

## Digital Comparison Tools Market Study: Update Paper - Response form

### Your details

*(Fields marked \* are required)*

<b>Title*</b>	Mr
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<b>Email*</b>	
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<b>What is your role / profession*</b>	Head of CMA Customer Interface
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<b>Are you representing yourself or an organisation?*</b>	An organisation
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<b>If you are representing yourself rather than an organisation would you be content for us to include your name when we publish your response?*</b>	N/A
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**If you are representing an organisation:**

<b>(a) What is the organisation's name?*</b>	EDF Energy
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<b>(b) Please could you briefly explain the role of your organisation, including the sectors in which it operates or has most interest?*</b>	
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EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users.

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## Consumers

**1. Should we focus our attention on the consumer groups we identify in Chapter 5 (see paragraphs 5.82 to 5.95) and if not, what groups should we focus on?**

EDF Energy supports efforts to encourage greater customer engagement. Price comparison websites and other DCTs are playing an increasing role in the energy sector. We recognise the additional consumer choices these parties can and should bring, by providing transparent comparisons of price, levels of service and energy sources. The groups the CMA have identified in Chapter 5 seem appropriate as a focus for attention to encourage customer engagement through DCTs or other channels. The goal should be for customers to engage through any means, and DCTs are only one method. The aim should not be to encourage customers to engage through DCTs rather than alternative effective methods.

**2. In which sectors do DCTs not currently play a major role but could in principle offer substantial benefits to consumers? Why have they not become established in these sectors?**

No comment

**3. How has the growing use of DCTs affected suppliers' offers to consumers who do not use DCTs in our case study sectors and more broadly? What impact have DCTs had on suppliers' ability to discriminate between active and inactive consumers? What are the implications for vulnerable consumers?**

The focus on price to the exclusion of almost any other aspect has meant that price competition has intensified for consumers through DCTs, in some cases to the detriment of levels of service. This focus on price has also acted as a constraint on innovation as it is difficult to attract attention to alternative offers, such as for bundled services, if they do not appear prominently in price comparisons.

DCTs are only one method for customers to engage in the market and many customers engage directly with suppliers by phone or increasingly through digital communications. A greater proportion (60%) of EDF Energy's vulnerable customers have chosen a tariff than for the customer base as a whole (45%). We have also supported the development of Citizens Advice's comparison service for energy customers, which enables Citizens Advice to advise vulnerable customers in making choices and provide a comprehensive comparison service for customers generally.

**4. What factors, if any, have we missed that may be holding back consumers from using DCTs?**

Our customer research has revealed that customers are concerned about their ability to make the 'right' choice. The focus on price and lack of a balanced narrative on the range of factors with which to judge offers increases consumer concern and can have the unintended consequence of discouraging engagement.

**5. What, if anything, should be done about consumers' concerns about data sharing and the extent to which they feel in control?**

Direct regulation of DCTs by sector regulators, which the CMA customer survey indicates most customer already expect to be the case, would provide reassurance to customers using DCT services. Direct regulation would also provide a route for redress where a customer has a complaint, for which the processes currently vary. While having clear information available on privacy and other policies is welcome, in practice there is a limit to the amount of detail customers will be willing to read unless they are specifically seeking that information.

**6. What actions, if any, are needed to improve the way consumers use DCTs – including multi-homing and using DCTs' functionalities such as filtering and ranking?**

No comment

## Inputs to DCTs

**7. Have we captured the range of issues that might prevent DCTs from operating effectively?**

The CMA has already addressed the inputs to DCTs in the energy sector as part of the Energy Market Investigation. The measures already being introduced will ensure that DCTs are able to operate effectively in the energy market.

**8. Do the issues identified materially affect DCTs' ability to operate effectively and deliver good consumer outcomes?**

No comment

**9. Are current or planned initiatives sufficient to address the issues found?**

No comment

## Competition

### *DCTs' market position and barriers to entry and expansion*

**10. What explains the strong position of a specific DCT in each of our case study sectors? What do DCTs do to grow their business in sectors where they appear to be relatively small compared to the leading DCT of the sector?**

Some DCTs have become strong in sectors through focussing on that sector at an early stage and establishing an association with their brand through advertising. Competition between DCTs is important, to maintain pressure on the level of commissions, which ultimately impact on the prices paid by customers. A level of comparability of information is required to enable customers to compare between and not just within DCTs.

**11. What are the barriers, if any, for DCTs to enter or expand into sectors where they currently do not provide comparison services or where they are currently relatively small?**

No comment

### *Agreements between DCTs and suppliers*

**12. What has been the impact of the removal of wide MFNs in the private motor insurance sector?**

No comment

**13. What has been the impact of narrow MFNs in the sectors where we have observed them (home insurance, private motor insurance, credit cards, broadband and flights)?**

No comment

**14. What is the commercial rationale for the non-brand bidding and negative matching agreements we have observed (in all of our case study sectors) and what is their commercial and competitive impact?**

There is a need for balance between maintaining the commercial incentive for suppliers and for DCTs in contractual arrangements. DCTs have an incentive to encourage customers to switch suppliers and earn a commission and suppliers have an incentive to encourage customer loyalty and avoid the cost of commissions for every renewal or replacement of a customer contract. The important point is that the customer should be engaged in the renewal process and is able to make an informed choice, whether that is to renew with their existing supplier or switch to a different supplier.

**15. What is the commercial rationale for the non-resolicitation agreements we have observed (in home insurance and energy) and what is their commercial and competitive impact?**

A DCT has no incentive to encourage a customer to stay with their existing supplier, even if offered attractive renewal terms, as they only earn a commission if the customer switches. In fact, because DCTs rarely attract commissions for renewing customers they will not show an offer from a customers' existing supplier prominently even if it is the cheapest. However, the amount that a supplier is willing to pay a DCT in commission will be linked to the proportion of customers that can be encouraged to renew and become loyal customers, avoiding the cost of paying a commission each year. This may become a point of differentiation between DCTs in future the limitations they are prepared to accept related to the commissions they demand. Larger DCTs able to attract larger volumes of customers may be better placed to accept lower commissions in exchange for fewer restrictions.

**16. In which other sectors, if any, are (i) wide or narrow MFNs; (ii) non-brand bidding or negative matching; or (iii) non-resolicitation agreements in place? What impacts do they have in these sectors?**

No comment

**17. Are there any other agreements in place that may affect the effectiveness of DCTs and/or the effectiveness of competition between DCTs (and competition between DCTs and other sales channels)?**

No comment

*Unbundling and hollowing out*

**18. How has the growth of DCTs affected product features and/or the product mix in our case study sectors over time? What specific evidence/examples indicate these changes?**

No comment

**19. How widespread is the use of product reviews and ratings on DCTs and what has been the impact, if any, of the use of these tools?**

Please see answer to question 20

**20. What needs to be in place to prevent or mitigate any harmful impact of product unbundling or hollowing out and what can DCTs do about it?**

EDF Energy agrees with the concern raised in the update paper regarding 'hollowing out'. Customer research shows that while price is the major factor in deciding between energy suppliers, customers also value customer service and other aspects of their energy supply, such as the carbon intensity of different sources of energy. Customers may not be aware, for example, of some of the limitations in customer service, such as additional charges to use call centres, which are included in some tariff offers and not others. The principles for regulating DCTs should ensure customers can make informed choices based on a broader understanding of what they are being offered than just price. As DCTs develop their offerings, we would expect that the ability to provide such clarity becomes a point of competition between DCTs.

## Regulation

### **21. What are your views on the issues we list in Table 8.1 and at paragraphs 8.13 to 8.42 of Chapter 8 and how could they be addressed?**

We agree with the concerns raised in Table 8.1 regarding the current regulatory arrangements. Increasingly, in the energy sector, DCTs are undertaking the same activities as suppliers, or activities that suppliers have undertaken in the past. At least one DCT is undertaking doorstep selling of energy contracts, an activity that large energy suppliers voluntarily ceased some years ago due to risks of regulatory non-compliance. This is an illustration of the 'Boundary Issues' raised in table 8.1. We do not wish to see a market of 'regulatory arbitrage' where DCTs displace suppliers in some activities due to the lighter regulatory requirements they face, rather than because of competition.

EDF Energy supports the proposal to develop some cross-sector principles which would be relevant in terms of transparency and fairness, regardless of the product being sold. We also support enforcement of the principles through direct regulation by the relevant sector regulators, so that regulators could ensure a consistency of approach in regulating DCTs and suppliers for the same activities. It is clear from the CMA's customer survey that customers expect DCTs to be regulated by sector regulators and it seems unlikely that trust in using DCTs would be enhanced were customers to discover that such arrangements, in energy, are voluntary. Common standards between DCTs and suppliers, such as for the handling of complaints, would be a positive step for increasing customer trust. Direct regulation would also resolve the current issue that DCTs have in coping with several different interpretations by suppliers of their regulatory requirements, adding complexity and restricting the flexibility with which DCTs can operate.

### **22. What is the balance between potential benefits and risks in introducing a cross-sector approach? What would be the most effective approach(es), and why?**

It would seem sensible for some consistency in approach for DCTs between different product sectors where this is possible, such as clarity in the level of market coverage being offered and standards of transparency. However, we also recognise a set of principles would need to be at a relatively high level to ensure that they did not become restrictive in how DCTs and suppliers can evolve their service and take advantage of new innovations. Ofgem is currently developing principle-based regulations for sales activities now, which should be developed in common for DCTs and suppliers where the activities are the same.

### **23. How could a cross-sector approach interact with existing regulatory frameworks?**

If the cross-sector principles were enforced by the sector regulators, it will be possible to ensure that there is consistency in regulatory requirements on DCTs and suppliers for undertaking the same activities, to overcome the current 'boundary issues'. This would also ensure effective enforcement of the regulations and allow sector regulators to monitor the market power being exerted by the large DCTs, and act where needed. For example, there would need to be a minimum level of comparability in the information presented by DCTs in each sector to encourage competition between them, thereby maintaining competitive pressure on commissions and prices.



## The future of DCTs

<b>24. What future developments outlined in Chapter 9 are likely to have the greatest impact in driving engagement? If there are any important developments we have missed, what are they and why are they important?</b>
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No comment
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<b>25. What future DCT-related technologies might affect or assist vulnerable consumers?</b>
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No comment
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## Other comments and further contact

We welcome submissions on any of the issues we address in our update paper from interested parties. We would particularly like to hear views, supported wherever possible by evidence, on the following themes if not already addressed above:

- a) What DCTs do and the benefits they can offer.
- b) Consumers' views on and use of DCTs.
- c) Inputs to DCTs.
- d) Competition between DCTs and between DCTs and the suppliers whose services they compare.
- e) Regulation of DCTs.
- f) The future of DCTs.
- g) The focus of the second part of the market study.

<b>Do you have any other comments you would like to add?</b>
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No comment
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<b>Would you be willing for us to contact you to discuss your response?*</b>
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Yes
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**Thank you for taking the time to complete this form.**

**Please email it to: [comparisontools@cma.gsi.gov.uk](mailto:comparisontools@cma.gsi.gov.uk).**