Energy Market Investigation
Supplemental Notice of Possible Remedies
Response of E.ON

1 INTRODUCTION

1. On 7 July 2015, the CMA published its summary of provisional findings (the "**Summary of Provisional Findings**"), along with a notice of possible remedies (the "**PRs**"). On 10 July, the CMA published its full report on its provisional findings (the "**PFs**"), along with associated appendices (the "**PF Appendices**"). E.ON responded to all of these documents in its Response to Provisional Findings and Possible Remedies (the "**Response to the PFs and PRs**") submitted on 5 August 2015.

2. On 26 October 2015, the CMA published a Supplemental Notice of Possible Remedies (the "**Supplemental Remedies**"). This described an additional remedy proposal based upon proposals submitted to the CMA by Scottish Power and Centrica. This document represents the response (the "**Response**") from E.ON to the Supplemental Remedies.

3. We reserve the right to submit further comments on the Supplemental Remedies, including taking account of further comments made by third parties, if E.ON considers it appropriate to do so.

2 EXECUTIVE SUMMARY

4. E.ON supports additional measures to inform and engage customers which we see as fully aligned to our strategy to become our customers' Trusted Energy Partner. In our Response to the PFs and PRs, E.ON described a number of ways in which communications could be improved with customers, primarily through improvements to the annual statement. E.ON believes that these improvements, when combined with the other proposed remedies to provide the framework for effective competition between suppliers and to facilitate widespread engagement by domestic customers, provide an effective and proportionate way in which to further improve engagement in the market. In particular, we are very supportive of the cheapest tariff or "Could you Pay Less" ("**CYPL**") message and believe this could become much more of a call to action to customers.

5. E.ON has considered the proposal in the Supplemental Remedies to replace all evergreen contracts with fixed term contracts. We believe this could operate to increase engagement with some customers by creating renewal points to drive

customer contact. However, we do have concerns that there may be unintended consequences for those customers who do not engage and actively switch to another fixed term contract and hence roll on to the default contract.

6. E.ON believes that the decision as to whether the default contract is fixed rate or variable rate needs careful consideration as both options have benefits but also shortcomings in terms of increasing customer engagement but avoiding any dis-benefits to customers.

7. A fixed rate, fixed term default contract with no exit fees is probably what most customers would think they were getting if told they were moving on to a "fixed" contract – as we have shared with the CMA, in the SME market arena, we coin this as "fixed means fixed" (with no unexpected charges, pass-through of third party costs etc.).

8. However, from a supplier perspective, there is likely to be considerable uncertainty over the commodity volume required for the default contract, as customers could choose to leave the contract at any time. This creates the risk of non-recoverable costs associated with this volume uncertainty and in relation to price movements within the term of the contract. If the default contract were fixed rate, a supplier would be unable to mitigate this risk by changing the rate of the contract and it is therefore likely that the supplier would include the cost of this risk in the fixed rate contract.

9. This risk could be mitigated by having multiple default contracts by time period, as Scottish Power suggests, but this would segment customers between those tariffs and potentially reduces the competitive pressure on each default tariff. That would possibly reduce the protection via competition that the less active customers receive. In addition, this could be perceived to be unfair by customers, as different customers could get quite different outcomes depending on their commencement/renewal date as fixed rate contracts can change frequently.

10. By contrast, a variable rate, fixed term default contract may be less immediately understandable to customers but would allow a supplier to manage the risk of non-recoverable costs better. However, it may end up looking like a rolling evergreen contract with the unintended consequence of disengaging customers who see that they are now on a fixed term contract and may believe they cannot switch until the end of this contract.

3 E.ON'S RESPONSE TO SUPPLEMENTAL REMEDIES

11. In our Response to the PFs and PRs, E.ON made clear our view that we do not agree with the CMA finding of an adverse effect on competition ("**AEC**") through an overarching feature of weak customer response. E.ON believes that significant numbers of customers are engaged in the energy market, have been engaged in the market and switched in the past, or are likely to become engaged and switch again in the future.

12. However, E.ON sees good engagement with customers as a key component of our strategy of being our customers' Trusted Energy Partner, which seeks to provide a sustainable business model by putting customers at the heart of our business and building good relationships with customers. E.ON sees continued improvement in engagement with customers as fully aligned with our strategy and we are very supportive of efforts to engage more customers. Therefore, E.ON has made improvements in this area through, for example, our Best Deal For You (**"BDFY"**) messaging; producing simpler and clearer bills and undertaking research to better understand how customers prefer to receive messages.

3.1. Remedy 10: Use of the annual statement

13. In our Response to the PFs and PRs, E.ON described a number of areas where communications with customers could be improved, primarily through improvements to the annual statement. E.ON believes that these improvements, when combined with the other proposed remedies to provide the framework for effective competition between suppliers and to facilitate widespread engagement by domestic customers, provide an effective and proportionate way in which to further improve engagement in the market.

14. E.ON believes that the annual statements that all customers currently receive can be improved in order to increase engagement. Changing the tone of the communication to provide a stronger "call to action", giving reassurance about the switching process and providing prompts to standard variable tariff ("**SVT**") customers to act would give the annual statement a clearer purpose.

15. However, the information currently contained within the annual statement is prescribed by Ofgem, with little flexibility for suppliers to make such improvements. Replacing the prescription with clear principles and objectives to create a strong call to action, combined with the current Standards of Conduct to ensure communications with customers are simple and understandable, would be an effective approach to increase engagement in a proportionate way.

16. The annual statement provides the information necessary to engage in the market (consumption, tariff name etc.), a prompt to customer engagement via a

CYPL message showing savings from cheaper tariffs from that supplier, as well as a broader prompt to the customer to think about switching tariff or supplier.

17. Whilst this provides the customer with the information they need to switch as well as prompting them to do so, E.ON believes that more could be made of this annual communication with customers, including as a prompt to customers on SVT. This could be by simplifying its content and increasing the focus of the information in order to increase engagement through a call to action. Customers may only give the annual statement a cursory glance and the key is to make SVT customers linger on it for longer, because their attention is gripped by what they see. E.ON's proposals in our Response to the PFs and PRs[1] would raise the profile of the annual statement, making it more likely for a customer to engage and use the information included.

18. Given that the majority of customers are aware that they can engage with the market by switching supplier, tariff or payment method, as evidenced by the CMA's survey[2], E.ON's proposals in our Response to the PFs and PRs[3] sought to provide improved messaging to address any perception that customers might have that searching the market and switching are too difficult or pointless. If supported by advertising by Government or other trusted bodies[4], these improvements could work hand in hand to encourage more people to engage.

19. In addition to the points raised above, the annual statement could include information about the number of years a customer has been on the SVT. Potentially, customers who have been on the SVT for a number of years could be directed to information from Ofgem, such as 'GoEnergy Shopping' or to a ranking of suppliers' SVT Tariff Comparison Rates. Providing a link to an interactive website which explored customers' reasons for not assessing the market (and gave them confidence in relation to that reason for not switching) or to an independent, non-transacting PCW (such as that proposed by Citizens Advice) could also be beneficial.

20. E.ON believes that if Remedy 10 were along the lines we have proposed with a strong call to action, then this could work synergistically with the other proposed remedies to provide the framework for effective competition between suppliers and to facilitate widespread engagement by domestic customers.

[1] Paragraphs 196 and 198 of E.ON's Response to the PFs and PRs
[2] 89% of customers know they can switch
[3] Paragraphs 192 and 193 of E.ON's Response to the PFs and PRs
[4] Paragraph 200 of E.ON's Response to the PFs and PRs – DECC's campaign led to a 80% increase in switching over the same period the previous year.

3.2. Supplemental Remedy: Remedies to encourage customer engagement by prohibiting the use of evergreen tariffs

21. Without prejudice to E.ON's view that the proposals outlined in our Response to the PFs and PRs and described above provide an effective and proportionate way in which to increase the engagement of customers, E.ON has considered the alternative remedies proposed by Centrica and Scottish Power, and our detailed answers to the supplemental remedy questions are given below.

(a) Would this remedy be effective in encouraging customers to engage more frequently in the market? Are there certain groups of customers who could not be covered by this remedy and, therefore, would not benefit, e.g. those on prepayment, DTS or other meters?

22. E.ON believes that replacing evergreen contracts with fixed term contracts in order to create a trigger for engagement at renewal could be effective at increasing engagement for some customers as it would create clear renewal points which could drive customer contact in a similar manner to that which occurs in the SME market.

23. However, for some customers who do not actively choose another fixed term contract, there may be unintended consequences. It is possible that rolling these customers on to a default fixed term contract may actually result in *disengagement* for some, as they see they are now on a fixed term contract and may believe they cannot switch until the end of this contract. Indeed, care must be taken with the precise messaging to customers at commencement or renewal to ensure that they fully understand the terms of their new default contract and that they can switch at any time without penalty.

24. E.ON has previously discussed with the CMA the fact that there are groups of customers who do not like shorter-term, renewing contracts – with the need to act frequently and the potential concerns of making the wrong decision – and the proposed remedy may not be well received by such customers.

25. In addition, for many customers on pre-payment meters ("**PPM**") or complex meters, there may be limited benefit from this remedy. Many of these customers currently have restricted choice in their tariffs and their ability to switch due to the infrastructure, which is currently unable to support multiple tariffs. This would make it difficult for multiple default tariffs to be applied to these customers (which may occur under a fixed rate, fixed term default contract approach).

26. There would also be issues during implementation of the remedy, where the required phasing would mean that the current SVT and the new default contract

would both be in existence, effectively creating multiple tariffs to be applied to PPM customers. It is likely that this could be managed by suppliers pricing these two products identically, thereby treating these as a single product.

27. This limitation would be resolved on the deployment of smart meters to these customers, an area in which E.ON is already taking a lead and in which the CMA has proposed a remedy to further address.

(i) To what extent is the higher level of engagement observed in response to end of fixed-term contract notifications[5] the result of the type of customer who has chosen those products, rather than a response to the notification itself?

28. E.ON believes that there is a correlation between the higher levels of engagement observed in response to the end of fixed term contract notifications and the type of customer who has chosen these products and therefore care needs to be taken when drawing conclusions from such observations.

29. However, E.ON agrees that a strong annual prompt, combined with some of the other remedies proposed by the CMA, could be effective at increasing engagement with customers that have not been on fixed term contracts before or recently.

(b) Would this remedy be effective in protecting those customers who failed to engage in the market, even after receiving prompts, from paying high prices? Would the extension of SLC 7[6], in the manner proposed by Centrica, provide such protection?

30. E.ON believes that the market and competition are the most effective and efficient approaches to deliver the best outcome for customers and that those customers who may be less engaged and are on SVT already receive protection via competition through the presence within the SVT of those SVT customers who are more engaged. E.ON therefore does not believe that these customers need further protection than that delivered by the market.

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[5] Scottish Power submission, paragraphs 3 & 4, Centrica submission, paragraphs 11 & 12.

[6] Centrica told us that 'The CMA could apply elements of existing regulation Standard Licence Condition 7, relating to deemed tariffs, to the default tariff (i.e. a requirement that such terms must not be unduly onerous). This would mean that competition in the market for non-default FTCs would exert price pressure on the default tariff by ensuring that:

- revenues would not significantly exceed the licensee's costs of supplying energy to the premises of default tariff customers; and
- margins earned on default tariff customers would not significantly exceed margins earned on the supply of energy to the generality of domestic customers.'

31. The Supplemental Remedy proposes that those customers who do not actively switch to a new fixed term contract available in the market will be rolled on to a default contract. Depending upon the exact design of this tariff, E.ON believes that customers who do end up on this contract could receive protection via competition in a similar manner as described above for SVT customers. This should be a key consideration into the design and E.ON describes its view on this in its response to subsequent questions.

32. Therefore, E.ON does not believe it is necessary to provide additional protection via an extension to SLC 7 for those customers who fail to engage in the market, even after receiving prompts. However, this would potentially create an additional layer of protection for those customers, and hence E.ON would not be opposed to it.

(c) Should this remedy apply to domestic customers only, or should it also be extended to microbusiness customers?

33. E.ON does not believe that this remedy should be extended to microbusiness customers. E.ON has already sought to drive greater engagement with SME customers at contract renewal through proactive and clear communications and through ceasing auto-rollovers. As a result, we are not only seeing greater engagement at renewal, but also increased customer satisfaction.

34. The CMA has proposed significant remedies to increase transparency in the microbusiness market and improve the level of trust in third party intermediaries ("**TPIs**") and has proposed to prohibit auto-rollovers which will assist customers in comparing different products and prices.

35. In addition, there are currently several types of variable tariff in the SME market, namely evergreen, Deemed and Out of Contract ("**OOC**"). As we have described in our Response to the PFs and PRs and in our response to the Updated Issues Statement, these fulfil very different functions within the market, with different risk and cost profiles and hence prices. E.ON does not believe it would be appropriate to force suppliers to offer a single default contract across all of the customers on these tariffs.

36. Therefore, E.ON believes that any further intervention in this area is unnecessary and would not be proportionate.

37. As such, E.ON's responses to these questions are based upon it being applied to domestic customers only.

(d) The wording of the end of fixed-term notifications appears to be critical to the effective functioning of this remedy. Should Ofgem take responsibility for developing and testing appropriate wording, or should the energy suppliers retain responsibility for this?

(i) If suppliers design these prompts, how can they be incentivised to maximise their effectiveness?

38. E.ON agrees that the wording of the end of fixed-term notifications is extremely important in order to maximise the effectiveness of this remedy. E.ON believes that the best method would be a joint approach to produce a set of overarching principles to which the messaging must conform, but then allow individual suppliers to determine the best way for them to deliver this.

39. The principles need to be developed and based upon customer research in order to ensure their effectiveness and Ofgem would then have the responsibility of enforcing these principles. There have been examples in the past where certain suppliers have barely complied with the letter of regulations, let alone the spirit of them, and so it is important that Ofgem should retain this oversight.

(e) Should the default tariff be fixed price as well as fixed term, or should suppliers be allowed to roll customers onto a variable price tariff?

40. E.ON believes that both options have upsides and downsides. A fixed rate, fixed term default contract with no exit fees is probably what most customers would think they were getting if told they were moving on to a "fixed" contract – as we have shared with the CMA, in the SME market arena, we coin this as "fixed means fixed" (with no unexpected charges, pass-through of third party costs etc.).

41. However, from a supplier perspective, there is likely to be considerable uncertainty over the commodity volume required for the default contract, as customers could choose to leave the contract at any time. This creates the risk of non-recoverable costs associated with this volume uncertainty and in relation to price movements within the term of the contract. If the default contract were fixed rate, a supplier would be unable to mitigate this risk by changing the rate of the contract and it is therefore likely that the supplier would include the cost of this risk in the fixed rate contract.

42. This risk could be mitigated by having multiple default contracts by time period, as Scottish Power (**SP**) suggests but this would segment customers between those tariffs and potentially reduces the competitive pressure on each default tariff. That would possibly reduce the protection via competition that the less active customers receive.

43. By contrast, a variable rate, fixed term default contract may be less immediately understandable to customers but would allow a supplier to manage the risk of non-recoverable costs better. However, it may end up looking like a rolling evergreen contract with the unintended consequence of disengaging customers who see that they are now on a fixed term contract and may believe they cannot switch until the end of this contract.

(i) If the default tariff were variable price, should energy suppliers be required to roll all customers who did not take action onto the same tariff, such that in effect there was only a single variable price default tariff per supplier?

44. E.ON believes that if the default contract has a variable rate, then there should only be a single variable rate default contract per supplier. As E.ON has described, less engaged customers who end up on the default contract would receive protection via competition, in a similar manner to that which currently exists for SVT customers. E.ON believes that a single variable rate default tariff would maximise this protection via competition. It is also simpler and minimises the potential confusion to customers of seeing multiple default contracts for each supplier.

(ii) If the default tariff were fixed price, should energy suppliers be required to roll all customers who did not take action within a given period, e.g. one month, onto the same default tariff? Is there a risk that the existence of multiple default tariffs (e.g. one for every month) would reduce the pressure on SVT pricing that currently results from media attention on changes to SVTs?

45. The design of a fixed rate, fixed term default contract would need to consider the appropriate balance between increased segmentation in order to allow suppliers to manage their risk and the level of competitive pressure on the default contract.

46. Segmenting the default contract based upon a long time period, e.g. one a year, would not allow a supplier to manage its risk of non-recoverable costs efficiently and hence the cost of this risk would likely be included in the fixed rate contract, potentially resulting in a higher rate than currently seen for SVTs.

47. However, segmenting the default contract on a short time period, e.g. one a month, would create multiple default contracts for each supplier. This would likely decrease the competitive pressure on each of the default contracts, an issue which could be exacerbated if the remedy was implemented on a staggered basis dependent upon SVT tenure.

48. In addition, multiple tariffs could be perceived to be unfair and confusing to customers who roll on to a default contract as they may get quite different outcomes depending upon the date of their commencement or renewal. Fixed rate, fixed term contract offers can change frequently (hence the need for segmentation) and therefore a customer may be rolled on to a significantly different priced contract from another customer, simply because their commencement/renewal date was a few days different.

(f) How should this remedy be implemented in order to ensure it is effective and proportionate?

(i) How long should energy suppliers be given to phase existing customers off their SVTs?

49. E.ON believes that there are many features (such as name, messaging of notification and renewal etc.) of this remedy which will require extensive development including customer research in order to maximise its effectiveness. Implementation should only begin after these details have been finalised.

50. It is important that there is a phased implementation process in order to avoid spikes in customer contact and switching which, given the volumes of customers involved in this process, could have a significantly detrimental impact on customer service and undermine the potential benefits of the remedy if customers become disillusioned.

51. A phased implementation also has the benefit of aligning the notification period to customers with the introduction of other remedies to increase customer engagement, increasing the likelihood that customers will act on the notification message and voluntarily switch from the SVT to other fixed contracts in the market, rather than rolling on to the default contract.

52. E.ON believes it would be appropriate to phase the implementation over a period of 1-2 years in order to mitigate the impacts described above. It is also important that the phasing is designed to be consistent across suppliers in order to avoid any distortion in the market.

(ii) Should the remedy be phased in starting with customers who have been on the SVT longest? Alternatively, should it be organised geographically in order to facilitate marketing by competitors and support from consumer groups in later years? For example, energy suppliers might be required to move all SVT customers in a region to the default tariff in the same month, such that the following year energy suppliers, PCWs and other TPIs would know that a large number of customers in that region might be looking to move in that month.

53. E.ON supports the remedy being phased in starting with customers who have been on SVT the longest. This would apply the potential benefits of the remedy earlier to those that the CMA deems most need it. However, it should be noted that if this approach to phasing were combined with a design which allowed multiple fixed rate, fixed term default contracts, this could exacerbate the risks associated with segmentation of customers described in our response to (e).

54. E.ON would not support an approach which introduced phasing geographically. This would create a significant disadvantage to those suppliers who have larger numbers of customers in the areas dealt with first. Those suppliers would bear the costs of implementation earlier than other suppliers, but more importantly this would create a distortion in the market as other suppliers would be able to target these customers without fear of a response until other regions were phased in at some point in the future.

(iii) Should energy suppliers be required to provide contact details for all SVT customers or a subset of SVT customers (e.g. those who have been on the default tariff for several years in a row, e.g. three or five years) to Ofgem, which could then seek to contact them with further prompts? Alternatively, should suppliers be required to place the contact details of these customers on a shared database, available to all licensed energy suppliers, in order to allow targeted marketing to these customers? We note that GDF has been required to share such information on those of its customers who remain on the regulated tariff in France.

55. E.ON believes that any marketing activity should be driven by data protection legislation which requires customers to give informed consent for data to be shared. Subject to this, E.ON would not be opposed to providing contact details to Ofgem for the purpose of further prompting.

56. However, E.ON strongly disagrees with a remedy which would require suppliers to place customer contact details on a shared database to allow targeted marketing. The provisional findings show that as of 1 April 2015, there were nearly 30 domestic energy suppliers[7] (with several new suppliers since this date), all of which could target the same customer. This could have the adverse consequence of creating disengagement in the market as customers may begin to ignore messages from suppliers as they are over-targeted.

57. E.ON would note that the condition imposed upon GDF to share customer data was based upon a suspicion of potential abuse of a dominant market position

[7] Provisional Findings Appendix 2.2, Table 30

and even then included an opportunity for customers to opt out of data sharing. Such conditions do not exist in the UK energy market and hence it is not suitable to use this as a comparator for the UK market. Moreover, it is clearly not a proportionate remedy. None of the existing Six Large Energy Firms, even Centrica, which is by far and away the biggest and most profitable, have been found to be in a dominant position such as would justify a remedy along these lines. Indeed it is most reminiscent of the gas release programmes applied to the then British Gas soon after its privatisation, when it undoubtedly was in a dominant position[8].

(g) What should the default tariff be called? Should it be the 'emergency' tariff to further prompt engagement or would some other wording be more appropriate? Is there a risk that certain customers will be concerned that their energy supply will be cut off if they do not engage following an end of contract prompt?

(i) How should the CMA assess the costs of such potential distress to customers?

58. E.ON believes that the name of the default contract is important to maximise the effectiveness of this remedy. The name should be an additional prompt to customers to engage with the market but E.ON recognises the risk that this could create additional concerns to certain customers (hence the doubts we have previously expressed about suggesting customers are "out of contract" or some such similar (albeit inaccurate) term).

59. E.ON believes that the best approach to determine the name of the default contract would be through research with customers and customer advocate bodies in order to strike the correct balance. This should include the potential option to call it the "default contract". Should this determine that the name of the default contract could cause concerns to customers, e.g. about being cut-off, then the name should preferably either be changed or the prompt should also include clear messaging around these issues to reassure customers.

60. Such customer research could also be used by the CMA to determine the costs of such potential distress to customers and should be sure to cover all groups, particularly the elderly and vulnerable.

[8] We make no judgment here as to whether British Gas is still in a dominant position in any market.

(ii) Are there means by which this distress could be avoided or mitigated?

61. As described above and in our Response to the PFs and PRs, clear messaging of what can (and cannot) happen at the end of the contract needs to be included in the prompt in order to reassure customers.

(h) Should Ofgem monitor the proportion of customers on default tariffs, their average tenure and/or the pricing of default tariffs (e.g. with a view to publishing summary information)?

62. E.ON would expect Ofgem to monitor the proportion of customers on default contracts, their tenure and/or pricing and would be surprised if Ofgem did not do this.

(i) Should all energy suppliers be subject to the prohibition on evergreen tariffs?

63. E.ON believes that, should this remedy be implemented, it should apply to all energy suppliers. Only applying this remedy to certain suppliers could be confusing to customers, diminishing the effectiveness of the remedy. If this is determined to be a suitable approach to increasing engagement of customers, it is not clear to E.ON why the CMA should determine that some customers would not receive this benefit by not applying it to their current supplier.

(j) Would any energy suppliers have the ability to circumvent the remedy? If so, how could they do this?

64. E.ON does not believe it would be possible completely to circumvent this remedy as it should be obvious if a supplier continued to offer evergreen tariffs or not. However, we have already referred above to the need to ensure that messaging is genuine and effective – and that certain suppliers do not seek to weaken it to discourage switching by their less engaged customers.

(k) Could this remedy give rise to unintended consequences and, if so, what these might be and how they might be prevented or mitigated?

65. E.ON believes that this remedy could create confusion and disengagement for some customers. Some customers may not understand why they are being rolled on to a contract that may appear little or no different to the rolling evergreen product that they were forcibly moved from. Other customers who end up on the default contract may see that they are now on a fixed term contract and may believe they cannot switch until the end of this contract – or, indeed, that this is what competition and engaging with the market looks like.

66. E.ON believes that the messaging provided to customers both to notify them of the removal of their SVT and to prompt them at the end of the default contract (should they end up on this) needs to address these potential risks.

67. E.ON has previously discussed with the CMA the fact that there are groups of customers who do not like contracts they have to renew – with the need to act frequently and the potential concerns of making the wrong decision – and the proposed remedy may not be well received by such customers.

(l) Are there any relevant customer benefits to which we should have regard as being affected by the proposed remedy?

68. As discussed in our response to question (e), E.ON believes that less engaged customers already receive protection in the market via competition. If this proposal were to be implemented, care would need to be taken to ensure that this protection remained to the benefit of those customers.

69. If the default contract was a fixed rate, fixed term contract which, as a result of its design, was at a higher rate than the current SVT, then this would result in a loss of a relevant customer benefit.

(m) What are the relevant costs and benefits that we should take into account when considering the proportionality of this remedy?

70. E.ON assumes that this question is with regards to the types of costs that the CMA needs to take into consideration. These costs could vary significantly depending upon the final design, but at a high level are likely to include:

a. *The costs to implement:* This would include the costs of the relevant customer research to determine the best approach and associated messaging/communications. Suppliers would also have associated IT and change costs, potential marketing/advertising costs as well as the costs of sending the communications/notifications to the relevant customers. There are also likely to be additional costs from increased customer contact from those customers who are confused by the approach and are seeking additional clarification. In addition, depending upon the design of the remedy, there may well be costs associated with changing the hedging strategy that suppliers' typically use.

b. *The costs associated with renewal:* Whilst suppliers already have established processes for this for existing customers on fixed term contracts, this remedy would require this be expanded to cover the entire customer base. These costs would be occurred every year the remedy is in place.

c. *The costs of the default contract:* It would be important for the CMA to consider the potential range of rates of the default contract in order to assess potential benefit (or dis-benefit) to customers of this remedy. As we have discussed, some designs of this remedy could result in customers being on a contract which is at a higher rate than the current SVT.

(n) Are there any alternative remedies that would be as effective as the proposed remedy in addressing the provisional AEC and that would be less costly and/or intrusive?

71. E.ON has described in its Response to the PFs and PRs and above its views around providing a strong annual prompt to customers via an enhanced annual statement. E.ON believes that this would work synergistically with the other proposed remedies to provide the framework for effective competition between suppliers and to facilitate widespread engagement by domestic customers.

72. Such an approach is likely to be significantly less costly to implement given that it would involve improvements to processes that already exist compared to the requirement to send numerous communications to customers to implement the supplemental remedy that has been proposed.

(o) Should the CMA seek to implement this remedy itself via an order (e.g. to make a licence modification), or whether it should make a recommendation that another body, such as Ofgem or DECC, implement the remedy?

73. E.ON believes that should the CMA decide to implement this remedy, it should do so itself via an order.