



Project Manager
Energy market investigation
Competition and Markets Authority
Victoria House
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By email at EnergyMarket@cma.gsi.gov.uk

Dear Sirs,

I write in response to your invitation to respond to your updated energy market issues statement of 18 February 2015.

In line with our letter of 13 August 2014, we wholeheartedly agree that increasing levels of engagement is at the heart of making the energy market work better for consumers. As you know, the number of people switching supplier is at an all-time low and we believe this provides very weak incentives for suppliers to compete to acquire and retain customers.

In line with the CMA's latest issues statement, we also agree that improved competition – rather than major structural changes to the sector – is likely to be the most effective way to increase engagement.

We agree that looking at ways to encourage 'sticky' customers to engage with the market is central to increasing levels of engagement. This majority of consumers – many of whom have been on expensive, standard tariffs for over a decade – have paid over the odds for their energy for too long. While a segment of consumers will never engage, we believe that improved competition overall will benefit consumers as a whole.

Our own research shows that consumers who are engaged and feel in control of their energy are also more likely to reduce the amount they use, as well as actively shopping around for the best deal.

We strongly welcome the CMA's focus on the success to date of Ofgem's Retail Market Review (RMR). Whilst the RMR has undoubtedly gone some way to increase levels of engagement, we believe much more can be done to evaluate and build on Ofgem's reforms. For example, the effectiveness of annual energy statements should be reviewed urgently by the regulator. An annual energy renewal notice could, perhaps, be a better driver of behaviour to compare energy tariffs – as we already see in response to supplier letters to consumers who are coming to the end of fixed-term deals.

It is also important that the investigation looks at ways of giving consumers more confidence to engage, and remove barriers that might prevent them from doing so. For example, our data shows

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that although customers are finding energy bills easier to understand since the introduction of RMR reforms, the majority still do not and we believe this is a major barrier to engagement from the outset.

We have also questioned the restrictions placed on the number of tariffs that can be offered by suppliers and believe this could be limiting customer choice and stifling innovation. We agree with the CMA, and recent comments by Ofgem's Chief Executive, that this restriction should be reviewed as part of the investigation.

We also believe that recent reforms reducing the time it takes for consumers to change provider will help to encourage more to engage. Other initiatives to cut this even more will help levels of engagement further.

It is encouraging to see smaller suppliers continuing to challenge the dominance of the big six, through lower prices and improved customer service. More recently we have seen the incumbents respond to this challenge by also lowering fixed tariff prices – to the benefit of consumers, albeit the minority who switch. The numbers of customers moving to smaller providers has reached an all-time high but, as you will know, the majority of consumers still remain with the big six. Therefore, it's important that the CMA investigation helps to break down any barriers faced by new entrants, to further increase levels of competition.

We also welcome the CMA's consideration of the role of price comparison websites in the retail energy market and a focus on the impact of Ofgem's Confidence Code. We have worked very closely alongside the regulator to shape the updated Code, and believe it further strengthens consumer trust in price comparison websites as the easiest way to save money, online and offline, on energy bills. We have been calling for some time for all price comparison websites and collective switching schemes to be Confidence Code compliant, as a way to further boost consumer protection and help more people engage with the energy market.

We are pleased that the CMA is, rightly, placing consumers at the heart of its investigation and look forward to continuing to working together with you over the coming months. I am more than happy to discuss any of the points we have made in more detail so please let me know if we can be of any further assistance.

Yours sincerely,

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