

## **Response to CMA Energy Market Investigation provisional decision on remedies**

MoneySavingExpert.com welcomes the opportunity to respond to the CMA's provisional decisions of its energy investigation. Several of the decisions will improve outcomes for consumers – but there is the potential to do more to protect consumers and promote switching. The report revealed that consumer detriment from excessive prices of the Big Six is about £1.7billion per year. This is a shocking figure, and the final decisions must rebalance outcomes fairly for consumers.

There is an assumption that competition, rather than regulated prices, is the best way to improve the sector in the long-term. We do not hold a view on this assumption, but recognise it is the political consensus. We comment on several of the provisional decisions below based on this assumption.

### **Removing the four cap will lead to better savings for those who switch**

The four cap has not served its intended purpose to simplify the market. We support its removal as this should lead to more tariffs and therefore greater differentiation between the most and least expensive tariffs on the market. This will create bigger savings for switchers, but people who don't switch, who already pay on average £300 a year more than those on the cheapest tariffs, are likely to pay even more.

The report showed that 56% of respondents said they had never switched, didn't know it was possible or did not know if they had done. 30% of the standard variable customers with the Big Six had been on that tariff for five years. Increasing the range of prices of tariffs on the market will make it even more important that non-switchers are encouraged to engage with the market.

### **The marketing database must not create spam**

The marketing database is aimed at encouraging non-switchers to engage with the market, however there is a risk that the message to switch will get drowned out by rival energy suppliers shouting over each other. Therefore use of the database must be closely monitored. It is imperative that the opt-out process is simple and effective, and consumers must be able to opt-out before the database is launched.

### **The cap on pre-paid tariffs is welcome**

In our response to the possible remedies, we supported the introduction of a safeguard tariff for those who haven't switched for three-to-five years. The prepaid cap is less radical but is very welcome.

Often those with prepay meters are some of the poorest and most vulnerable members of society. Protecting them has become increasingly vital as the proportion of prepay customers has increased. As the report states, gains from switching for prepayment meter users have remained static while gains for credit meter users who switch have increased significantly – competition is clearly not working effectively in the prepayment market.

The proposed cap is due to be removed in 2020, but this should only happen if it will not result in consumer detriment. The cap must be reviewed and only removed if this will not harm consumers. If this is not the case it must be extended as long as necessary.

### **Switching from a prepayment meter to a credit meter must be free**

However, while the safeguard is a good idea, much more can be done to help those on prepay meters. In particular, allowing those on prepay meters to be able to switch to a credit meter for free, would truly unlock the market and allow the vulnerable people that are currently overpaying, to get fairer energy costs.

### **Personal projections should be removed**

We note that Ofgem will review the Personal Projections methodology in light of CMA decisions regarding discounts, but this does not go far enough. Rather than be reformed to ‘continue to serve their policy intent’, personal projections should be removed as they do not work in their current guise.

MoneySavingExpert.com has raised the problem of personal projections several times. We fundamentally disagree with this methodology because we believe it is leading to consumers getting misleading information.

We can understand why this methodology might be used on marketing material, but to use it on a comparison site, where consumers are actively looking to switch and are therefore unlikely to go on to the standard rate, is misleading.

### **Midata enhancements are welcome but could go further**

We support changes to Midata to enable Price Comparison Websites (PCWs) to monitor the market on behalf of consumers and alert them when they can make savings. This would enable MSE’S Cheap Energy Club to use constantly updated data to tell users about potential savings – potentially helping people to save more money.

As stated in our response to the possible remedies, this process could be further improved for consumers if a trusted intermediary could also go ahead and switch people who have previously agreed to delegate the decision, unless they opt out. All the hard work would be done for them.

In order to achieve this, rules would need to be changed and regulation issued to facilitate trusted intermediaries to do this.

## **Measures for restricted meters will save consumers money**

We welcome the decision to require all suppliers to make all single rate tariffs available to customers on any type of restricted meter, without the meter having to be replaced. This should increase the savings that can be made by switching.

Restricted meter tariffs can cost consumers a lot more than single-rate tariffs, although for some they are cheaper. We welcome the decision for suppliers to remind their customers on these tariffs that they can switch to another provider or a single tier tariff for free.

## **It must be possible to compare tariffs**

The recommendation for the design tariffs to make value for money easily comparable is welcome. One particular issue is that energy firms often use different tariff names on bills from the ones they provide to PCWs. Consumers must be able to enter the exact tariff name on their bill into a PCW in order to get accurate results.

We recognise that improvements to Midata have the potential to reduce this problem. The Ofgem 'state of the market' report including analysis on the evolution of energy prices and bills should also consider whether this problem is being reduced.

## **An Ofgem price comparison website would have been bonkers**

Other similar public projects have spent vast resources and not been effective, so it's good that the CMA decided against this intervention.

## **About MoneySavingExpert.com**

MoneySavingExpert.com is the UK's biggest consumer website dedicated to saving people money on anything and everything by finding the best deals, beating the system and campaigning for financial justice. It's based on detailed journalistic research and cutting edge tools, and has one of the UK's top ten social networking communities.

During March 2016 the site had 15 million users visiting the site, 27 million times and looking at almost 68 million pages. Over 11 million people have opted to receive our free weekly email and more than 1.3 million users have registered on the forum.

## **About Cheap Energy Club**

Cheap Energy Club is part of MoneySavingExpert.com. Over 2.1 million consumers have signed up to Cheap Energy Club since its launch in February 2013. It is more than just a comparison site. Cheap rates normally only lasts 18 months or so before the price is increased. That means it is hard work to stick with the cheapest. So we do that work for consumers using a three step process:

- Step 1. We find consumers the cheapest deal. They register for the Club and we check they are on the cheapest deal. If they are, great – it's on to step 2. If not, we'll do a full market comparison to find the cheapest (with lots of guidance) and we'll handle the switch. Plus

there's up to £30 cashback if consumers switch via the Club, which is not available direct with suppliers.

- Step 2. In the background, each month we do a comparison for consumers. Energy prices change - theirs may hike, others could get cheaper. So without consumers doing anything, whether they switched or not, from then on we do a comparison for them in the background each month to check they're still on the cheapest deal.
- Step 3. Alert consumers when it's worth switching again. Consumers tell us what 'worth it' means. If they tell us they want to save £100/yr, once they can we'll email them; and without them entering new information (unless it's changed), we'll tell them what the cheapest deal is, and let them shift at speed.

Although we are impacted by some of the CMA's provisional decisions, we have replied to the consultation based on what is best for consumers.