Simplify Digital Ltd
1 Riverside
Manbre Road
London
W6 9WA
T 0208 735 8384
www.simplifydigital.co.uk

Will Fletcher
Project Manager
Competitions and Markets Authority
Victoria House
Sounthampton Road
London
WC1B 4AD

Response to CMA report 'Energy market investigation – Notice of possible remedies' dated 07/07/2015

31st July 2015

Thank you for inviting us to comment on the **Energy market investigation – Notice of possible remedies** document issued 07th July 2015.

We have read the report from the point of view of **Voltz**, a mobile-only smart switching energy price comparison service for Android and iOS. Voltz is owned and operated by Simplify Digital Ltd.

We agree with most of the analysis presented in the document and would like to comment on some of the proposed remedies. Following on, we offer a detailed rejection of one particular remedial suggestion (*Ofgem to provide an independent price comparison service*).

51c. Rather than removing all limits on tariff numbers and structures, would it be more effective and/or proportionate to increase the number of permitted tariffs/structures? If so, how many should be permitted and which tariff structures should be allowed?

Suppliers should be required to submit new tariff structures and discount schemes to Ofgem for approval. Ofgem's role would be to vet these structures to rule out the potential for gaming. Once approved, the market should be notified and given a reasonable lead time to allow price comparison services and suppliers to adapt their algorithms/UI in advance of the new structure being released.

Tariff structures that could produce distorted results on price comparison sites and which could therefore be considered to encourage gaming (as has been the case in the past with No Standing Charge tariffs or seasonally capped discount amounts) should be rejected.

In our view there should be no overall cap or prescription on allowable tariff structures or tariffs.

59b) Will the roll-out of smart meters address the barriers to switching faced by customers with Dynamic Teleswitched (DTS) meters? If not, what additional remedies should we consider to address this feature?

Our experience as a price comparison service regarding consumers' actual usage profile is that only a minority of users are able to take advantage of fixed off-peak rates and would stand to pay less overall if they switched to a single rate tariff.

Customers on DTS meters and also on Economy 7 meters should therefore have the option of switching to suppliers' Standard (single rate) tariffs. Suppliers should make allowance for billing users on a single day rate by adding up usage from the registers (some suppliers have supported this for quite some time, we assume that this s therefore generally feasible).

In our view such a more immediate solution should be considered independently of the smart-meter rollout.

59c) Should PCWs be given access to the ECOES database (meter point reference numbers) in order to allow them to facilitate the switching process for customers?

Access to MPAN and MPRN information is a barrier to switching for consumers. Access to this data is ultimately controlled by suppliers.

ECOES data (i.e. MPAN and MPRN) should be considered public data and it should be made freely available to **consumers** and price comparison services in the same way as anyone can perform an address lookup on the Royalmail website. This service should be facilitated or even hosted by Ofgem, with APIs available to third parties that wish to power comparison and switching services. The payload should include the full 21 digit MPAN. Third parties should be expected to pay a reasonable fee to cover the development and running cost of this new service.

Data protection issues should not apply as long as the data feed is limited to the provision of the meter IDs, i.e. the supplier provisioning the meter is not identified.

Given the long duration of the smart meter rollout this is a relevant project to tackle in the short term.

59d) Should there be penalties for firms that fail to switch customers within the mandated period (currently 17 days, next day from 2019)? How should these penalties be administered? At what level should the penalties be set? Should customers who suffer a delayed or erroneous switch receive the penalty as compensation?

Yes. Similar to EU legislation covering compensation for flight delays that are within the airline's control, such a scheme should compensate consumers with a small £ per delayed day bill credit, to be applied to the first bill. The penalty should be automatic, i.e. without the consumer having to request compensation first. We believe that such a scheme would provide a stronger incentive for suppliers to improve their onboarding processes which would enhance consumer confidence in switching.

59e) When next-day switching is introduced, will a 'cooling-off' period still be required? Could it be avoided by requiring that no exit fees are charged within two weeks of switching?

Yes, consumers should have the right to switch back to their previous tariff within two weeks of having switched and without incurring an exit fee.

59f) Are specific measures required to facilitate switching for customers living in rented accommodation (either social or private)?

Landlords/estate agents should be required to furnish tenants with a discrete leaflet that spells out that they have the right to choose their own energy supplier, provided that they notify the landlord or estate agent of the supplier's name when they move out. We also observe that tenancy agreements sometimes contain misleading and confusingly worded clauses about tenants not having the right to choose their energy providers without prior permission from the landlord. These practices should be picked up by the relevant estate agent associations / trade bodies, who should be encouraged to publish and promote correct 'best practice' guidance.

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

The purpose of establishing a reference site by Ofgem is to strengthen the credibility of Price Comparison Services. We are gravely concerned about this proposed remedy as discussed in Sections 66 to 71 and submit the following considerations in response.

Our view is that the proposed remedy risks undermining comparison services and that this is not in the long-term interest of consumers.

We consider the following scenario as realistic:

The new Ofgem service launches as a 'compare-only' service. It is automatically promoted by the media, as can be reasonably expected for a service that carries the government's seal. Users find it increasingly inconvenient not to be able to switch on the service, so this functionality is added. The Ofgem service then competes directly with existing price comparison services, leaving fewer reason for users to visit another service. Because the Ofgem service presumably would not depend on supplier commission payments for funding, it can offer users the ability to switch to more suppliers and/or tariffs than commercial comparison services. Existing comparison services find it increasingly difficult to attract users, lose bargaining power with suppliers and are forced to withdraw from the market. The new Ofgem service becomes a comparison monopoly.

Besides the economic damage of destroying employment at comparison services, there are strong competition concerns that speak against setting up an Ofgem comparison service:

An Ofgem energy price comparison service would presumably be free from the day-to-day commercial needs of a traditional comparison service and would benefit disproportionately from its status as an official government service. In our view, these two factors constitute an unfair competition advantage over privately-held commercial comparison services. The introduction of an Ofgem-branded comparison service could quite possibly **damage** competition between comparison services, which is incompatible with Ofgem's mission of safeguarding competition in the energy market.

The spectre of a weakened comparison landscape dominated by Ofgem is a stifling prospect for private sector investment. Voltz, for example, took 18 months and over £1.5m to bring to market. Simplify Digital would **not** commit to building Voltz again if the product was going to be in competition with an Ofgem-branded comparison service, **even if the Ofgem service was functionally inferior**. This consideration may already be restraining entrepreneurs today.

We know from our discussions with potential marketing partners that price comparison will develop further as the smart meter rollout progresses. New comparison contexts will emerge that will no longer require consumers to actively seek out a comparison service in order to get market insight. Price transparency and choice will be served to the consumer without them having to actively request this. With Ofgem as the de facto standard in price comparison, this wave of technology innovation would be put at risk. Consumers could be worse off in the long run, in a way that is not too dissimilar to the RMR 'four tariff' reform, which is now recognised by the CMA as an impediment to tariff design innovation.

Finally, the Ofgem precedent could pressure other regulators and government departments involved in consumer finance, insurance, communications, media and property markets to follow suit. These organisations may develop similar government-sponsored comparison solutions, with similar consequences for the private comparison industry that currently service these markets. We do not believe that it is the CMA's intention to potentially set off a chain of events that would lead to the de-facto nationalisation of price comparison.

It is therefore our strong view that establishing an Ofgem-branded energy comparison carries the serious risks of distorting competition and inhibiting innovation and should not be considered.

Other alternative remedies suggested by Simplify Digital

Since the launch of the first such service in 2001, comparison sites have successfully engaged with a section pf the market. We welcome the call by the CMA to strengthen price comparison services' credibility in order to reach more energy consumers.

This goal should be achieved through an enhanced regulatory focus on generating market information and setting rules specifically designed to help comparison services produce better quotes. In practice, this could include the following measures, which are in addition to the remedies already proposed by the CMA:

- **The development and periodic publishing of a UK energy usage estimation methodology, complete with actual data that takes geographic variations in usage into account.** Ofgem has in the past issued a usage estimation methodology for suppliers to implement, but has not provided any underlying data tables. This has resulted in users receiving different estimates despite providing the same inputs across different websites. Geographic datasets that take into account North/South variations in usage would be even more useful.

- **A ban on the supplier practice of publishing non-versioned tariffs.** When a supplier issues a new price but retains the same tariff name, consumers often struggle to identify the tariff that they are on when visiting a comparison service. This practice should be banned, tariffs should be uniquely named and suppliers should not be allowed to change the tariff name once the tariff is first published

- **A supply license condition that prevents suppliers from raising unreasonable barriers on third parties seeking to implement the midata initiative.** Ofgem should take the lead in formalising and standardising the documentation a supplier may issue and the information a supplier may request from a third party seeking access to the midata scheme. This would help prevent suppliers' from raising unnecessary bureaucratic hurdles which might deter access requests.

- **Changing the personal projection methodology so that it only applies 49 days from the expiry of a tariff.** An unintended and widely criticized effect of the personal projection has been that in some comparison scenarios the methodology exaggerates the available savings and may prompt users to switch early and unnecessarily. As the personal projection exists to highlight the cost of inaction, we believe it would make sense to only introduce the personal projection at the end of the tariff's live (i.e. 49 days before expiry), which would also coincide with the expiry of all exit fees.

- **Allowing comparison services to include exit fees as part of the quoted savings.** Early exit fees are not included in the Personal Projection. This is a consistent source of consumer irritation. Many consumers believe that it is in the comparison service's interest to maximise the savings shown, and therefore suspect that exit fees are not included for this reason, i.e. to flatter the savings and raise the customer's propensity to switch. We believe that it is in the market's best interest if exit fees were subtracted from the savings shown, up until 49 days before a user's current tariff expires. The current practice of listing exit fees separately is not strong enough to raise the perceived quality of the quote shown.

- **Prohibiting suppliers to market fixed rate tariffs with a fixed period of less than 12 months.** We believe that the market would benefit greatly if a tariff could only be marketed as 'Fixed' if the fixed term period was for a minimum of 12 months. Suppliers are currently allowed to market 'fixed' tariffs that are shorter than 12 months. This may incentivise gaming - for example, by creating a fixed tariff that expires at the start of winter. We also believe that consumers have a reasonable expectation of being able to compare tariff offers on a like-for-like basis, which is more difficult when there is no minimum 12 months fixed rate period.

- **Extend the Confidence Code to cover telesales.** Consumers often 'shop around' on price comparison sites and then pick up the phone to ring a price comparison service for more information or to switch. These consumers are likely unaware that the Confidence Code does not extend to telesales. We believe it would help build credibility if the Code covered all the leading routes to market, so that consumers enjoy the same experience regardless of how they choose to switch.

- **Establish control over the QR code project.** Following on from a meeting hosted at Ofgem's premises on 30/07, it is our view that this flagship energy reform project of the previous government is at risk of failing due to a lack of standards and enforcement. As presented by a comparison service that has embedded a QR reader in their service, a very large portion of reads fail due to unrecognised and badly presented supplier data. Failed reads undermine consumer confidence.

Each of these reforms would contribute to strengthening the credibility of price comparison services and are well within the historic remit and experience range of Ofgem.

We value the work of the CMA and hope that our feedback will bring us a small step closer to delivering a market that works better for the UK energy consumer than is currently the case.

Florian Ritzmann
fritzmann@simplifydigital.co.uk
MD Energy at Simplify Digital Ltd