



uSwitch response to the CMA energy market investigation provisional findings and possible remedies

Non-confidential version

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1 Executive summary

1.1 About uSwitch

uSwitch is an online and telephone price comparison and switching service, helping consumers get a better deal on gas, electricity, home phone, broadband, digital television, mobile phones and personal finance products including mortgages, credit cards, current accounts and insurance. In 2015 uSwitch celebrates 15 years of saving customers money.

uSwitch is part of Zoopla Property Group plc, a digital media business that owns and operates some of the UK's most widely recognised and trusted online brands including Zoopla, PrimeLocation, SmartNewHomes and HomesOverseas.

uSwitch has been actively engaged with the CMA's energy market investigation, and welcomes the opportunity to now comment on its proposed findings and possible remedies. We look forward to engaging with the CMA further as it finalises its remedies package for the market.

1.2 Provisional findings

Millions of consumers remain disconnected from the energy market, and this low level of engagement has meant that the majority of consumers have not accessed the benefits of competition. Increasing engagement is, rightly, the primary way to increase competition in the retail market and help hard-pressed customers, who have paid over the odds for energy and received poor customer service for far too long.

The cheapest energy tariff has plummeted by 17% in the past year, yet big six standard variable plans have been cut by a mere 2% in the same period. The fact that major savings are there for the taking shows the huge potential for extending the benefits of competition to more consumers.

We are of the view that a detailed rule-based approach to regulation has not produced an effective market and in some cases may have constrained innovation. We favour a regulatory framework based on outcomes for consumers. The successful encouragement of competition can be genuinely transformational, so we welcome a greater focus on achieving a functioning competitive retail energy market.

1.3 Possible remedies

uSwitch has provided comments in response to questions relating to specific remedies in Section 3 of our response. We have set out our broad views covering the package of measures below.

1.3.1 Opening up tariff competition

uSwitch supports measures that increase innovation and consumer engagement and believe that opening up more tariff competition is a positive development.

We note there is currently a competitive subset of the retail market where consumers have been able to secure good value plans, both from new entrant smaller energy suppliers and the big six. Where we believe lifting the tariff cap could have the most impact is in enabling suppliers to target specific customer niches and sales channels, similar to what we have seen with current collective switches, although on a wider scale. This has the potential to increase the pool of engaged consumers overall, in turn increasing the incentive for suppliers to offer more competitive products.

We would expect that more flexibility in tariffs will provide more scope for innovation and there may be a greater variety of tariffs available, for example green tariffs or those aimed at lower usage customers and renters. We believe regulatory flexibility for more innovation in tariffs also needs to go hand in hand with greater flexibility for innovation on price comparison websites (PCWs).

1.3.2 Evolved role of PCWs under the possible remedies

The CMA has recognised that PCWs, and third party intermediaries (TPIs) more generally, play a crucial role in making competition work in the energy market. We understand the CMA is seeking to build on this both by opening up a greater degree of competition between PCWs, and by allowing PCWs to exert a greater degree of competitive pressure on energy suppliers directly. uSwitch agrees with this approach.

uSwitch also agrees with the CMA's broad approach to opening up a greater level of tariff competition. We think for this to work as a means of enabling more consumers to access the benefits of competition, PCWs will need to be well-placed to aggregate increased tariff complexity, so consumers can easily understand which deal best suits their needs.

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We believe the Confidence Code should also be extended to cover all domestic energy TPIs. This would balance increased innovation with continued consumer trust and confidence, but also have the added benefit of opening up more channels for switching to cater for consumers less likely use traditional online PCWs.

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1.3.3 Price regulation in the retail market

We firmly believe that all consumers will benefit from effective competition in the retail energy market, which should - rightly - be the primary aim of the CMA's remedy package. Increasing the level of consumer engagement would have a transformational impact on the energy market, as suppliers work harder to win customers. Critically, this would also create a strong incentive for suppliers to improve current processes and fight to retain their existing customers.

We note the CMA's proposal for a regulated safeguard tariff. We believe that consumers will be best served by ensuring the retail energy market is truly competitive. We see retail price regulation as an intrusive intervention which we are not convinced is immediately necessary at this stage. There are genuine dangers that such an intervention disincentivises consumer engagement and acts counter to the wider aims of the CMA's investigation.

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3 Detailed comments on possible remedies

uSwitch is focusing its comments on possible remedies most relevant to its experience, primarily those relating to the framework for effective competition between retail energy suppliers and facilitating widespread engagement by domestic customers. We have set out our comments in response to specific questions posed in the CMA's possible remedies document.

3.1 Remedy 3 – Remove from domestic retail energy suppliers' licences the 'simpler choices' component of the RMR rules

3.1.1 (a) Would this remedy be effective in increasing competition between domestic retail energy suppliers and/or between PCWs? What additional tariffs would energy suppliers be likely to offer that they currently do not due to the RMR restrictions?

uSwitch supports the removal of the 'simpler choices' component of the RMR as a method of enabling greater tariff innovation in the retail energy market. In terms of the RMR measures more generally, for the avoidance of doubt, certain aspects of the reforms should be preserved as they have had a positive impact on consumer engagement. These include, but are not limited to;

- The requirement that customers are notified when their fixed plan comes to an end and are provided with a period when they can switch without incurring exit fees; and a
- Requirement that at the end of a fixed tariff customers are rolled onto the supplier's cheapest variable tariff available to the customer.

If the RMR tariff restrictions were lifted, we would expect that suppliers would consider offering products including; no standing charge tariffs, green tariffs, region or demographic specific tariffs, staggered pricing tariffs, differing reward structures and more bundled products.

We note that Remedy 3 has to be considered as part of the wider package of measures to promote competition, as in isolation it is not without its risks. The CMA needs to consider the relevant incentives of energy suppliers and PCWs in order to fully understand the extent to which suppliers would offer additional tariffs, and whether that would increase the level of competition on the market as a whole.

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3.1.2 (b) Removing the four-tariff rule is likely to increase the range of tariffs on offer and result in different tariffs being offered on different PCWs. Are there, therefore, any remedies that the CMA should consider alongside this remedy, to encourage domestic customers to use more than one PCW in order to facilitate effective competition between PCWs and domestic energy suppliers?

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3.1.3 (c) We note that if this remedy were to be imposed, Ofgem's Confidence Code requirement for PCWs to provide coverage of the whole market appears likely to become impractical as the number of tariffs offered increases and PCWs agree different tariff levels and commissions with energy suppliers. Should this element of the Confidence Code be removed, therefore, as part of this remedy? If so, are alternative measures to increase confidence in PCWs required? For example, in order to maintain transparency and trust, should PCWs be required to provide information to customers on the suppliers with which they have agreements and those with which they do not?

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We note that under the Confidence Code there are already obligations to provide information to customers on the suppliers with which they have agreements and those with which they do not. We see no reason why this particular requirement should be changed.

3.1.4 (d) 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?

uSwitch expects that administrative and system constraints will naturally limit many energy suppliers on the number of tariffs they may seek to offer. We are not convinced of the benefit to artificially limiting the number of tariffs where the market is likely to naturally reach an optimum number.

We can see a case for removal of all constraints on the number of tariffs, but believe it is still sensible to broadly constrain how tariffs are structured. While PCWs are well placed to aggregate and cut through tariff structure complexity, not all customers will access a PCW. Until smart meters are fully rolled out, a degree of estimation takes place with energy bills without regular meter readings. This demands customers have a degree of understanding about tariff

structure when assessing if their energy bill is accurate. Further, complex energy bills have been highlighted as a barrier to engagement with the market - overly complex tariff structures which must then be presented on bills could make this barrier even greater.

There will also be some more general requirements we think it would be sensible to preserve from RMR. For example, we continue to strongly believe it is right that following the expiry of a fixed plan, consumers by default should be rolled automatically onto the cheapest variable tariff that the customer qualifies for. We also believe that fixed plans should be required to be fixed in price as well as in term, so that consumers on fixed plans cannot be hit with mid-contract price increases that they were not aware of at point of sale.

3.1.4.1 (i) For example, would requiring domestic energy suppliers to structure all tariffs as a single unit rate in pence per kWh, rather than as a combination of a standing charge and a unit rate, reduce complexity for customers, while avoiding restricting competition between PCWs? Alternatively, would such a restriction on tariff structures have a detrimental impact on innovation in the domestic retail energy markets?

In terms of structure, we believe it is important tariffs do not reach such a level of complexity that it is no longer possible for PCWs to accurately run consumer comparisons. While we believe there should be a degree of regulation on the structure of tariffs, we do not believe this should go as far as requiring a single unit rate. We are concerned a single unit rate would constrain the ability of energy suppliers to target particular customer niches. We consider it is important that whatever tariff structure is commonplace, particular attention is paid to whether it disadvantages more vulnerable customer groups. We would not want to see tariff structures that unduly disadvantaged more vulnerable customers.

3.2 Remedy 4a – Measures to address barriers to switching by domestic customers

3.2.1 (a) Will the roll-out of smart meters address the feature of uncertified electricity meters? If not, what additional remedies should we consider to address this feature?

uSwitch does not have any comments in response to this question.

3.2.2 (b) 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?

uSwitch does not have any comments in response to this question.

3.2.3 (c) 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?

3.2.3.1 (i) To what extent would this reduce the rate of failed switches and/or erroneous transfers?

Currently TPIs have to rely on a third party data service to identify a customer's energy region and source their meter numbers based on the address they have entered. However, there can be issues with the accuracy of this data, which can lead to a number of problems in the switching process.

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While we cannot comment on the accuracy of the data in ECOES, we would hope that giving TPIs access to the same data as suppliers would mitigate some of these issues and would confer substantial benefits. It would also reduce costs for PCWs, allowing them instead to spend more on innovation to help consumers better engage with the market.

We also support the proposed concept of a centralised switching service, run by the DCC, which could improve industry flows and provide a more accurate source of data for suppliers and TPIs alike.

3.2.3.2 (ii) Are there any data protection issues we should consider in this respect?

We would expect that appropriate due diligence would be carried out on TPIs wishing to access the ECOES database to ensure they put appropriate data protection policies and controls in place.

We would expect TPIs to have the same access rights and usage restrictions as suppliers - this would limit their ability to market to these customers and would instead simply improve the levels of service offered.

3.2.3.3 (iii) Will access to this database still be relevant once smart meters have been introduced?

As data access arrangements through smart meters are still yet to be finalised, it is difficult to comment. After smart meters have been fully rolled out there may be a reduced need for access to this database, however, it does not affect the current situation where there is a need for access.

3.2.4 (d) 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?

[✂]

We strongly advocate a move to a centralised switching system as we hope this will bypass any industry-wide system restrictions that result in this process failing to run in a timely manner. Currently the faster switching process is still relatively new, so offering customers compensation seems inappropriate at this stage. However this should be reassessed if significant numbers of customers are not switched within the correct timescales going forward.

3.2.5 (e) 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?

Next day switching is an extremely positive initiative, but there are several issues that Ofgem need to consider that may arise as a consequence - one area of consideration is the cooling off period. It is important that customers are given time to change their mind. If this ability is removed it may increase hesitancy around switching. We support offering true next day switching along with a 14 day period where exit fees are not applicable to ensure consumers continue to have that protection.

[✂]

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

Customers in rented accommodation are less likely to switch tariff or supplier than those who own their own home. In addition, the rental sector is growing as house prices continue to rise in many parts of the country. Therefore, any measures that encourage or make it easier for renters to switch would help boost engagement with the energy market overall.

Most fixed deal products last for at least 12 months and come with exit penalties. We feel this could in part put off renters from switching to competitive, fixed

term deals, as they move property relatively frequently. We would hope that under Remedy 3, some suppliers would look to offer tariffs specifically tailored for renters that, for example, do not have exit fees or that are designed to be easily ported to new addresses as part of an attempt to innovate and target consumer niches.

To facilitate such targeting, we also believe that more could be done to provide better information to tenants about their right to switch and the switching process at the point they sign their rental agreement or get the keys to the property.

3.2.7 (a) Does the 'Midata' programme, as currently envisaged, provide sufficient access to customer data by PCWs to facilitate ongoing engagement in the market? Should PCWs – with customer permission – be able to access consumer data at a later date to provide an updated view on the potential savings available?

uSwitch believe that, if implemented successfully, Midata would hold significant benefits for consumers by providing a quick and simple method of understanding how their energy plan compares to the rest of the market. Further, it holds the potential for development of innovative third party applications that provide new methods for consumers to engage with the market.

uSwitch views the benefits of Midata as follows:

- improved accuracy of comparison - removing the risk of manual errors and ensuring the comparison is based on annual consumption data. It could also reduce the prevalence of issues experienced during the actual switching process
- increased consumer trust in comparison results
- quicker and simpler comparison process - the perception that energy comparison is time consuming remains a barrier to energy switching, with 15% of consumers stating they do not change their energy supplier because it "takes too long"
- could reach a new demographic who have not previously engaged.

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3.2.8 (b) Do customers need more or better information or guidance on how their new smart meters will work?

uSwitch does not have any comments in response to this question.

3.3 Remedy 5 – Requirement that energy firms prioritise the roll-out of smart meters to domestic customers who currently have a prepayment meter

3.3.1 (a) Would this remedy be effective in allowing prepayment customers to engage fully in the market and benefit from a wider range of tariffs? Would it be effective in reducing the costs of supply to prepayment customers?

Prepayment customers are not generally served well by the industry, as they do not fit the profile most desired by suppliers. Those simply attempting to switch suppliers can encounter barriers and several additional difficulties are experienced by those attempting to switch from a prepayment meter to a credit meter.

These customers have a more limited range of tariffs to choose from than customers on other payment methods. Currently, there are around 20 prepayment plans compared with around 80 for monthly direct debit. In addition, prepayment products tend to be more expensive than those offered to direct debit customers. On the medium usage profile, the cheapest monthly direct debit plan is £870 while the cheapest prepayment plan is £1,168.

Those on prepayment meters are also more likely to have a poor credit rating and may have debt already - higher tariff costs perversely serve to exacerbate this. Further, a debt of over £500 per fuel - or even less if switching to a small supplier - could prevent consumers switching to a cheaper supplier and any debt could limit their ability to change to a credit meter where they could access the benefits of a cheaper direct debit plan.

In the event that they have no debt on the meter, consumers switching to a credit meter are likely to encounter further barriers to engagement. They will be told, in most instances, that they need to pay a fee for a meter exchange or that they must stay with the supplier for 12 months on prepayment before being transferred to the new payment method. For those suppliers who do offer a meter swap free of charge, a credit check must be passed by the customer, which can be problematic. uSwitch cannot switch customers from a prepayment meter to a credit meter, which limits the help we can provide.

Prioritising roll-out of smart meters to prepayment customers should help address a couple of these issues. Customers will be able to swap their meter from prepayment to credit mode without needing to physically change it - presumably this will be cost free - allowing them to access cheaper direct debit tariffs more easily. It would be beneficial for consumers to receive education

around this so they are aware that this functionality is available. Consumers will also be able to keep better track of their energy usage and budget more effectively, helping to prevent and reduce their energy debt going forwards.

However, this remedy does not address some of the fundamental issues that exist as barriers to engagement for these consumers. There will still be fewer and more expensive prepayment tariffs than those available for other payment methods, and most importantly the remedy will not prevent customers getting into debt - one of the largest factors limiting this group's ability to take action. Tackling this will be key if we are to fully resolve engagement issues.

In addition, if smart prepayment customers want to switch currently, it is likely that they will lose smart functionality. Smart meter interoperability also needs to be addressed before the rollout of smart prepayment meters is prioritised.

3.3.2 (b) Which version of this remedy would be more effective and/or proportionate?

uSwitch does not have any comments in response to this question.

3.3.3 (c) Would any additional or alternative measures be required to ensure that this remedy comprehensively addressed the overarching feature of weak customer response arising in particular from those with prepayment meters?

It is sometimes challenging for consumers to access supplier specific information about the prepayment switching process and the potential difficulties they can face. For this reason we would be in favour of a central repository of information being established as part of the Be An Energy Shopper campaign, to source and store up-to-date information from suppliers. This could also include information relating to supplier processes around changing to a credit meter, when and how the customer will get their new card or key, and whether or not they can carry credit over to their new supplier.

Before smart meter rollout, measures should be taken to make it easier for consumers to switch from a prepayment to a credit meter and fees attached to this should be removed, as should any requirements to stay with the supplier for a set amount of time.

Recent changes to the debt assignment protocol process are still relatively new, but we would recommend that the impact of this is monitored. Currently small suppliers are able to opt out of taking on £500 debt per fuel - ensuring that they have to accept the debt would reduce the number of rejections and improve the switching experience for affected customers.

In addition, more regular billing information or access to an online portal would allow these consumers to better monitor their usage and may encourage them to engage with the market.

3.3.4 (d) What issues may arise as a result of prioritising the installation of smart meters in the homes of customers who currently have prepayment meters?

uSwitch does not have any comments in response to this question.

3.3.5 (e) Would it be more effective and/or proportionate to require energy suppliers to accelerate the roll-out of smart meters across the retail markets as a whole, in order to facilitate engagement more broadly, rather than focusing on customers on prepayment meters?

[REDACTED]

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

3.4.1 (a) Would this remedy be effective in increasing customers’ trust in PCWs and thereby encourage engagement in the markets and switching?

[REDACTED]

We note that under the Confidence Code, there already exists a form of regulatory oversight of third party intermediaries (TPIs). However, the Code does not currently cover white label based PCWs, offline switching services or collective switching schemes.

[REDACTED]

We strongly believe that greater trust and confidence in PCWs and TPIs more generally could be achieved by ensuring the Confidence Code’s membership includes these services. We would also expect that expanding the Code in this way would encourage more suppliers to make their tariffs fulfillable through offline comparison options, which would greatly help reach consumers less likely to otherwise engage in the market.

[REDACTED]

3.4.2 (b) Should this service be online-only, or should it also operate over the telephone for those customers without access to the internet?

[X]

3.4.3 (c) Is there a risk that such an independent service could undermine the development of other PCWs in the energy sector? How could this risk be mitigated?

[X]

3.4.4 (d) Should the Ofgem website quote the energy suppliers' list prices only? Or should it seek to provide full details of all quotes available on the market (including on other PCWs), ie function as a metaPCW?

[X]

3.4.5 (e) How could we ensure that an Ofgem price comparison service was robust in terms of offering all tariffs available on the market? Should there be an obligation on retail energy suppliers and/or PCWs to provide information to Ofgem on their tariffs?

[X]

3.4.6 (f) Should any price comparison service operated by Ofgem be transactional, ie be able to carry out switches for consumers, or should it provide information only?

We understand the Australian example that the CMA cites is an information only service.

[X]

3.4.7 (g) What would be the likely costs to Ofgem of offering this type of price comparison service? Would Ofgem need additional funding and/or statutory powers in order to provide this type of service? If so, where should this funding come from?

[X]

3.4.8 (h) How should customers be made aware of the existence of this service? Should information be provided by energy suppliers on bills/during telephone calls? Should PCWs be required to provide links to the Ofgem website during the search process to allow customers to cross-check prices?

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3.4.9 (i) Is there any additional information that Ofgem should provide on its website relating to energy suppliers and/or tariffs to facilitate the customer search and switching process?

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3.5 Remedy 9 – Measures to provide either domestic and/or microbusiness customers with different or additional information to reduce actual or perceived barriers to accessing and assessing information

3.5.1 (a) Does the current format and content of energy bills facilitate engagement by customers? Is there additional information that should be included on bills? Should the quantity of information on bills be reduced to enhance clarity?

Recent research carried out by uSwitch.com found that instead of facilitating engagement, the current format and content of bills can sometimes act as a barrier to interaction with the market. Energy suppliers were voted the worst companies for providing confusing bills: 14% of respondents said they don't understand their energy bills, compared with those from their mortgage provider (3%), credit/store card (3%), mobile phone (4%), DVT (4%), home telephone (4%), broadband (5%), council tax (6%) and water (7%). This is despite 'easy to understand bills' being rated 'very important' by 64% of people.

Consumers can find bills difficult to navigate and they may struggle to identify and gather the information needed to switch. We found however, that even if the necessary information could be located, consumers may still be hesitant to switch. It was found that over half (51%) of consumers do not recall seeing information about the cheapest tariff available on their bill and, of those who did see it, just 41% used it to switch to a better deal. Furthermore, only around half recalled seeing their annual statement and only 1 in 10 of these had used it to switch.

Another barrier to engagement is the way the tariff name is presented on the bill. Commonly, the tariff name given to PCWs to display does not match that shown to consumers on their bills. Consistency is essential if consumers are expected to use the information to complete a comparison.

A clear switching message is now presented on all energy bills: 'Remember- it might be worth switching your tariff or supplier' and a section titled 'Could you pay less?'. These messages encourage customers to engage with the market and think beyond their current tariff or supplier. Although it is positive that these prompts are given, a recent review of suppliers' bills by uSwitch revealed that many providers have 'warning' messaging which we believe may discourage customers from looking at those deals which, in many cases, are considerably cheaper. For example: 'Switching tariffs could mean a significant change to your T&Cs and some tariffs have eligibility criteria - you may need to change your payment method or manage your account online'. It is important to continue to highlight any restrictions, for example exit fees or mandatory online account management, but the language used should not dissuade customers from considering such tariffs.

Within the 'Could you pay less?' section of the energy bill, suppliers now have to inform customers of their cheapest available plan - this is a positive initiative that prompts customers to look beyond their current tariff. On the other hand, we believe that the 'cheapest similar tariff' messaging (or 'narrow' definition of cheapest tariff messaging), is confusing and potentially misleading. The majority of consumers will be on a standard plan, currently the only evergreen for the majority of suppliers, and therefore they will be informed that they are on the best tariff of that type. This could provide false reassurance and lead to customer passivity. Consequently, we believe that leading with the 'cheapest overall tariff' would be clearer and more likely to drive consumer engagement.

Energy bills now include an 'About your tariff section' which displays important tariff information clearly in one place. Importantly, annual consumption figures are provided in this section, allowing consumers to run an accurate comparison. Of the customers that read their bill, it is likely that a large majority will only read the first page. Whilst we believe that the Tariff Information Label (TIL) has been a successful product of the RMR, with this information generally being displayed on the second page of the bill or later, we still receive a large volume of calls from customers struggling to find the information required to make a comparison. Therefore, we believe that the TIL, including tariff name, payment method, end date, exit fee and annual consumption information (split by day and night usage if economy 7), should be included on page one, to make it more easily accessible to consumers.

There is some additional information that we believe should be included on bills for consumers to understand. It is key that prominent messaging is included on

the first page of the bill, stating whether the bill is based on an actual or estimated reading as this would assist consumers in their interactions with the energy market. Estimated bills can result in consumers finding themselves heavily in credit or debt to their supplier, and, when comparing the market, an estimated usage leads to a higher risk of an inaccurate comparison and incorrect savings projections. Therefore, if a bill is based on an estimated reading, there should be a strong call to action on page one to encourage consumers to read their meter to receive an accurate bill.

In terms of quantity, we do not believe the information on bills should necessarily be reduced. We have found that the most effective and comprehensible bills were the ones where the information was spread out, presented in clear text and split into distinct sections. We believe that displaying key information on the first page is more important than reducing the quantity of information offered.

3.5.2 (b) When customers seek to switch tariffs, are they given enough/too much information on the terms and conditions of their new contract?

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3.5.3 (c) Should customers be prompted to read their meters (quarterly or annually), either by information on their bill or by a phone call from their energy supplier? Would this increase engagement by improving the accuracy of billing?

We believe that encouraging more consumers to read their meters is a positive initiative as it would improve the accuracy of bills and potentially increase engagement with the market.

Estimated bills can have a significant impact on consumers as they can cause a customer to fall into debt or credit. In addition, they can provide customers with estimated usage information that is vastly different from their actual usage. We would suggest that messaging be added to the top of bills, to highlight the importance of providing regular meter readings.

Supplier innovation could also be helpful in this area. For example, it would be useful to understand if British Gas' offering of Nectar Points in return for quarterly meter readings has encouraged a change in behaviour.

It would be interesting to see a trial of different communication methods to ascertain whether consumers feel the prompt is a nuisance, or are spurred into action as a result. Defining key metrics for the trial would be desirable - looking at whether there had been an increase in the number of customers providing a

meter reading, which contact medium prompted the biggest response, which induced the fastest reactions and which was most cost effective.

We suggest contact methods considered could include phone calls, texts, letters, a notice on the customer's bill and an online account notification. There would obviously be potential positives and negatives to consider for each contact method and a follow up survey would be beneficial to understand how the prompt was perceived by customers. This would allow assessment of whether the initiative was effective in increasing consumer trust in the accuracy of their bills.

3.5.4 (d) Once customers reach the end of a contract period, should subsequent bills highlight that they have now been moved onto the standard variable tariff and/or other default tariff and encourage them to check whether they are on the most appropriate tariff for them?

Highlighting that customers have been automatically transferred on to a different plan would help them understand their situation and could encourage them to re-engage with the market.

We suggest the wording should be clear and intelligible and should not dissuade customers from seeking a cheaper tariff with another supplier. It should clearly highlight that there has been a change in the rates the consumer is being charged and that they are paying more (or less) than they were previously.

Although we still feel that elements of the messages are still confusing, the RMR rulings to improve the quality of notifications around fixed plans ending have been successful in increasing re-engagement. The clear rules and perimeters around the cancellation fee free switching window were also influential in this respect.

The fact remains that only a subset of customers will read and act on these notifications, so repeating this messaging on bills could further increase the number of consumers choosing to re-engage with the market. Additionally, enabling prompts from third parties such as PCWs may also improve levels of re-engagement.

3.6 Remedy 10 – Measures to prompt customers on default tariffs to engage in the market

3.6.1 (a) What information should be included in the prompts to customers on default tariffs in order to maximise the chances that they are acted upon?

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While the ‘cheapest similar tariff’ is an interesting concept, we would not recommend that it be included in the prompts. As per our response under 3.5.1, the majority of customers prompted will be on a standard plan, currently the only evergreen tariff for the majority of suppliers. Therefore these consumers will be informed they are on the best tariff of that type. This could provide false reassurance and lead to customer passivity.

The prompt should openly state that the consumer has the right to look at the whole of the market and should make them aware that if they switch, they can do so without incurring any cancellation fees.

Importantly, the prompt should present all of the information that the consumer needs to switch their supply. This should include their plan name, supplier name, annual usage figures in kWh, information on whether or not they have an Economy 7 meter and meter numbers along with a QR code which should also contain this data.

3.6.1.1 (i) Should customers who have failed to engage be informed that they are ‘no longer under contract for energy’, that they have been ‘rolled onto a safeguard tariff’, or an alternative message, for example, emphasising how many customers in their area have switched in the last year?

It is essential that the key elements, as listed in 3.6.1, are present in the prompt in order to enable the consumer to act on the information given. With regard to the different messaging around this, tests should be carried out in order to ascertain which terminology is most effective.

The term ‘safeguard tariff’ may give consumers a false feeling of security and therefore they may feel that they do not need to consider switching to a better deal. The messaging needs to make it clear that the customer is paying more than they need to by being on this rollover tariff.

There is the potential that comparing consumers to their neighbours could have a positive impact - the opower energy efficiency case study highlights the effectiveness of this.¹ It would be interesting to see whether similar messaging also helped engage consumers in this instance.

We would expect these prompts to be implemented for customers who have never switched as well as those who have just rolled on to an evergreen tariff.

3.6.2 (b) How should prompts be communicated to customers? For example, there is some evidence from the financial sector that text prompts are particularly effective at raising awareness in terms of overdrafts etc.

We have no data to support any particular one of these methods of communication in this situation, however we believe it would be good to test these to see which is most effective. It seems that current efforts, large scale advertising and notices on bills, are not working effectively so it would be appropriate to try something new.

3.6.3 (c) What should be the timing and frequency of prompts in order to balance effectiveness in terms of encouraging engagement with the cost and potential irritation that might arise from repeated prompts?

uSwitch does not have any comments in response to this question.

3.6.4 (d) Who should provide the prompts: customers' energy suppliers, Ofgem or another party?

[§<]

With many communications being sent by suppliers already, the prompts may be more influential if they were to come from a third party. This tactic worked previously when DECC greatly increased consumer engagement through the launch of their 'Power to Switch' campaign. [§<]. Involving a third party would also remove the concern that the messaging could be biased in favour of the current supplier and would provide the consumer with a secondary message of encouragement to act. Giving the third party access to the necessary databases of information, would also allow them to personalise these prompts, making them more effective.

¹ <http://www.iea.org/media/workshops/2015/eeuevents/behave1103/S3Gioffreda.pdf>

3.6.5 (e) Are there particular groups of customers who should receive prompts at specific points? For example, should house-buyers be prompted to engage with the market on completion of their purchase?

Renters and new homeowners should receive a prompt to switch at the point that the bill is transferred to a different name. For renters, messaging should make it clear that if the landlord does not pay the bill, the tenant has the right to switch. Obliging suppliers to send out standard industry documentation on switching and your energy rights to renters could have a very positive effect. Another key group to target are those whose fixed plans are ending.

[<]

3.6.6 (f) Is there benefit in others in the markets, such as rival energy providers or TPIs, being made aware of which customers remain on default tariffs (or have been rolled on to the safeguard tariff)? In this respect, data protection issues would need to be carefully considered. The ability of other market participants to identify inactive customers, however, has the benefit of potentially encouraging the customer to switch tariffs once out of contract.

Whilst rival energy suppliers have access to default tariff customers is an interesting concept, it is difficult to understand how this could work in practice or further, how this does not pose risks which could lead to further dissatisfaction and disengagement in the energy market. If the consumer were to be contacted by only one supplier, while they may get a better deal, there would be questions as to whether they would have been offered the most appropriate deal for them. This is reminiscent of some of the issues seen with doorstep selling. On the other hand, if all suppliers were to be allowed to contact these consumers, the process would be time consuming and frustrating for the customer. This is likely to mean that they are overwhelmed with communication, feel negative about the initiative and end up less likely to engage.

We note the success of DECC's recent Power to Switch campaign. We suggest it may be a logical extension of this campaign to send targeted letters under the DECC and Be An Energy Shopper brand to encourage switching. [<].

3.7 Remedy 11 – A transitional ‘safeguard regulated tariff’ for disengaged domestic and microbusiness customers

We believe that regulating retail pricing should be an absolute regulatory last resort - where competition has no realistic prospect of resolving any consumer

detriment. When considering such a remedy, we suggest the CMA pays particular regard to not distorting pricing within the competitive subset of the market of fixed plans where competition is currently working well.

If the CMA was to pursue a price control, there are a number of complexities to consider. For example if the effective price cap were too low, customer service levels and the ability to innovate is likely to suffer as suppliers preserve profit margins. This is likely to further build distrust and dissatisfaction in the energy industry. If the cap were too high, there would be little consumer benefit in terms of prices with the risk that the presence of retail price regulation creates a perception of price protection, promoting further consumer disengagement from the market.

3.7.1 (a) Should the safeguard tariffs be set on a cost-plus basis, or should they be related to other retail prices?

uSwitch does not have any comments in response to this question.

3.7.2 (b) If the safeguard tariffs were set on a cost-plus basis, which approach(es) we should consider to determining the wholesale energy cost element of the tariffs? What are the relative merits of the proposed approach(es) in the context of the purpose of the safeguard price cap?

uSwitch does not have any comments in response to this question.

3.7.3 (c) Could the imposition of a transitional safeguard price cap result in energy suppliers reducing the quality of service offered to customers on this tariff? Is this risk reduced by customers' ability to choose alternative, unregulated tariffs?

We have seen examples in other industries where charge controls, without complementary quality of service requirements, have forced price regulated firms to cut quality in order to maintain a sufficient margin. That certainly should be a risk the CMA takes into account.

3.7.4 (d) Should all domestic and microbusiness customers on default tariffs be rolled onto the safeguard tariff, or should this remedy only apply to a subset of these customers? If this remedy should not apply to all customers, why? And how should energy suppliers identify those customers who should be covered?

[×]

As the CMA has observed in paragraph 121 of the summary of provision findings, “there appears to be a higher proportion of households on lower incomes who are disengaged and inactive”.

All customers, including more vulnerable consumers, would benefit from a functionally competitive market. We would favour further targeted measures to help more vulnerable consumers, however if the CMA were to consider Remedy 11 further we believe it may be justified to target this remedy to this segment of consumers.

3.7.5 (e) How should the headroom be calculated to provide the right level of customer protection while not unnecessarily reducing healthy competition?

uSwitch does not have any comments in response to this question.

3.7.6 (f) What regulatory information would be required to set the safeguard tariffs?

uSwitch does not have any comments in response to this question.

3.7.7 (g) How long should the safeguard price caps be kept in place? Is it appropriate to include a specific sunset provision, or should there be a commitment to review the need for and level of the safeguard price caps after a certain period of time?

Price caps do carry the danger of consumer inertia in that they imply a degree of price protection, acting to reduce any incentive to switch for the benefit of wider competition. We suggest that this danger is increased if the price cap applies to all consumers in the market and is seen to be anything more than transitional.

If CMA pursued Remedy 11 we suggest that any price caps should have a specific sunset provision, with an ability that Ofgem or the CMA can remove the price cap early in circumstances where the relevant authority deems it is no longer necessary.

3.7.8 (h) How frequently - if at all - would the level of the cap need to be reassessed? If the cap is set on the basis of directly passing through wholesale and network costs, then it may not be necessary to revisit the safeguard price level.

uSwitch does not have any comments in response to this question.

3.7.9 (i) Which energy suppliers should be subject to the safeguard cap, and why? Should it be restricted to the Six Large Energy Firms, or should all retail energy suppliers be covered?

uSwitch does not have any comments in response to this question.

3.7.10 (j) How should the transition from the current arrangements be managed? We note that an immediate requirement to change the prices for all customers on standard variable tariffs, rollover, evergreen, deemed and out-of-contract tariffs might put pressures on certain suppliers more than others. Should there be, therefore, a period over which the safeguard price cap is phased in? If so, how long should this period be and how should the transition work?

uSwitch does not have any comments in response to this question.

3.7.11 (k) Would energy suppliers have the ability to circumvent the remedy, for example, by encouraging disengaged customers to switch on to less favourable, unregulated tariffs, and how such risks could be mitigated?

uSwitch does not have any comments in response to this question.

3.7.12 (l) Should the CMA set the level of the safeguard price caps itself, or should make a recommendation to Ofgem to do so?

uSwitch does not have any comments in response to this question.

3.7.13 (m) Are there any potential unintended consequences of setting safeguard price caps, for example, in terms of their potential impact on the level of other, unregulated tariffs?

We are concerned there are several unintended consequences associated with retail price regulation of this type which could actually restrict competition rather than promote it. We would not want to see anything that ends up compromising the wider pro-competition aims of the remedy package as a whole.