Mr Roger Witcomb
Chair
Energy Market Investigation
Competition and Markets Authority
Victoria House
Southampton Row
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By email: EnergyMarket@cma.gsi.gov.uk:

Dear Roger

**Flipper’s response to the Competition and Markets Authority’s (CMA) Energy Market Investigation Provisional Decision on Remedies Report**

This document sets out our response to the CMA’s provisional decisions on remedies as part of the Energy Market Investigation. We are not in a position to comment on all of the proposed remedies and analysis underpinning the CMA’s findings. We have therefore limited our response to the findings and proposed remedies that are relevant to what we are trying to do to help energy customers and where we think we have insight or experience.

A central finding that permeates much of the CMA’s analysis and findings and drives the remedies package is “weak customer response and low engagement”.

As we said in our previous response we think that there is significant scope for market processes to increase customer engagement substantially, without the need for any detailed or prescriptive regulation of suppliers or the retail energy market more generally. The central idea behind Flipper is that there is huge untapped customer demand to provide new services to help customers engage with the market and get a better deal. To unlock this demand customers just need a simple, automated switching service like Flipper where the lack of supplier commission...
payments means they can trust Flipper to always look after their interests. So detailed, prescriptive regulation is unnecessary.

Energy customers are very diverse in how much energy they use as well as their preferences for how they want to pay. Smart meters and related technical innovations such as smart heating controls and electric vehicles will increase this diversity and require new ways to price energy including at different times of the day and week. Suppliers need to be free to innovate to find new and better ways to meet these diverse needs of different groups of customers as they adopt these new technologies.

Regulation will stifle this innovation and the CMA should be more confident that new innovative services like Flipper will help customers navigate the market and discipline suppliers. The role of regulation should be limited to lowering any barriers to entry for new suppliers and new business models like Flipper.

This view of how the market will develop and what the role of regulation should be underpins our response.

**Removal of Tariff Restrictions**

We therefore welcome and support the CMA’s proposed remedy to remove the restrictions placed on all suppliers through Ofgem’s Retail Market Review and specifically the restrictions on the number of tariffs suppliers can offer and the form and structure of discounts they can offer. It is clear that, as was predicted before they were introduced and as the CMA’s analysis has confirmed, they restrict and distort competition. They also limit the scope for suppliers to innovate and meet the diverse and changing needs of energy customers.

**Price Cap for Prepayment Meter Customers**

We do not support the CMA’s proposal to put in place a price cap for Prepayment meter customers. We do support the CMA’s proposals to address the supply side problems that restrict competition for prepayment meter customers. But we think these are sufficient to see significant competitive pressure re-emerge for prepayment meter (PPM) customers. Prior to the introduction of Ofgem’s anti-discrimination licence condition and the RMR Ofgem’s reviews of supply competition showed vigorous competition for PPM customers, high engagement and that the difference between the most competitive PPM and direct debit tariffs were at or below reasonable estimates of the difference in costs to serve. The CMA should be confident that with the substantial entry and expansion by new entrant suppliers that there will be even more competitive pressure if the RMR restrictions and the prepayment supply side issues are resolved.
A price cap is likely to lead to large numbers of PPM customers disengaging and thinking that the regulated tariff protects them. It will also reduce the incentive on innovative new entrants to accelerate the rollout of smart PPM meters and find ways to better serve these customers at lower cost. They will limit the scope and incentives for companies like Flipper to help these customers secure better deals and switch.

*Improved Access to Customer Data*

We do welcome the proposed remedy to make more data available, with the customer’s consent, to price comparison websites. But the CMA needs to be clear that access to these data should be available to any company acting as an agent that has the customer’s consent. We would be concerned, for example, if access were restricted to companies who had signed Ofgem’s Confidence Code for comparison services.

We are pioneering a new and innovative business model and service. We don’t take commissions from energy suppliers and we automate the switching process. Much of what the Code seeks to address are the inherent conflicts of interest created when comparison services take commission from suppliers. We have consciously decided not to seek accreditation under the current Code as the requirements are either unnecessary or irrelevant to us given our different business model and service.

We also think the CMA need to more prescriptive in how data are made available. The CMA will be aware from the retail banking inquiry of the huge potential benefits of open data through published Application Protocol Interface (API) technology that allow simple, secure automated services to be built at low cost. These services will significantly decrease the hassle factor for customers in switching by reducing the need for data entry or having a bill to hand when they sign up to a comparison service.

We therefore think that access to the database for agents can and should be made available directly through a published API within 12 months. However, in the interim we think that access to the data for authorised customer agents such as Flipper can and should be implemented within 3 months on the same basis as it is currently made to suppliers.

*midata*

Although we welcome and support the proposed remedy to make midata mandatory for all suppliers, we think that the CMA needs to be more prescriptive. The CMA should set out what customer data, supplier pricing and tariff data should form part of
the standards and mandate that it be implemented by open APIs and be delivered in 12 months. We would be happy to meet with the remedies team to explain in more detail why we think this is so important to help services like ours increase customer engagement and what data should be included in the midata standard.

*Database of disengaged customers*

We do not support the proposed remedy for Ofgem to run a database of disengaged customers and to make this available for third party marketing. We think this is likely to be very unpopular with the majority of customers it applies to and likely to decrease their willingness to switch as they are bombarded with marketing material. It also raises significant data privacy and security issues and we do not think Ofgem is well placed to manage these risks.

I hope you find these comments helpful and constructive.

Yours sincerely

Dr Nigel Evans  
Chairman  
Flipper Ltd