

## Appendix 6.2: Ofgem to establish a programme to identify, test and implement measures to provide customers with different or additional information

1. This appendix sets out the detailed parties' views on our remedy for measures to provide customers with different or additional information to encourage customer engagement.

### Parties' views

2. We invited views on whether energy suppliers should be providing their customers with more, less or different information in order to best encourage customer engagement.
3. Ofgem said it was fully supportive of facilitating the process of accessing and assessing information in the energy markets to improve customer engagement. It said the route and format for delivering customer information were also important to consider, including the role of consumer awareness campaigns.<sup>1</sup>
4. The SLEFs were generally supportive of measures to facilitate customers accessing and assessing information,<sup>2</sup> although SSE said the CMA had not established the necessary AEC to justify the remedy.<sup>3</sup> In particular:
  - (a) Centrica, EDF Energy and RWE said that they would like to make improvements to their customer information but could not because Ofgem had prescribed the format and content of their communications with customers as part of the 'clearer information' component of the RMR rules.<sup>4</sup>
  - (b) SSE said it did not support the provision of additional information to customers as the current prescriptive information requirements resulted in bills that were too complex, but there were more effective alternatives to the proposed remedy. These included relaxing the regulations governing

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<sup>1</sup> Ofgem response to Remedies Notice, p56.

<sup>2</sup> Centrica response to Remedies Notice, p73, EDF Energy response to Remedies Notice, p32, E.ON response to Remedies Notice, p37 (E.ON said too much information was included in bills because of Ofgem's prescriptive requirements following the RMR combined with information requirements of other regulations). Scottish Power response to Remedies Notice, p26 and RWE npower response to Remedies Notice, p70.

<sup>3</sup> SSE response to Remedies Notice, p62.

<sup>4</sup> Centrica response to Remedies Notice, p73, EDF Energy response to Remedies Notice, p32 and RWE npower response to Remedies Notice, p70.

the content of suppliers' communications and conducting more consumer awareness campaigns.<sup>5</sup>

5. We invited views on the current format and content of energy bills and whether the current bills facilitated engagement by customers:
- (a) Several parties said that current bills contained too much information and some also said that bills were too long.<sup>6</sup> Several parties said changes to the layout of information on bills could improve engagement.<sup>7</sup> Some parties said that specific pieces of information on bills such as the Tariff Comparison Rate (TCR),<sup>8</sup> QR codes,<sup>9</sup> the Tariff Information Label<sup>10</sup> and the supplier Cheapest Tariff Message (CTM),<sup>11</sup> could be made more useful for customers.
  - (b) All the SLEFs said that too much information was included in bills, including because of Ofgem's prescriptive requirements following the RMR.<sup>12</sup> All the mid-tier suppliers also said that regulations had resulted in too much information on bills.<sup>13</sup>

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<sup>5</sup> [SSE response to Remedies Notice](#), p62.

<sup>6</sup> [EDF Energy response to Remedies Notice](#), p33, paragraph 9.5 (EDF Energy said that current bills contained too much surplus information); [RWE npower response to Remedies Notice](#), p71 (RWE said that current bills contained too much information); [Scottish Power response to Remedies Notice](#), p27) and subsequent submission on market research dated December 2015 (Scottish Power said that current bills contained too much information and were too long and referred to supporting evidence from market research); [SSE response to Remedies Notice](#), p64; [First Utility response to Remedies Notice](#), p36; [Ovo Energy response to Remedies Notice](#), p18; [National Energy Action response to Remedies Notice](#), p9; [Citizens Advice/Citizens Advice Scotland response to Remedies Notice](#), p42; [Behavioural Insights Team response to Remedies Notice](#), p8; [Energy Action Scotland response to Remedies Notice](#), p10; and [Inenco response to Remedies Notice](#), p3.

<sup>7</sup> [Centrica response to Remedies Notice](#), p73 (Centrica said that changes to the content and layout of information on bills could improve engagement); [RWE npower response to Remedies Notice](#), p70; [Opus Energy response to Remedies Notice](#), p20; [uSwitch response to Remedies Notice](#), p16; [MoneySavingExpert.com response to Remedies Notice](#), p8; [Inenco response to Remedies Notice](#), p3.

<sup>8</sup> [Centrica response to Remedies Notice](#), p20; [EDF Energy response to Remedies Notice](#), p33; [First Utility response to Remedies Notice](#), p37; [Good Energy response to Remedies Notice](#), p8; and [Energy Action Scotland response to Remedies Notice](#), p10.

<sup>9</sup> [E-ON response to Remedies Notice](#) p39; [SSE response to Remedies Notice](#), p 64, [Utility Warehouse response to Remedies Notice](#), p11.

<sup>10</sup> [First Utility response to Remedies Notice](#), p37.

<sup>11</sup> [uSwitch response to Remedies Notice](#), p17.

<sup>12</sup> [Centrica response to Remedies Notice](#), p73 (Centrica said that too much information was included in bills because of Ofgem's prescriptive requirements following the RMR and that by dictating the content, format and layout of bills the rules prevented suppliers from engaging customers as effectively as they could. It said that this limited a supplier's ability to differentiate and compete effectively against rivals and that the highly prescriptive regulations should be replaced with an obligation to achieve customer-focused outcomes). [EDF Energy response to Remedies Notice](#), p33; [E-ON response to Remedies Notice](#), p37; [RWE npower response to Remedies Notice](#), p70; [Scottish Power response to Remedies Notice](#), paragraph 9.5 (c), p27 (Scottish Power said that too much information was included in bills because of repeated regulatory interventions, including Ofgem's RMR); and [SSE response to Remedies Notice](#), p11.

<sup>13</sup> [Co-Operative Energy response to Remedies Notice](#), p15; [First Utility response to Remedies Notice](#), p36; [Ovo response to Remedies Notice](#), p18; and [Utility Warehouse response to Remedies Notice](#), p10.

- (c) Some consumer groups said there was scope to improve the content of bills.<sup>14</sup> Citizens Advice<sup>15</sup> and Which?<sup>16</sup> said there should be more research and testing to identify what information would be most effective in increasing customer engagement.
  - (d) The Behavioural Insights Team said that the current format of bills provided excessive, and sometimes confusing, information. It said that it was important to test any changes in bill content, and that suppliers should be required to work with Ofgem to test different information on bills.<sup>17</sup>
  - (e) uSwitch<sup>18</sup> and MoneySavingExpert<sup>19</sup> said it was important to consider how information was displayed in bills. Reducing the content of bills might be less important for customer engagement than rearranging the information on bills.
  - (f) Ofgem said there was scope to improve the clarity of bills. It said that its own customer research showed a positive early impact for the CTM but there was less awareness, or use, of the TCR. Ofgem also said that there were significantly more billing requirements in the domestic market than in the microbusiness market, and these requirements originated from a number of different sources including its licence conditions, EU third package, and the Energy UK billing code of practice.<sup>20</sup>
6. We invited views on whether or not customers reaching the end of a contract period should subsequently receive bills that highlighted that they had been moved onto the SVT and/or other default tariff:
- (a) Four of the SLEFs said customers should be notified through bills that they had moved on to an SVT and/or other default tariff.<sup>21</sup> However, the

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<sup>14</sup> [Citizens Advice/Citizens Advice Scotland response to Remedies Notice](#), p42; [Energy Action Scotland response to Remedies Notice](#), p10; [National Energy Action response to Remedies Notice](#), p9; [Age UK response to Remedies Notice](#), pp4–5; and [Which? response to Remedies Notice](#), p6.

<sup>15</sup> [Citizens Advice/Citizens Advice Scotland response to Remedies Notice](#), p42.

<sup>16</sup> [Which? response to Remedies Notice](#) p6.

<sup>17</sup> [BIT response to Remedies Notice](#), pp 8–9.

<sup>18</sup> [uSwitch response to Remedies Notice](#), pp 16–18.

<sup>19</sup> [Moneysavingexpert.com response to Remedies Notice](#), p8.

<sup>20</sup> [Ofgem response to Remedies Notice](#), p56.

<sup>21</sup> [Centrica response to Remedies Notice](#), p74; [EDF Energy response to Remedies Notice](#), p34, paragraph 9.11; [E.ON response to Remedies Notice](#), p41 (E.ON said that this was already done via Can You Pay Less (CYPL) messaging); and [SSE response to Remedies Notice](#), p66 (SSE said that while current communications already covered this to a certain extent, the content of the information provided could be improved, by allowing suppliers to tailor these communications to their customers' needs).

other SLEFs said this was unnecessary because customers were already effectively notified of this through existing communications.<sup>22</sup>

- (b) Similarly, mid-tier suppliers had mixed views on changing bills for customers once they reached the end of their contract period. Co-operative Energy said there was no need to do this because there was no evidence that this would improve customer engagement.<sup>23</sup> However, First Utility said there should be additional prompts, and the term SVT might be too neutral to act as a ‘nudge’ to customers to prompt them to switch.<sup>24</sup>
- (c) Citizens Advice, the Behavioural Insights Team, uSwitch and MoneySavingExpert said there should be additional prompts for customers when they reached the end of their contract period:
  - (i) Citizens Advice said the extra prompt could be achieved by changes to the current wording of the CTM on bills;<sup>25</sup>
  - (ii) the Behavioural Insights Team said that current messaging on bills encouraged customers to switch tariffs within their existing supplier and argued that more could be done to encourage switching between suppliers;<sup>26</sup>
  - (iii) uSwitch said only some customers would read and act on existing notifications so repeat messaging on bills could increase the number of consumers who engaged;<sup>27</sup> and
  - (iv) MoneySavingExpert said people’s lack of awareness was a barrier to switching and each bill provided an opportunity to remind them to switch.<sup>28</sup>

7. In the context of remedy 10 of the Remedies Notice, which provided for measures to prompt customers on default tariffs to engage in the market, we invited views on the wording that should be used for customers who have

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<sup>22</sup> [RWE npower response to Remedies Notice](#), p72 (RWE said it may be more appropriate to send a separate communication depending on the time elapsed between the tariff end and the customer’s bill, rather than risk this information getting lost within the customer bill information already provided); [Scottish Power response to Remedies Notice](#), p28.

<sup>23</sup> [Co-operative Energy response to Remedies Notice](#), p17. Co-operative Energy said currently there were licence obligations in place for suppliers to inform customers of their options when approaching the end of their fixed-term period and to prompt the customer to take action. It believed these requirements sufficiently engaged its customers who had taken the steps to switch to it. There was no evidence that any subsequent messaging would improve the engagement level of customers who had previously engaged in the market by choosing a fixed tariff. Moreover the issue identified by the CMA was the engagement of customers who had never, or very rarely, switched, nor had taken advantage of lower-priced tariffs.

<sup>24</sup> [First Utility response to Remedies Notice](#), p38.

<sup>25</sup> [Citizens Advice/Citizens Advice Scotland response to Remedies Notice](#), p43.

<sup>26</sup> [BIT response to Remedies Notice](#), p10.

<sup>27</sup> [uSwitch response to Remedies Notice](#), p19.

<sup>28</sup> [Moneysavingexpert.com response to Remedies Notice](#), p8.

failed to engage once they had rolled onto an SVT or default tariff. In our first supplemental notice of possible remedies, we also sought views on what the default tariff should be called, including if it should be called ‘emergency tariff’.

- (a) All the SLEFs said that further research with customers was necessary to determine the most appropriate name for the default tariff.<sup>29</sup> Some SLEFs said it was important to strike a balance between a name that implied safety so making customers disengage, and a name that caused customers to become concerned about having their energy supply disconnected.<sup>30</sup>
- (b) Citizens Advice, the Behavioural Insights Team and uSwitch also said there should be testing with customers to identify the most suitable name for the default tariff:
  - (i) Citizens Advice said names such as ‘emergency’ tariff could cause consumers distress but there was value in exploring alternatives to ‘standard variable’, and these alternative names should be tested.<sup>31</sup>
  - (ii) The Behavioural Insights Team said it supported the name ‘emergency tariff’ as this would encourage consumers to take action but testing was necessary to see the behavioural impact of changes to the tariff name.<sup>32</sup>
  - (iii) uSwitch said the name of the default tariff would have a direct impact on how customers reacted to being placed on it. It said the name of the default tariff should be tested to better understand customer reaction.<sup>33</sup>
- (c) First Utility, Utility Warehouse and Good Energy commented on specific names for the default tariff:
  - (i) First Utility said an appropriate name would be ‘out of contract’ as this would avoid the value misconceptions associated with the term ‘standard’.<sup>34</sup>

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<sup>29</sup> Centrica response to supplemental Remedies Notice, p10; E-ON response to supplemental Remedies Notice, p12; Scottish Power response to supplemental Remedies Notice, p11; EDF Energy response to supplemental Remedies Notice, p9; RWE npower response to supplemental Remedies Notice, p14; and SSE response to supplemental Remedies Notice, p17.

<sup>30</sup> Centrica response to the supplemental Remedies Notice, p10; Scottish Power response to the supplemental Remedies Notice, p11; EDF Energy response to the supplemental Remedies Notice, p9.

<sup>31</sup> Citizens Advice response to the supplemental Remedies Notice, pp8–9.

<sup>32</sup> Behavioural Insights Team response to supplemental Remedies Notice, pp4–5.

<sup>33</sup> uSwitch response to supplemental Remedies Notice, p8.

<sup>34</sup> First Utility response to supplemental Remedies Notice, p8.

- (ii) Utility Warehouse said it strongly opposed the name ‘emergency tariff’ as this would be misunderstood by most customers. It said the term ‘default’ or ‘standard’ tariff should be used.<sup>35</sup>
  - (iii) Good Energy said the use of ‘emergency tariff’ would be inappropriate and it should be left to the suppliers to identify suitable wording for their tariffs.<sup>36</sup>
- 8. We also invited views on a remedy requiring energy firms to inform domestic customers about the cheapest tariff on the market across all suppliers. We indicated that we were not minded to consider this remedy further for two reasons:
  - (a) We were concerned that by forcing energy suppliers to share detailed pricing information, this remedy could weaken competition and encourage or facilitate some form of (tacit) coordination between suppliers. As a result, this remedy could have the opposite effect from that intended, resulting in increased prices for customers.
  - (b) We considered that requiring suppliers to advertise competitors’ tariffs would not provide customers with the correct incentives to engage effectively in the markets in the longer term, as they could rely on their supplier to conduct a search on their behalf and provide them with the results. This could encourage customers to remain relatively disengaged in the future, undermining our other remedies to facilitate widespread customer engagement.
- 9. Parties have provided the following comments on this remedy:
  - (a) E.ON,<sup>37</sup> SSE,<sup>38</sup> RWE npower,<sup>39</sup> and Scottish Power<sup>40</sup> said this remedy should not be considered further. In particular:
    - (i) E.ON and RWE npower said the remedy would not encourage customers to engage;
    - (ii) SSE said there was no precedent for this type of measure in any other competitive market; and

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<sup>35</sup> [Utility Warehouse response to supplemental Remedies Notice](#), p6.

<sup>36</sup> [Good Energy response to supplemental Remedies Notice](#), p6.

<sup>37</sup> [E.ON response to Remedies Notice](#), p92.

<sup>38</sup> [SSE response to Remedies Notice](#), p111.

<sup>39</sup> [RWE npower response to Remedies Notice](#), p146, paragraph 8.

<sup>40</sup> [Scottish Power response to Remedies Notice](#), paragraph 19.3, p60.

(iii) RWE and SSE said it would undermine the effectiveness of other remedies.

(a) First Utility said that this remedy should be considered further because if customers could see the savings they could make by switching supplier, it would increase engagement. First Utility said that concerns about suppliers having to advertise their competitors' tariffs could be addressed by showing a level of total savings. There were multiple ways of doing this without showing any brand, for example the average of the top three or five tariffs.<sup>41</sup> First Utility also said that Ofgem could have a role in working out the market-wide cheapest tariff and sharing it with suppliers.<sup>42</sup>

10. EDF Energy also told us about the impact of its 'Blue+ Price Promise' whereby it notified its customers about competitors' tariffs if they could save more than £1 a week by switching. EDF Energy said it had found relatively few customers switching away as a result of this initiative. Being transparent with its customers and notifying them when they could get a better deal had increased its customers' trust.<sup>43</sup>

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<sup>41</sup> [First Utility response to Remedies Notice](#), p37.

<sup>42</sup> [First Utility response hearing summary](#), p5

<sup>43</sup> [EDF Energy response hearing summary](#), p5.