



MoneySuperMarket.com's response to the CMA's
Energy Market Investigation Provisional Decision on
Remedies

Monday 11th April 2016

About MoneySuperMarket.com:

MoneySuperMarket.com is the UK's leading price comparison website. We provide free, online tools to help people manage, save and grow their money, by enabling them to compare and switch Insurance, Money and Home Services products from nearly 700 providers.

MoneySuperMarket.com is part of the Moneysupermarket Group PLC, an established member of the FTSE 250 index. In 2015, we helped six million families save an estimated £1.6bn on their household bills, including 1.6m people who got a better deal on their finances and half a million households that switched their energy supplier.

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Introduction

Moneysupermarket.com is committed to helping UK households make savings by providing our customers with free, online tools that help them organise, save and grow their money. This year alone, we want to help UK households save £2 billion on their household bills. We have taken a leading role in the retail energy market by helping consumers understand the savings they can make by switching energy provider. Last year, for example, we helped over half a million households switch their energy supplier in favour of a better deal.

Based on our experience in the UK domestic retail energy market, we agree with the Competition and Market Authority's (CMA) conclusion regarding the Adverse Effects of Competition (AECs) and the level of customer detriment arising as a result.

In this response, we have focused on the following AECs:

- the “simpler choices” component of the Retail Market Reform (RMR) rules;
- the Domestic Weak Customer Response; and
- Prepayment Customers.

The CMA has proposed a package of remedies focused on domestic retail customers with the aim of resolving the above AECs. This package comprises specific remedies within the following three strategic components:

1. Creating a framework for effective competition:

1.1 Withdrawal of the “simpler choices component” of the RMR rules (as detailed in section 11.9 of the Report)

2. Helping customers to engage to exploit the benefits of competition:

2.1 Establishment by Ofgem of a programme to provide customers with information to prompt them to engage (as detailed in section 11.10(a) of the Report).

2.2 Enhancing the ability and incentives of Third Party Intermediaries (TPIs) to promote customer engagement in retail energy markets including:

(a) giving PCWs access to the ECOES and SCOGES databases (as detailed in section 11.10(c) and (d) of the Report); and bolstering the Midata programme to allow TPIs to make more effective use of customer data (as detailed in section 11.10(e) of the Report).

2.3 Creating an Ofgem controlled database of “disengaged” customers on default tariffs, to allow rival suppliers to prompt these customers to engage in the retail energy markets (as detailed in section 11.10(f) of the Report).

3. Protecting customers who are less able to engage to exploit the benefits of competition:

3.1 Transitional price cap for prepayment customers (as detailed in section 11.10(k) of the Report)

In drawing together our detailed responses, we believe the following **high-level principles** should be adopted across the proposed remedies to maximise their effectiveness in creating competition and helping customers to exploit its benefits:

1. **Price Comparison Websites (PCWs) are an important means by which customer engagement can improve and effective competition can develop** in the domestic retail markets. They are also well-placed to raise awareness among customers of their ability to switch and the potential benefits from doing so. This is recognised by the CMA, but is not consistently reflected in the proposed remedies.

Given their significance to consumer switching and their effectiveness in helping drive it, we believe PCWs should not be more restricted than energy suppliers in their ability to engage with consumers. The proposed remedies (including the establishment by Ofgem of a programme to provide customers with information to prompt them to engage and creating an Ofgem controlled database of “disengaged” customers on default tariffs) should be adapted to give PCWs equal opportunities to engage consumers and encourage switching.

2. **Greater clarity on how the proposed remedies affect different subsets of Third Party Intermediaries (TPIs) should be provided.** There are a range of business models and activities that exist across TPIs, of which PCWs are a subset, yet throughout the Report, the CMA appears to use the terms interchangeably. Greater clarity on how the proposed remedies affect these different subsets of TPIs should, therefore, be provided. In doing this, the CMA should further consider the differences that exist between those PCWs which are accredited under the Ofgem Confidence Code and those which are not.
3. **Increased focus on the importance of Ofgem accreditation.** We are proud to be an Ofgem accredited PCW and believe strongly that accredited PCWs give consumers confidence that they are using trusted sites. We were, therefore, disappointed to see such little focus on the importance of Ofgem accreditation in the CMA’s consideration of PCWs. The proposed remedies including, the withdrawal of the “simpler choices component” of the RMR rules and giving PCWs access to the ECOES and SCOGES databases should be adapted to reflect the additional standards to which accredited PCWs operate in engaging consumers and encouraging switching.

Detailed Response

1. Creating a framework for effective competition

Withdrawal of the “simpler choices component” of the RMR rules

MoneySuperMarket.com strongly agrees with the CMA’s proposed recommendation that Ofgem remove the Whole of Market Requirement in the Confidence Code in order to make a success of removing the four core-tariff limit, and supports the recommendation that PCWs should be transparent in detailing the market coverage that they provide to energy customers. If PCWs were required to list every tariff available, suppliers could ‘game’ the system by releasing large numbers of similar tariffs to crowd out deals from other suppliers on PCW results pages.

However, for this change to be effective, it needs to apply to all forms of TPIs and not only PCWs which adhere to the Confidence Code. Extending the transparency requirement will help increase consumer confidence in using intermediaries in this market.

We support the CMA’s recommendation of removing tariff restrictions present under RMR to encourage further innovation in the market. However, this creates a risk that suppliers may flood the market with multiple, complicated tariffs. MoneySuperMarket.com has written on this topic in detail in our recent response to Ofgem’s *Future of Retail Market Regulation* consultation. We believe that product distinction is a key enabler of comparison. Without it, consumers are unable to easily find themselves the best deal. Differences between tariffs from the same supplier need to be clear enough that a layperson should be able to look at two tariffs and distinguish the difference between them on first viewing. Where tariffs look similar, it should be incumbent on the supplier to explain where the differences lie. We would like to suggest that Ofgem should develop a principle that insists on the clear differentiation of products from the same supplier in order to avoid consumer confusion, and welcome the proposal to introduce a standard of conduct into SLC 25C to require suppliers to consider ease of comparison when designing tariffs.

An important benefit of removing the tariff limit is that it should increase innovation in the market by enabling PCWs to negotiate exclusive tariffs with suppliers. However, due to practical technical issues which persist with the legacy systems of many suppliers, there is a danger that – as is the case with so-called Open Collective Switching Schemes - if these tariffs are required to be included on Cheapest Tariff Messages (CTM) on consumer bills, suppliers will be unable to offer such deals for PCWs to market to their customer base.

If the CMA agrees with the view that PCWs are the best way for customers to quickly and easily compare energy tariffs, an alternative solution could be to use the Ofgem led programme remedy to test supplier messaging with consumers that encourages them to regularly check a PCW for better deals. This would promote the type of consumer

engagement the CMA desires, whilst circumventing any adverse impact from a CTM message requirement.

2. Helping customers to engage to exploit the benefits of competition

2.1 Establishment by Ofgem of a programme to provide customers with information to prompt them to engage

We understand the objectives of the proposal for the Ofgem led programme, but we believe in order to be fully effective in engaging customers, the programme should trial a wider range of messages and method of communication.

MoneySuperMarket.com would encourage consideration of how messages regarding PCWs could be tested within this programme, either directly by encouraging consumers to check accredited PCWs or indirectly by using PCWs to facilitate the proposed market wide cheapest tariff message.

We do not believe these messages should be limited to information included in bills and would encourage testing of direct communication to customers on the potential savings from switching tariffs and/or suppliers.

2.2 Enhancing the ability and incentives of Third Party Intermediaries (TPIs) to promote customer engagement in retail energy markets

(a) Giving PCWs access to the ECOES and SCOGES databases

MoneySuperMarket.com welcomes plans to grant PCWs access to industry electricity and gas databases. Giving access to the databases run by Gemserv and Xoserve – ECOES and SCOGES respectively – should provide us with the ability to improve the comparison experience we provide to customers. However, there are three areas on which we would welcome clarification from the CMA:

- I. The first relates to definition. In the CMA's report, it refers to access to these databases being granted to both TPIs and PCWs. On the principle that the purpose of accreditation should be to protect consumers and increase confidence in the market, MoneySuperMarket.com would be grateful for clarification from the CMA on whether it intends for Ofgem accreditation to be to be a condition of access to these databases.
- II. The second relates to the type of information that Ofgem-accredited PCWs should be able to access. We can offer a better service to our customers if we have access to any data that could improve the customer journey from start of search through to confirmation of Supply Start Date. We would welcome an opportunity to discuss the specifics of this with Ofgem and the CMA in more detail in the near future.

III. Thirdly, there is a question around how access is provided. Does the CMA intend for the customer to have to give consent for their data to be used in this way, and how will the costs of this access be attributed?

(b) Bolstering the Midata programme to allow TPIs to make more effective use of customer data

MoneySuperMarket.com strongly supports the mandating of Midata across all suppliers. We actively support new supplier market entry, but are not supportive of initiatives that make switching to, or from them, more difficult. We therefore believe that all suppliers should have an equal responsibility to adopt Midata. One way of doing this would be to apply Midata to all suppliers who have hit certain thresholds: for example, once they have been acquiring customers for a defined period, or have reached a certain number of customers.

At the same time, consumers should have confidence that their data is being handled responsibly and securely. On the previously noted principle that the purpose of accreditation should be to protect consumers and increase confidence in the market, we would be grateful for clarification from the CMA on whether it intends for Ofgem accreditation to be a condition of interfacing with suppliers to retrieve Midata for the purposes of simplifying the customer journey.

2.3 Creating an Ofgem controlled database of “disengaged” customers on default tariffs

MoneySuperMarket.com supports the principle behind this measure, but would have concerns around practical implementation issues if it were to be adopted in its current form. If implemented correctly, however, this change could drive the ambition of helping dis-engaged customers (those who have been on their tariff for three years or more) to switch supplier.

There are three areas of implementation on which we would be grateful for clarification:

- I. **Consumer engagement.** A clear opt-out process for consumers is crucial. Any situation that leads to a customer feeling as though their privacy has been compromised, or where they feel subjected to a barrage of unsolicited marketing, needs to be avoided. We would urge the CMA to consider a mechanism to limit the frequency and volume of communication from rival suppliers to a sensible level.
- II. **The parties who should have access to this database.** The consultation refers only to access being granted to ‘rival suppliers’. We believe strongly that Ofgem-accredited PCWs should have equal access to the database to offer consumers a broad and transparent choice of supplier and tariff.

- III. **The use of direct mail as the only way database users can contact potential new customers.** Limiting approaches to direct mail at a time when customers are increasingly looking online for better deals runs counter to the goal of encouraging switching, not to mention compromising any 'Green' messaging (particularly regarding 'paper-free' correspondence) suppliers may wish to promote. MoneySuperMarket.com would therefore encourage the CMA to clarify whether electronic correspondence (and other types of electronic advertising) would be permitted.

3. Protecting customers to engage to exploit the benefits of competition

Transitional price cap for prepayment customers

We share the view of the CMA that Pre-Payment Meter (PPM) customers have historically been neglected by suppliers and have too often found themselves on a tariff costing more than it should. However, the proposed temporary price control on PPM customers will ultimately reduce competition in the market by giving such users a false sense of security. The most effective way of reducing PPM consumers' bills is to encourage switching and to make that process easier for them.

As the CMA's latest analysis has shown, customers who switch could save over £300. Our own analysis reflects this, suggesting savings of £340 per customer. We believe that raising awareness of switching in the PPM market will increase competition and deliver savings above the current PPM levels of approximately £100.

Finally, we would like to observe that the focus on improving the situation of PPM customers risks making the assumption that all those on PPM are in a vulnerable situation. Whilst broadly right, the reality is that many are not. We would therefore encourage the CMA to make sure its focus on PPM is balanced and not at the expense of many of the equally vulnerable customers in the market using, for example, credit meters.

We look forward to an ongoing dialogue with the CMA on these issues and would be delighted to discuss them in person should there be any questions about them. If this would be of interest, please do not hesitate to contact MoneySuperMarket.com's Public Affairs Manager, Rob McNamara.