QR) codes onto consumers' energy bills. QR codes are essentially a type of bar code that includes information that can be scanned by smart phones and QR readers. QR codes combined with the appropriate development of apps means that people will be able to check the best deals and switch supplier using their smart phones.

4.8 The advantages of QR codes are that they provide a technology that can enable consumers to carry the information they need to enable advice services to be best able to help them. This could be particularly valuable for outreach events that are designed to help vulnerable consumers and the fuel poor to reduce their energy bills. The QR code would contain all the information that a customer needs to switch and organisations working with vulnerable consumers could take the consumer through the switching process using a smart phone or other electronic device.

4.9 Following an agreement with energy suppliers, announced by the Deputy Prime Minister in April, energy suppliers committed to work with Government, to investigate the possibility of putting QR codes on energy bills and annual statements to facilitate switching through smart phones. BIS is leading work to consider with the industry technical issues that need to be resolved, such as data size limitations and data security, and aims to report on this in the New Year.

4.10 We are proposing as part of our suite of measures to help consumers engage in the energy market to take enabling powers in the Energy Bill to ensure that energy consumers can benefit from innovative technology that facilitates switching through smart phones and other devices. We are aware that QR codes are not the only format to enable switching through smart phones and that similar technologies, such as 'Google Goggles' and 'Blippar' may also be of benefit. These alternative technologies allow data to be embedded in text or images on a bill.

4.11 We are therefore proposing that the power we take will allow for a range of technologies, similar, but not confined to QR codes. The primary purpose of the powers we seek will be to require suppliers to provide customers with their data in a format that allows it to be 'read' by a smart phone and other electronic devices and which can be uploaded in such a way that facilitates the development of comparison applications.

4.12 We would welcome views on whether such a requirement will benefit consumers, encourage greater engagement in the energy market and improve competition and in particular responses to the following questions.

10. Will a requirement for energy suppliers to provide customers' data in a format readable by smart phones be of benefit to a wide range of consumers, through personal and third party advocacy use?

11. What customer data, held by energy suppliers, would be needed in order to fully enable development of tariff comparison and energy efficiency applications?

5. Facilitating Collective Purchasing and Switching

5.1 Collective purchasing and switching is an innovative way for consumers to group together (through a trusted third party) and use market power to negotiate lower energy bills. There is an increasing amount of interest in collective purchasing and switching in the UK following successful schemes that have operated in other countries in Europe. Schemes that have already completed have been successful in moving consumers to a cheaper tariff – for example Which? estimates that almost 38,000 people switched through their Big Switch and the average saving per household was around £223.

5.2 To facilitate the establishment of collective purchasing and switching schemes, which have the potential of reducing energy costs to consumers, DECC set up a working group to review whether there were barriers to collective purchasing and switching and identify other steps that could be taken to facilitate collective buying in these markets. Members of the group came from industry, consumer groups, interested third parties, potential providers of collective purchasing and switching schemes and services, the Local Government Association, Ofgem and Government. Following the recommendations of the group, DECC has published guidance for consumers and providers on getting involved and setting up collective purchasing schemes, Ofgem published guidance on the relevant licence requirements for energy suppliers and the Secretary of State sent an open letter to all domestic gas and electricity suppliers stressing the importance of their participation in collective purchasing/switching schemes.

5.3 More recently DECC has launched 'Cheaper Energy Together', a £5m fund designed to support the development of innovative collective purchasing and switching schemes run by Local Authorities and third sector organisations. This fund is particularly focused on encouraging engagement with vulnerable people and through it DECC aims to develop an understanding of which approaches are the most effective at engaging with consumers, particularly vulnerable consumers. Successful schemes will be asked to capture and share learning from their schemes and participate in evaluation of the fund.

5.4 We would welcome views on collective purchasing and switching and in particular on the following questions:

12. Do you agree that collective purchasing and switching has the potential to encourage participation in the retail market and facilitate consumers getting a better deal on their energy bills?

13. Have you identified any barriers to operating collective purchasing and switching schemes?

6. Third Party Intermediaries

6.1 The proposals in this document relating to better information provision, tariff comparison metrics and the facilitation of switching are all aimed at promoting engagement in the market so that consumers are continually challenging the status quo by ensuring they are on the best tariff for them. This wider objective can be supported by improving access and confidence in the intermediaries that help consumers to compare the market and switch to a better deal. Independent domestic energy price comparison sites help thousands of households every month to compare prices and switch tariffs and suppliers. They offer a comprehensive service that compares a consumer's current tariff with those of all suppliers. They help consumers find the best deal and provide them with a free and easy-to-use switching service.

6.2 Switching sites are now the main source of information for consumers to compare tariffs across the market, and are likely to become even more important in the future as the large suppliers have moved away from door-step sales. It is important therefore that consumers are assured that the services they provide are independent and the information given is accurate.

6.3 In the non-domestic energy sector, energy brokers and agents facilitate energy deals between businesses and energy suppliers, often accessing a range of different supplier offerings. Their services can range from a one-off across the market comparison of offers to help a business switch to a new deal, to longer term relationships with a business such as account management, bill valuation and energy management services.

6.4 We expect that the importance of these Third Party Intermediaries (TPIs) as an interface between consumers and the energy companies will grow. For example, the introduction of smart meters and grids and an increased focus on energy efficiency is likely to increase service opportunities for TPIs and potentially their value to customers.

6.5 The importance of TPIs appears greater for smaller businesses. Ofgem's investigation into supplier offerings for consumers showed that smaller business consumers are less likely to have a direct and regular relationship with their supplier representative and the market indicators suggest there may be less competitive pressure to improve service to smaller business consumers.

6.6 Ofgem have received reports of rogue TPIs whose actions have misled business consumers onto worse deals. They have also conducted research with business consumers in which a

number of smaller businesses said they were wary of TPIs, in particular those cold-calling on the telephone. This poor practice can deter consumers from engaging in the future.

6.7 Consumers should be able to trust the advice of TPIs and, where problems are identified, should have an easily identifiable and accessible route to resolve problems. There should also be mechanisms in place to prevent future bad behaviour.

6.8 Ofgem will be launching work in the New Year to adopt the Confidence Code (a voluntary 'code of conduct' and accreditation scheme for domestic energy online price comparison sites) and to ensure that consumers have access to, and can have confidence in, TPIs.

6.9 We support the aim of this review - improving consumer access to, and confidence in, online domestic energy price comparison sites and other third party intermediaries that can help them switch will help ensure customers can get the lowest prices. Whilst we do not want to pre-empt the findings, neither do we want there to be any delays to Ofgem's taking any action that may be needed in this increasingly important area.

6.10 We are considering whether to use the Energy Bill to amend Ofgem's existing powers to apply for new licensable activities to make it expressly clear that they cover third party intermediaries, so that Ofgem is able to move quickly should its review conclude that there is a case for regulation to protect consumers.

6.11 We would expect that regulation would be imposed only where necessary and that it would not stifle the innovative work of third sector organisations or Local Authorities, for example in organising collective switches.

14. We welcome views on whether there is a need to take a more formal regulatory approach to third party intermediaries given their likely increased role in relation to energy consumers.

Annex

Measures already in place to help consumers

The Government already has in place a strong package of measures to help consumers reduce their energy bills.

[Supporting consumers to cut energy waste and reduce bills by providing help to pay for and install energy efficiency measures.](#)

Consumers could make potentially huge savings on their energy bills by making their homes more energy efficient.

Government schemes such as the Carbon Emissions Reduction Target (CERT) require energy suppliers to promote energy efficiency measures to consumers, commonly provided at a subsidised rate or free of charge. This scheme runs until December 2012 and help is still available this winter. We estimate that CERT will have provided nearly 7.7 million properties with a major insulation measure by the end of the scheme.

From January 2013 Green Deal will allow homes and businesses to make energy efficiency improvements like insulation with some or all of the cost paid for from the savings on their energy bills. Repayments will be no more than a typical household should save in energy costs.

We have announced that £125 million cash back will be available to householders in England and Wales who make energy saving home improvements under the Green Deal, from January 2013. The Green Deal Cashback Scheme is a first-come, first-served offer and will help get the Green Deal off to a flying start.

We expect the Green Deal to reduce energy bills in the long run compared with a 'do nothing' scenario – by 2023 the Green Deal could help reduce the average household bills in Great

Britain by as much as £55 per year. Green Deal assessments are already available, with Green Deal finance available from January 2013.

Smart meters give consumers near real time information on their energy consumption to help them control and manage their energy use, save money and reduce emissions. They provide consumers with more accurate information putting an end to estimated billing. Smart meters are already available – we expect up to 3million households to have smart meters installed before the mass roll-out starts in 2014 – and they will be able to start accessing benefits of smart metering immediately.

Providing targeted support to households least able to afford the costs of rising bills

We have additional measures in place to support vulnerable and low income households manage their energy bills. The Community Energy Savings Programme (CESP) requires gas and electricity suppliers and electricity generators to deliver energy saving measures to households in low income areas.

Under CERT suppliers must achieve at least 40% of their overall target within a “priority group” of vulnerable and low-income households. We expect some 600,000 heating and insulation measures to have been installed in low income households by the end of 2012 as part of this.

The Energy Company Obligation (ECO) will provide extra support for the most vulnerable households and communities, and those most likely be in fuel poverty. The ECO Affordable Warmth and Carbon Saving Communities obligations will provide support worth approximately £540m per year to fund energy saving home improvements for low income and vulnerable consumers.

The Warm Home Discount scheme will assist around 2 million households this year, including providing a £130 automatic rebate on electricity bills for more than 1 million of the poorest pensioners this winter.

All pensioner households under 79 will get £200 Winter Fuel Payment this winter and those 80 and over will get £300. An estimated 12.7 million older people in more than 9 million homes will benefit.

The Government has permanently increased the Cold Weather Payment from £8.50 a week to £25 a week. Cold Weather Payments provide real help to those most vulnerable to the cold i.e. disabled adults and children, the elderly and families with children under 5 who are in receipt of an income related benefit. In 2011/12, DWP made 5,166,900 Cold Weather Payments, worth an estimated £129,172,500.

The Warm Front scheme continues to help low income, vulnerable households living in the least energy efficient private sector properties with the installation of a range of heating, insulation and other energy efficiency measures. The scheme was introduced in 2000 and has helped more than 2.3 million households vulnerable to fuel poverty.

Making advice available on all the available options to ensure consumers have the information they need to reduce bills and make homes more energy efficient

For advice on how to reduce bills, and make homes more energy efficient, consumers can use the Energy Saving Advice Service (ESAS), a phone service set up by the Government, on 0300 123 1234 or go to www.energysavingadvice.co.uk/.

Increasing competition by supporting smaller energy companies to enter the energy market

Electricity Market Reform will encourage new entrants and new sources of finance into the electricity market giving consumers more choice as smaller energy companies compete alongside established firms.

The Government has cut red tape to help small suppliers to compete on a more equal footing with large suppliers. The customer number threshold at which companies are required to participate in the Carbon Emissions Reduction Target and the Community Energy Saving Programme has been raised from 50,000 to 250,000. We have set a similar threshold for participation in the Warm Home Discount Scheme.

We have set the threshold for participation in the new Energy Company Obligation at 250,000 customers and are also introducing a taper mechanism to alleviate the cliff edge effect for suppliers who cross the 250,000 threshold. Suppliers with fewer than 250,000 customers will have the choice to opt into administering Green Deal payments.

And from August we have increased the threshold at which suppliers must become mandatory FITs licensees from 50,000 customers to 250,000 customers.

Consultation questions

1. Is four the right number of core tariffs?
2. Have we got the right balance between tariff comparability and opportunities to innovate for suppliers?
3. Do these proposals go far enough in stimulating competition in this market?
4. Will these proposals encourage those customers who currently don't switch to engage in the market?
5. Are the proposals likely to promote greater competition between suppliers in both the fixed term and the standard variable rate segments of the market?
6. Will a tariff comparison tool enable consumers to compare tariffs sufficiently well to encourage them to shop around and compare tariffs across the market?
7. What would be the most helpful metric to allow consumers to compare tariffs more easily?
8. Are there appropriate networks already in place that could deliver the proactive approach we are seeking to working with vulnerable consumers to help them engage in the energy market?
9. Taking into account the limited resources available, is the approach outlined above the best way to reach vulnerable consumers or are there different approaches that could be more effective?
10. Will a requirement for energy suppliers to provide customers' data in a format readable by smart phones be of benefit to a wide range of consumers, through personal and third party advocacy use?
11. What customer data, held by energy suppliers, would be needed in order to fully enable development of tariff comparison and energy efficiency applications?

12. Do you agree that collective purchasing and switching has the potential to encourage participation in the retail market and facilitate consumers getting a better deal on their energy bills?
13. Have you identified any barriers to operating collective purchasing and switching schemes?
14. We welcome views on whether there is a need to take a more formal regulatory approach to third party intermediaries given their likely increased role in relation to energy consumers.

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