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By email: [EnergyMarket@cma.gsi.gov.uk](mailto:EnergyMarket@cma.gsi.gov.uk):

Dear Roger

### **Flipper and the CMA's proposed remedies in the Energy Inquiry**

I have recently joined a new start-up "Flipper" as a non Executive Director. We have recently launched a new and innovative energy switching service. I am also an investor and minority shareholder in Flipper.

You can see more about what we do and can offer at <http://flipper.community> . We are aiming to address a number of the problems and issues that the CMA has identified in the Energy Inquiry but in a radically different way to existing price comparison services.

I wanted to start by setting out a simple summary of what we are doing and why we think this could help to tackle the problems associated with low customer engagement and the significant number of customers who don't switch their energy supplier regularly or have never switched.

Our model is based on two important insights. The first can be best summed up by the work of the Behavioural Insights Team across a range of sectors that if you want to drive behaviour change you need to make it easy. So we want to make it simple and easy for any customer to switch their supplier (and keep switching as new and better deals come along) by automating the process and minimising the amount of information that a customer has to provide us to sign up and provide this service.

But we also want to strike at the heart of one of the problems with the business model of all the other companies that provide comparison services for customers. So we will not accept any commission payments from suppliers we switch our customers to. We will charge customers a small annual fee for the service we provide. This means we will be able to provide customers with a simple, quick and automated service that saves them money when they sign up and continues to save them money by scanning the market and switching them to better deals when they become available. Because we charge a fee we also can promise customers we won't use their data for any purpose other than getting them the best deal.

We also hope that our business model will be very attractive to the large number of customers who have never used a price comparison service and perceive the process of comparing prices and/or switching to be a hassle or time consuming by automating the whole process.

I hope this demonstrates something that I (and the other former regulators) have said in many of our submissions to date to the Inquiry. The market provides strong incentives for innovation. If the CMA removes the restrictions put in place by Ofgem that the CMA have rightly identified as restricting and distorting competition there is substantial scope for further innovation. Solutions to the problems associated with low engagement will be addressed by the market .

But there are other remedies that the CMA is proposing that will stifle or snuff out this sort of innovation. The first and most obvious that I have responded to with the other former regulators is the proposal for a safeguard tariff or any other form of price control.

The second remedy that will do this is the proposal to set up an independent price comparison service. This is neither necessary nor desirable. The concerns that lead the CMA to suggest this remedy - around whether existing services provide independent and unbiased advice - could be better addressed by removing some of the remaining barriers to allowing companies like Flipper to innovate.

One of the biggest challenges we face as a small start up is being able to access simply and directly the core data we need to build and deliver an automated service. This primarily relates to pricing data (for all suppliers' tariffs) and customer volume data. But it also relates to standard industry data (such as meter reference numbers) and data on the switching process (that suppliers have access to) that are held by the network code administrators Xoserve and MRASCo.

As I am sure you are aware I am heavily involved in the Retail Banking Inquiry. Many of the same issues are being investigated here and the proposed remedies have acknowledged and proposed solutions to these problems. There are remedies

aimed at mandating all current account providers agree and implement open data through the use of “APIs” so that third parties can access pricing and quality data and transactional volume data that goes back five years. The challenges of doing this in banking are much more significant than in energy for a range of obvious reasons. Pricing is much more complex. There is an order of magnitude more volume data given the number of transactions customers typically make on their current account. Providing direct access to data for third parties requires careful design given the nature of current account data and its value to fraudsters. But there is strong support from the industry to deliver these remedies and Lloyds Banking Group has said they could and should be implemented within 12 months. I cannot see any reason why the same could not and should not be put in place in the energy market. They should form part of the CMA’s remedies package.

But in energy you need to go further consistent with your finding that the central systems and codes and their governance need reform. The CMA need to force the administrators of the meter registration databases and switching process (Xoserve and MRASCo) to make data available to third parties who have the customers consent. The CMA also needs to make sure that we can gain access to this data quickly. Initial inquiries told us that it might take 6 months to get access to electricity data (with no certainty we would gain access at the end of the process). That is a lifetime to a small start up with limited capital. Xoserve simply told us the current rules do not allow us access at all.

Fixing this problem would allow us to make the customer journey even simpler and hassle free as we would be able to simply take a customer’s name and address and then do all the rest of the work for them. It would also enable us to identify if there were any problems with an automated switch (such as a debt objection) and manage this directly and quickly on the customer’s behalf. This seems a simple and obvious remedy that should also form part of the remedies package.

I would welcome the opportunity to come and talk to you with members of the team about the Flipper service and to answer any questions you may have on these points and what you could do to help reduce barriers to entry for innovative new services like Flipper. I would also be grateful if you would consider formally consulting on further proposed remedies to tackle the issues I have set out in this letter.

Yours sincerely

Stephen Smith

Cc: Adam Land, Senior Remedies Director, CMA  
Rachel Fletcher, Senior Partner, Ofgem