

PAGE 3: Your details

Q1: Title (e.g. Mr, Mrs, Ms, Dr, etc)

Mrs

Q2: Forename

Emma

Q3: Surname

Piercy

Q4: Email

[]

Q5: What is your role / profession?

Senior Policy & Regulatory Manager

Q6: Are you representing yourself or an organisation?

An organisation

PAGE 4: Publishing your details

Q7: If you are representing yourself rather than an organisation would you be content for us to include your name when we publish your response?

Respondent skipped this question

PAGE 5: Your organisation

Q8: What is the organisation's name?

First Utility

Q9: Please could you briefly explain the role of your organisation, including the sectors in which it operates or has most interest?

We are the largest independent energy retailer to the domestic market outside of the Big 6.

PAGE 6: Theme 1: Consumers' perceptions, use and experience of DCTs

Q10: 1. When and why do consumers use DCTs? To what extent do they trust them?

The majority of consumers do not use DCTs for energy. For those that do, there are a number who regularly use the same DCT, those who are jogged by Fixed Term Expiry (FTE) communications or by bad experiences with their existing supplier to visit. For the latter group, the DCT chosen is driven to a large extent by familiarity with the DCTs brand or position on Google search.

In our experience, those who use DCTs in general have confidence in them, however sensationalist headlines of the type 'Price Comparison Websites (PCWs) to be allowed to hide best energy deals from view' do not help in reaching out to the unengaged majority.

It is important when trying to reach the unengaged that other barriers are not erected such as getting different saving messages from different DCTs (see our response to question 13).

Q11: 2. How do consumers choose which and how many DCTs to use?

Choosing a DCT, and how many to use, will be based in part upon the level of brand recognition and repeat custom from a customer. There may also be some customers who may first use PCWs before accessing certain details accessible via a Cashback website that they are used to using as an intermediary.

However in the energy sector, going forward, the risk of confusion and disengagement amongst consumers may increase should PCWs be enabled to develop separate methodologies on calculating cost and saving messages. Different Personal Projections (PPs) may increase the 'need' from a consumer perspective to visit more PCWs, but likewise increase the 'hassle factor' of switching, working to prevent those much less likely to engage from so doing.

Ideally, we see the most effective method as ensuring that suppliers and PCWs be consistent in how each calculates estimated annual costs across all tariffs and for all customers using the same, albeit amended, methodology, along the lines of the provisions in the pre-2015 Code.

Q12: 3. What are consumers' expectations of DCTs - for instance in terms of market coverage and the relationships between DCTs and the suppliers they list?

Consumers' expectations are driven by the brand positioning of the DCTs. For example as customer champions, this may set the expectation that all deals will be shown, which for commercial reasons, may not be the case.

There will also be an expectation that PPs are consistent and comparable both between suppliers and between PCWs: whilst in the energy market the methodology will be changing, we believe that the same, albeit amended, methodology, along the lines of the provisions in the pre-2015 Code should be used.

Q13: 4. What are consumers' experiences of using DCTs? Do they benefit from using them and, if so, how? What works well and what could be improved?

Consumers benefit from using DCTs to reduce the 'hassle factor' of switching by reducing the time required to compare tariffs, and that such comparisons on a DCT are done on a like-for-like basis.

However since DCTs wish to see frequent switching, with results lists for energy tariffs shown in ascending order on the basis of annual costs, in a falling market this works well for 1 year tariffs. But in a rising market, a customer with a low risk appetite could get pushed towards a short term lower price than a longer term stable price.

The way discounts are portrayed in the PP calculation also need to be addressed. Whilst we are broadly supportive of the proposal to return to the pre-2015 Confidence Code, guidance on how PPs would deal with discounts would be helpful. What is key is to make sure the customer understands the full value of a tariff with all the benefits and discounts that can come with it: if this cannot be effected, customers could lose out.

Q14: 5. What factors influence suppliers' use and choice of DCTs and why?

The most significant influence of suppliers' use and choice of DCT is that of regulation. In the periods of time where Whole of Market (WofM) is mandated, there is less drive to enter into a commercial agreement as a supplier will be getting the publicity without one. This would undermine the revenue streams of PCWs and undermine this valuable route to market.

The market coverage of DCTs is also an important factor, but on the other hand, more bargaining power for example with regards commission rates, is possible with smaller, newer DCTs.

Q15: 6. To what extent do DCTs make it easier for suppliers to enter the market, attract more consumers and engage more effectively with them?

DCTs constitute a very important acquisition channel - for all suppliers, but particularly new entrants, due to the number of customers using them to switch supplier. However this is not necessarily expanding the market but just bringing more suppliers to the switching proportion of the market. The DCTs do their own marketing campaigns building up a brand loyalty which suppliers can make use of without replicating the same levels of investment.

Q16: 7. How have DCTs affected competition between suppliers? What impact has this had on the price, quality and range of products offered by suppliers?

DCTs drive the market to compete in the one dimension of price. Whilst this works well in a falling market, in a rising market, a customer with a low risk appetite could get pushed towards a short term lower price than a longer term stable price as the customer is unable to express that preference. Furthermore, with how tariffs are displayed, it makes it very difficult for customers to understand the full value of a tariff with all the benefits and discounts that may come with it - the effectiveness of such tariffs is then reduced with customers losing out.

Q17: 8. What are the barriers, if any, to DCTs increasing competition between suppliers, and how can these be overcome?

At the moment competition between suppliers of energy on DCTs is predominantly on price for one year fixed tariffs. If DCTs were to provide consumers an opportunity in deciding how results should be ordered, for example by expressing a preference for different length tariffs and/or bundle properties, this may enable suppliers to positively help impact the quality and range of products offered.

Q18: 9. In what ways, if any, have DCTs changed suppliers' approach to consumers - for instance in terms of whether they treat consumers who use DCTs differently to those who do not?

The CMA remedies from the EMI investigation now permit suppliers to offer tariffs that are only available directly from their website.

PAGE 8: Theme 3: Competition between DCTs

Q19: 10. In what ways do DCTs compete with each other - for instance in terms of coverage, the savings consumers can make, the services they provide, their ease of use, transparency and how they protect consumers' data?

A number of DCTs are running collective switches, and following the CMA EMI, are now also able to offer exclusive tariffs with certain suppliers. However we are concerned about any differences in PP and savings customers could make if based upon differences in the methodology used for the calculations - there is an expectation that PPs are consistent and comparable both between suppliers and between PCWs. In the energy market, the methodology will be changing, and we believe that the same, albeit amended, methodology, along the lines of the provisions in the pre-2015 Code should be used.

Q20: 11. What factors influence how effectively DCTs can compete - for example, whether they can secure the necessary consumer data, supplier information or other data?

Market coverage and commission rates are key elements on which DCTs can compete. From a suppliers point of view increasing competition between DCTs would be most beneficial if there were real differences in the ability of DCTs to reach out to new customers, beyond the engaged pool of customers already active in switching supplier, to those who are disengaged.

Q21: 12. If there are barriers to competition between DCTs, how significant are these and how can they be overcome?

There is an expectation that PPs are consistent and comparable both between suppliers and between PCWs - this is essential for avoiding confusion and building consumer trust. As trust and engagement with DCTs increase, so too should the numbers of customers that engage with them.

PAGE 9: Theme 4: The regulatory environment

Q22: 13. Are there any areas of regulation or self-regulation applying to DCTs that lack clarity, certainty, consistency, or enforcement?

With regards to energy, given the recent CMA remedy to lift the WofM requirement alongside the lifting of the RMR simpler tariff rules, meeting the challenges of an appropriate comparability measure is essential to maintain and build consumer trust. Whilst we understand the challenge of addressing a comparability measure amidst many more and more different tariffs, we do not think that enabling PCWs to develop separate methodologies, to each other and to suppliers, is likely to be effective as a means of enabling customers to better understand the impact of available offers on them.

We therefore have some concerns that removing the existing methodology applicable to suppliers (and to PCWs) when providing Personal Projections (PPs) risks switching off those customers already active in the market as they struggle to find effective comparable data, and to understand the likely variations of outcome between data sources, and working to prevent those much less to engage from so doing.

Ideally, we see the most effective method as ensuring that suppliers and PCWs be consistent in how each calculates estimated annual costs across all tariffs and for all customers using the same, albeit amended, methodology, along the lines of the provisions in the pre-2015 Code.

We also think that more work needs to be done around how best to address discounts and how they are portrayed in the PP calculation. Whilst we are broadly supportive of the proposal to return to the pre-2015 Confidence Code, guidance on how PPs would deal with discounts would be helpful. We recognise that there is the current range of discounts (e.g. those permitted under RMR rules), which many suppliers offer, and in the post-CMA environment, other discount types and approaches that may be developed. What is key is to make sure the customer understands the full value of a tariff with all the benefits and discounts that can come with it: if this cannot be effected, customers could lose out.

Q23: 14. Do there appear to be any areas where DCTs may not be meeting competition or consumer protection requirements?

Please see our response to Question 13.

Q24: 15. Do any aspects of regulatory approaches to DCTs need to change and, if so, why?

Please see our response to Question 13.

PAGE 10: Future developments, other comments and further contact

Q25: 16. Finally and in relation to all of the issues above, what likely developments over the next three years should we take into account and why?

Please see our response to Question 1 around the changes proposed by the CMA on the energy sector. These changes make meeting the challenges of an appropriate comparability measure all the more important to maintain and build consumer trust. A failure to do so will only add to confusion and mistrust amongst consumers, and in energy, further entrench the distinction between the 30% of already engaged consumers and the remaining 70 languishing on the SVT - otherwise highlighted as the 'tale of two markets'.

Q26: Do you have any other comments you would like to add?

No further comments.

Q27: Would you be willing for us to contact you to discuss your response? Yes
