

Summary

MoneySuperMarket.com welcomes measures that are designed to inform consumers of the opportunities to save money in the energy market. We support stronger communications and prompts to the high number of unengaged customers who remain or have fallen onto Standard Variable Tariffs (“SVTs”).

Our original response to the proposed remedies stated we want to see the Government and energy suppliers do more to engage with people trapped on zombie tariffs. We do not believe that this alternative remedy is strong enough to make a genuine step change to consumer engagement as it offers little difference to current SVTs and supplier led prompting to customers.

We highlighted concerns over automatically moving people onto a ‘safeguard regulated tariff’ as it would not increase consumer engagement in the market. The proposed alternative remedy recommends the use of ‘default tariffs’ instead of the ‘safeguard regulated tariff’. However, there appears to be little substantive difference between ‘default tariffs’ and SVTs.

We explained that we believe communications and prompts should be enhanced to comprise tailored warnings to customers who would most benefit from switching, and using customer touch points beyond the energy providers’ annual statements. This alternative remedy comprises supplier led annual end of contract notifications being made to customers. We believe more disruptive forms of direct communication such as a letter from DECC, Ofgem or other trusted intermediaries (including Confidence Code accredited Price Comparison Websites) and the use of targeted SMS messaging are required.

We note that our ability to prompt customers is limited by energy suppliers currently insisting upon marketing restrictions in contracts with Price Comparison Websites. These restrict the ability of MoneySuperMarket.com to re-engage with customers who have switched their energy supplier and to explain to them where they might be able to make savings by switching their energy supplier again. We believe that those marketing restrictions prevent customers being re-engaged and made aware of the benefits of comparing energy suppliers, and of switching to a different tariff that might be more appropriate for them.

Detailed response to proposed remedy to encourage customer engagement by prohibiting the use of evergreen tariffs

We have considered the proposed remedy in the context of both remedy 10 (measures to prompt customers on default tariffs to engage in the markets) and remedy 11 (a transitional ‘safeguard regulated tariff’) in the notice of provisional remedies published in July 2015.

(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, eg those on prepayment, DTS or other meters?

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

We note that the proposed alternative remedy states “Scottish Power and Centrica highlighted that, in their experience, domestic customers on fixed-term contracts tended to engage in significant numbers following the receipt of an end of contract notification from their supplier.” However, we believe that customers who have not previously responded to written notifications from their supplier at the end of contracts or to Cheaper Tariff Messaging or other messages are equally unlikely to respond to similar notifications from their supplier whilst on default tariffs. We believe more disruptive forms of direct communication such as a letter from DECC or other trusted intermediaries (including Confidence Code accredited Price Comparison Websites) and the use of targeted SMS messaging are required.

Any communication informing customers of the need to act at the end of contracts should be widened in scope to ensure customers are aware of the full range of choices open to them. It is important that any communications do not restrict customers to options with their current supplier only.

We see no reason why any remedy designed to encourage consumer engagement should not cover all groups of customers. We recognize that certain types of meter could create operational challenges, but in principle we do not believe that communications to customers to encourage switching should be reduced due to meter type.

- (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, in the manner proposed by Centrica, provide such protection?*

We believe the only way to ensure consumers are protected is to prompt them to engage into the market.

There appears to be no indication that prices would fall for customers currently on standard variable tariffs compared to those who would be on default tariffs under this remedy. It is unclear how an extension of SLC7 would be any different from suppliers adopting fair principles around the current pricing of standard variable tariffs. The practical effect of remedy may be little more than a renaming tariff.

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

Due to the low levels of engagement across each of the domestic, microbusiness and SME markets we do not see any rationale for restricting remedies designed to promote engagement.

- (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?*

In line with principles based regulation, suppliers should be responsible for designing, testing and evidencing effective their own consumer prompts. We do not believe that supplier led prompts alone will

be sufficient to change consumer engagement and such prompts needs to be supported by other direct communications from DECC, Ofgem or other trusted intermediaries.

We note that it is critical to see consistent tariff naming conventions and prompts, including cheapest tariff messages more frequent than the suggested annual or half-yearly basis.

(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?

- (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?*
- (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, eg one month, onto the same default tariff? Is there a risk that the existence of multiple default tariffs (eg one for every month) would reduce the pressure on SVT pricing that currently results from media attention on changes to SVTs?*

Creating more than one default tariff would be counterproductive as it confuses the market with non-innovative, and potentially higher priced tariffs. If this alternative remedy was implemented, it is critical that only one default tariff per supplier is available as customers should not feel they can choose 'how' to not engage. The key characteristic is that customers must be able to switch away from the default tariff without penalty or notice.

(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?*
- (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.*
- (iii) Should energy suppliers be required to provide contact details for all SVT customers or a subset of SVT customers (eg those who have been on the default tariff for several years in a row, eg 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.*

We believe enhanced prompting is the critical element this alternative remedy and that the nature and implementation of the tariff is less significant. As described above, we would support enhanced prompting using alternative means and from alternative sources. This enhanced prompting should be brought in more quickly and applied to customers on SVTs.

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

We believe enhanced prompting is the critical element this alternative remedy and that the nature and implementation of the tariff is less significant. If this alternative remedy was implemented, it is critical that the naming convention is consistent across the industry so it is obvious to customers on this type of tariff. Further the tariff name needs to represent the temporary nature of the tariff.

Any potential distress to consumers should be mitigated by clear and effective communications across the industry. Per the response to d) above, we believe suppliers should be responsible for designing, testing and evidencing the effectiveness of their communications.

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

Irrespective of this remedy being implemented, suppliers should be required to measure and monitor the proportion of customers on standard variable or "default" tariffs, their average tenure and pricing. This information should be used to monitor the effectiveness of supplier strategies to engage consumers into the energy market.

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

The approach should be consistent across all suppliers. All suppliers have customers who drop off fixed deals and as such need to be subject to the same rigors of communication and prompts to ensure customers remain engaged in the energy market.

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

N/a

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

Any remedy which results in a spike in switching could cause customer service issues and deter future switching. The timing of increased prompting should reflect this.

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

N/a

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

N/a

(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?

We believe that enhanced customer prompting is key to increasing consumer engagement. We believe more disruptive forms of direct communication such as a letter from DECC or other trusted intermediaries (including Confidence Code accredited Price Comparison Websites) and the use of targeted SMS messaging are required. Other considerations could include extending Cheapest Tariff Messaging to include prompts that cheaper tariffs are available outside of the current supplier or provide links to the Ofgem 'Be an energy shopper' or 'Confidence Code' websites.

We note that our ability to prompt customers is limited by energy suppliers currently insisting upon marketing restrictions in contracts with Price Comparison Websites. These restrict our ability to re-engage with customers who have switched their energy supplier and explain to them where they might be able to make savings by switching their energy supplier again. We believe that those marketing restrictions prevent customers being re-engaged and made aware of the benefits of comparing energy suppliers, and of switching to a different tariff that might be more appropriate for them.

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

N/a