



Lee Griffin
Chief Operating Officer
Gocompare.com
Imperial House
Imperial Way
Newport
NP10 8UH

Project Manager
Energy market investigation
Competition and Markets Authority
Victoria House
37 Southampton Row
London
WC1B 4AD

By email

Response to provisional findings report and notice of possible remedies

About Gocompare.com

Gocompare.com is a price comparison website (PCW) that enables people to compare the costs and features of a wide variety of insurance policies, financial products and energy tariffs.

We do not charge people to use our services and we do not accept advertising by suppliers or providers, so all product comparisons are unbiased.

Gocompare.com is a pioneer of transparency when it comes to comparison services. We were the first comparison website to focus on displaying policy details, rather than just listing prices. We did this to help people make better-informed decisions when buying their insurance.

Ever since, Gocompare.com has remained dedicated to helping people choose the most appropriate products rather than just the cheapest. To this end we have teamed up with Defaqto¹, the independent financial researcher, to include additional policy information in a number of our insurance comparison services.

Gocompare.com is based in Newport, South Wales, and became part of the esure group of companies on 31 March 2015. We are the only price comparison website to be invited to join the British Insurance Brokers' Association (BIBA), in recognition of our commitment to providing more

¹ <http://www.gocompare.com/press-office/2013/10/gocompare-introduces-defaqto/>

meaningful comparisons², and are authorised and regulated by the Financial Conduct Authority (FCA).

For energy comparison Gocompare.com partners with a third party provider, energyhelpline.com. We are actively involved in the on-going consultation and communication work of Ofgem and DECC.

While Gocompare.com cannot currently be directly accredited under Ofgem's Confidence Code, in part due to the fact that we provide our domestic energy comparison service through a partnership with a third party, that third party, energyhelpline.com, is fully Confidence Code accredited. As such we are confident that our customers do and will continue to receive a fair, unbiased and effective service when they use our website.

Despite not currently being eligible for direct accreditation under the Code, Gocompare.com has always voluntarily followed the principles of the Code as we believe it is the right thing to do for our customers.

1. Executive summary

- 1.1 The report paints a damning picture of the energy market, but it's clear that there are few immediate solutions other than for consumers to be encouraged to take responsibility for switching and saving.
- 1.2 We feel it is alarming that 70% of British households are still on providers' standard variable rates despite a price war that has resulted in some of the cheapest tariffs for years. At the time of writing, all of the top ten cheapest dual fuel tariffs (based on Ofgem-defined medium energy consumption) cost under £950 per annum, on average.
- 1.3 In the longer term, we believe the industry needs to follow the lead of the banking sector and work towards smarter, faster switching. For example, the Current Account Switch Service (CASS), introduced in September 2013, provided surety to consumers that their switch would be managed appropriately, which served to shake the market up and encourage more competition. More recently, midata has transformed the visibility around bank current account switching, allowing consumers to find and switch to accounts that reflect their actual usage and behaviour. The use of midata, along with the development of smart meters and regulatory moves to help speed up switching, have the potential to deliver a similar step change in the energy market.
- 1.4 Gocompare.com has played, and continues to play, an active role in the development of energy comparison services that are built around the needs of consumers. We have worked with Ofgem, our partner and the wider industry to ensure that we continue to operate in the best interests of our customers.
- 1.5 Gocompare.com empowers customers and helps them to save money on their energy bills – ours is a business model where we only make money when people save money or find a better deal to which they can switch. We constantly review our website to identify any changes needed, and have already made improvements to our energy comparison service, which we believe will encourage people to make an active decision regarding their energy tariffs.
- 1.6 This submission reflects our view that price comparison websites are a force for good in enabling people to switch suppliers and save money. However, price comparison websites cannot tackle the issues facing the energy industry alone, and the onus is on the industry as a whole to work together to address the problems that put people off shopping around in the first place.

² <http://www.biba.org.uk/MediaCenterContentDetails.aspx?ContentID=987>

2. Remedy 3 – Remove from domestic retail energy suppliers’ licences the ‘simpler choices’ component of the RMR rules

- 2.1 With one in five (19%) consumers saying that the ‘bewildering choice of energy tariffs’ is the reason they don’t switch³, a suggestion that there could be unrestricted choice in the future may have the effect of further dissuading people from actively seeking out better deals.
- 2.2 To put this into perspective, even with the ‘four tariff rule’ in place, there are currently 176 tariffs being offered by the UK’s 38 energy suppliers (whole of market comparison (not including collective tariffs), correct as of 3 August 2015).
- 2.3 However, PCWs can, and do, help make the search for a better energy deal easy, as acknowledged in your report. The average time it takes to carry out a comparison via Gocompare.com’s energy comparison service is 4 minutes and 25 seconds from start to finish, which we believe benefits customers greatly, not least by significantly reducing the time it takes for them to find a better deal compared to other methods.
- 2.4 As such we don’t consider the number of tariffs available to be the most significant factor when it comes to a lack of engagement with switching.
- 2.5 We believe that a combination of factors – not least general disillusionment with the energy industry, as well as the perceived and real complexities of energy bills and energy tariffs – are the reasons why millions of consumers have so far failed to engage with their energy outgoings.
- 2.6 With regards to removing the simplification of tariff structures, allowing the reintroduction of tariffs that consist of costs and discounts of a variety of types may well lead to further confusion for customers. As it currently stands, a pricing model based on unit rates and standing charges, plus discounts for more than one fuel and online billing is not overly complex.
- 2.7 Whatever the outcome, we will work with the industry to ensure that people who use Gocompare.com continue to receive a fair and impartial view of the energy market and tariffs available to them.
- 2.8 We note the suggestion that PCWs should be required to detail which suppliers they have agreements with and which they do not. We support this wholeheartedly, and have a regularly updated list on our website that clearly communicates this information: <https://www.gocompare.com/gas-and-electricity/energy-suppliers/>
- 2.9 We also note the suggestion that the requirement for Ofgem-accredited PCWs to show a ‘whole of market’ view could cease if the four-tariff rule is removed. Ofgem-accredited sites already have to make a ‘whole of market’ view available to consumers, but the definition of ‘whole of market’ is one that is worth clarifying, as currently collective tariffs, for example, don’t have to appear on all PCWs, even if the ‘whole of market’ view is chosen. Likewise, the ‘whole of market’ view doesn’t show consumers just the tariffs that they are eligible for, but can result in them being shown lots of additional tariffs that they may not be able to apply to through any channel.
- 2.10 Another point we’d like to make in relation to the general tone of the remedy is the heavy onus placed on PCWs to increase consumer engagement with the energy market. We – that is PCWs – can’t increase engagement alone, and there is a job for the whole industry, including the regulator and the government, to do on this front. People who use PCWs are, by definition, already engaging with their outgoings and are taking steps to research the market and, if

³ Based on research commissioned by Gocompare.com and carried out by Consumer Intelligence on 13 and 14 December 2013 with 2,042 UK adults who were customers of the ‘big six’ energy suppliers (British Gas, ScottishPower, E.ON, npower, EDF and SSE).

appropriate, switch to a better deal. The real issue is how to reach the millions of households who fail to switch year after year, if ever at all.

3. Remedy 4a – Measure to address barriers to switching by domestic customers

- 3.1 We believe that giving PCWs access to the ECOES database of meter point reference numbers would be a good thing for consumers, as even though failed switches are by no means commonplace, any reduction in these will lead to a better user experience and can only strengthen trust in the sector.
- 3.2 We do not believe that there are any data protection issues with regards to sharing this data as it can be done through an API feed, thereby negating the need for any personally identifiable data to be submitted.
- 3.3 A suggestion is made in the proposed remedy that access to this database may be irrelevant once smart meters have been introduced, however the roll-out deadline is still a number of years away and even then there could be many households without a smart meter as installation is not compulsory.
- 3.4 We agree that there should be penalties for energy companies who fail to switch customers within the mandated period. This could help to ensure that the switching process is improved, but it's important to note that these costs may end up being passed on to customers. As such, any penalty should be in the form of compensation paid to the customer directly.
- 3.5 We are staunch supporters of next day switching, and believe that the current system – where people could have to wait weeks before benefitting from the reduced rates of their new tariff – leads only to further disillusionment with the energy switching process. As mentioned in 1.3, CASS has served to encourage shopping around and competition in the current account market, and simplified switching when it comes to energy, we believe can do the same.
- 3.6 If next day switching is introduced, we believe that a cooling-off period will still be needed to ensure that consumers are adequately protected and able to change their minds. The proposal to ban exit fees during this period is one we would welcome.
- 3.7 With regards to 'midata', we believe that the emancipation of data that this represents is a very powerful tool for consumers. If customers could provide PCWs with their midata file, it could be used to keep the customer informed of potential future savings, thereby prompting them to consider taking action and shopping around again. It would also negate the need for consumers to keep or access a number of different bills to carry out more accurate comparisons, which may help people feel more empowered to shop around.

4. Remedy 6 – Ofgem to provide an independent price comparison service for domestic (and microbusiness) customers

- 4.1 We don't feel that the introduction of an Ofgem-powered energy comparison service would serve customers, or the industry, as is suggested by this remedy.
- 4.2 Far from enhancing trust in the sector, it would send a signal to consumers that the PCW industry is broken. Nothing could be further from the truth. Of all the elements that make up the energy industry, PCWs are an example of something that is working, by empowering consumers and helping millions of people to cut their energy bills each year.
- 4.3 As PCWs only make money when a consumer finds a deal that they wish to proceed to switch to, it is in PCWs' interests to provide exceptional service and access to as wide a variety of tariffs as possible.

- 4.4 In our view, it is not consumers that use PCWs who are in need of the most urgent assistance, it is those who can't or won't engage with their energy outgoings and who languish on the same, expensive standard tariffs for years on end who are most in need of help.
- 4.5 While the ban on energy companies being able to use doorstep selling techniques is completely justified, it has nonetheless removed an access point through which some consumers were able to review their energy outgoings. For those customers who can't access or can't use the internet, or who would benefit from face-to-face contact and support, a suitable alternative is urgently needed. In our view, organisations such as Citizens Advice, Post Offices and local councils could be well-placed to fill this void.
- 4.6 Gocompare.com would welcome the opportunity to take part in discussions to explore ways to reach and help people who are failing to take part in the energy switching process.
- 4.7 With regards to the costs that could face Ofgem if it was to set up and run a PCW service, these would be significant. Gocompare.com has to spend many millions of pounds each year on marketing to attract customers to use its service.
- 4.8 Whether Ofgem's service was financed by a levy on the industry, or through additional funding, it would represent a cost that would make its way back onto people's bills. As such, the very existence of an Ofgem-powered PCW would not, by itself, exert a downward pressure on the cost of energy.
- 4.9 The Government-backed Money Advice Service (MAS) is a good example of a consumer-focused service that has required substantial sums to yield modest results in terms of engagement.
- 4.10 In 2013-2014 MAS ran two marketing campaigns: 'Ask MA' and 'Save £3 a day'. The former ran for just four months on TV and radio and cost £1.35m, while the latter utilised radio and print advertising and cost £432,000. This is just a small proportion of the circa £15 million per annum that MAS spends on marketing and partnerships.⁴

5. Remedy 10 – Measures to prompt customers on default tariffs to engage in the market; and Remedy 11 – A transitional 'safeguard regulated tariff' for disengaged domestic and microbusiness customers

- 5.1 While the intention of these remedies is admirable and could serve to help swathes of the population, we'd echo the concerns raised in your document about further potential disengagement (or at least the risk of no increase in engagement). Consumers may assume that the Government intervening in this way removes the need for them to take an active interest in their own energy outgoings.
- 5.2 As such, if this were to be implemented, there would need to be prompts to make it clear that it's still imperative for people to shop around to make sure they are on the best possible deal for them.
- 5.3 How they are prompted – e.g. email, SMS, phone call etc. – could be according to each consumer's own preferences. At the very least, their existing energy supplier could notify them of their tariff situation and what it means for them in their usual communications.

We hope that these points clarify our position with regards to the provision remedies put forward by your investigation. If you require any additional information, or would like to meet with us to discuss any points in greater detail, we will be happy to help.

Yours sincerely,

Lee Griffin

August 2015