

Ofgem Consumer First Panel Year 4

Findings from first workshops (held in
October and November 2011)

31 January 2012

Legal notice

© Ipsos MORI UK Limited and Ofgem, all rights reserved. Unauthorised publication, copying or distribution prohibited.

If you would like to enquire about using any element of this report, or you would like further information about the research, then please contact Ofgem's Consumer First Team (consumer.first@ofgem.gov.uk).

Contents

Management summary	1
Section 1: Introduction	8
1.1 Background and context	8
1.2 Objectives	9
1.3 Methodology	9
1.4 Sample and recruitment.....	10
1.5 Interpretation of findings	13
1.6 Report outline.....	13
Section 2: Panellist typologies.....	15
2.1 Engaged	16
2.2 Reactive.....	17
2.3 Passive	17
2.4 Disengaged.....	18
Section 3: Consumer views of the energy market.....	20
3.1 Concerns over prices and profits	20
3.2 Disengagement from the energy market.....	21
3.3 Views of supplier experience	23
3.4 Views of the wider energy market.....	24
3.5 Implications.....	24
Section 4: Views of energy market language.....	27
4.1 Views of energy market language.....	27
4.2 Impact on market engagement / switching.....	32
4.3 How could understanding be improved?	32
Section 5: Content and format of information channels	35
5.1 Price increase notification	35
5.2 Annual statement	39
5.3 Bill data	45
5.4 Tariff information label	48

Section 6: Conclusions.....53

Appendices.....57

- Discussion guide 57
- Price increase notification 67
- Annual statements and marked up versions 69
- Tariff Information Label 77
- Workshop stimulus..... 80

- Figure 1: Engagement requires energy literacy and a belief that worthwhile savings can be made from switching 15
- Figure 2: A Panellist suggestion for how to explain the concept of kWh .. 29
- Figure 3: A Panellist design of the ‘ideal’ Price Notification Letter..... 38
- Figure 4: The ideal front page of a price increase notification 39
- Figure 5: Ofgem mock-up of annual statement data added to front page of bill..... 46
- Figure 6: Essential bill data needed to aid tariff comparison 47
- Figure 7: A Panellist design of the ‘ideal’ Tariff Information Label..... 50

- Table 1: Achieved sample breakdown 11

Management summary

Management summary

This round of workshops with Ofgem Consumer First Panellists was intended to help Ofgem understand the key pieces of information energy consumers need to help them review their energy options, and how consumers would prefer this information to be presented. This work built on findings from previous Panels, the Lawes report and Ofgem's own work in designing improved channels of communication that could be tested among Panellists.

Workshops with 110 participants were conducted in six locations across Great Britain between the 24th of October and the 3rd of November 2011. The overall aims of this research were as follows:

- To identify the information needed to equip customers to make an informed decision;
- To establish the communication channels through which consumers want to receive this information; and
- To provide insight into how this information should be presented to encourage engagement.

To this end, we tested and discussed four pieces of information with Panellists. These were annual statements, bills with added annual statement information, price increase notification and tariff information labels.

Barriers to engagement in the energy market

Current views on the energy market impact on how people will react to the information they receive from suppliers.

Consumers are concerned about what they see as excessive profit-making in the energy market. Regular increases in prices have led most consumers to feel powerless, despite their efforts to save energy in the home. Most Panellists were aware they could switch but saw little incentive to do so as prices were perceived to be similarly high across tariffs and suppliers, and there was little belief that there are worthwhile savings to be made by switching.

Panellists believe that the retail energy market contains a number of barriers which discourage them from engaging and they spontaneously called for changes that they said would allow them to better understand and engage with the market.

- **Using standardised and easily understood language to communicate key tariff and consumption information.**

Energy market language tended to confuse all but Engaged consumers. Many energy market terms are not well understood by consumers. This includes tariff type and name, different pricing mechanisms such as standing charge and estimates. As a result, very few read their supplier communications in any detail and those who do read them do not fully understand them.

- **Limiting the number of tariffs and making it easier to make price comparisons.**

The abundance of tariffs and the different pricing structures within them is off-putting for most, and even some energy literate consumers are unsure if they are on the right tariff.

- **Greater effort by the energy companies to build better relationships with their customers by helping consumers to find the best tariff for them and rewarding loyalty.**

Given the complexity of the market, Panellists thought that their suppliers should share some of the responsibility for getting them a better deal.

Typologies

The Panellists can usefully be grouped depending on differences in attitudes and behaviours towards the GB energy market. Among all Panellists the degree of engagement was shaped by two key factors:

- Level of energy literacy; and
- A belief that worthwhile savings can be made from switching

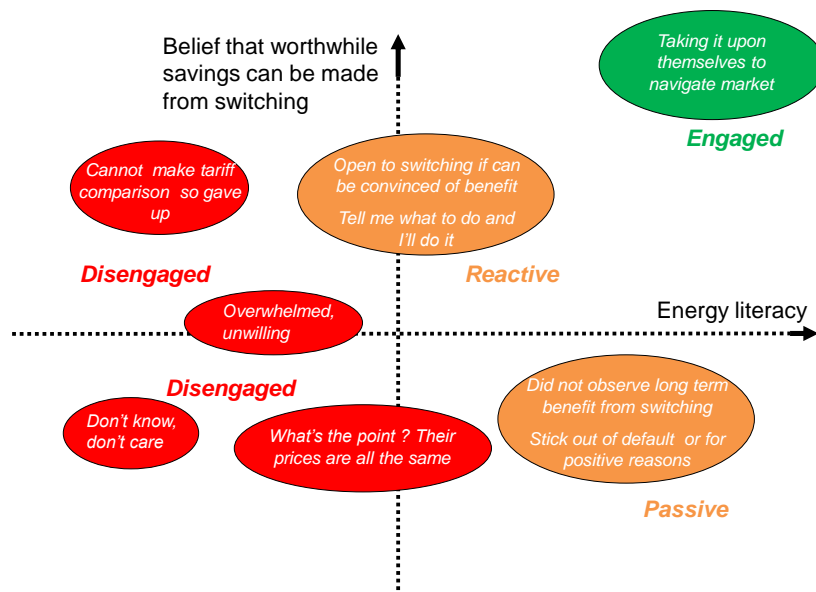
A small minority of Panellists were **Engaged** consumers who had the high energy literacy that is vital for navigating the energy market and making informed decisions about their tariff options. They were convinced either as a result of direct experience or from word-of-mouth that worthwhile savings could be made from switching.

Some Panellists were **Reactive**: they reported their switching occurred in response to an encounter with a supplier sales agent (most often face-to-face) or another trigger (e.g. high bill or increased direct debit). These consumers are typified by relatively low energy literacy. However they are interested in financial savings from lower prices or taking advantage of discounts or rewards – typically these consumers were vulnerable groups and families on low incomes.

Some Panellists were **Passive** energy consumers: they do not feel strongly about the energy market and consequently do not engage, despite often having relatively high levels of energy literacy. These consumers were aware of their right to switch, but for various reasons, both positive (satisfaction with supplier, brand loyalty) and negative (fear of higher prices) and situational (inability to switch due to rental agreements) choose not to do so.

Most Panellists were **Disengaged** consumers. The major barrier to engagement for these consumers is a belief there is little price differentiation in the market. They therefore lack sufficient incentive to review their tariff options. They usually do not trust in supplier claims that switching makes a long-term difference. Their difficulties understanding energy market language and thus the differences between tariffs is a further barrier to engagement.

Figure 1: Engagement requires energy literacy and a belief that *worthwhile* savings can be made from switching



Please note: size of circles is not intended to indicate the prevalence of different views.

Reaction to Ofgem proposals for improving supplier communications

Ofgem’s proposal of mandating suppliers to make information simpler and more straightforward had widespread appeal. But while improving the design and content of supplier communications may facilitate engagement in the energy market for some, it is unlikely to have any great effect until key terms and concepts used in supplier communications are understood by consumers. To this end, Ofgem, as well as proposing to mandate suppliers to use simpler language in their communications, may have a key role to play in promoting energy literacy. This would help consumers understand their current tariffs and ultimately allow them the opportunity to make easier comparisons.

The proposed changes to the information channels tend to have most appeal for consumers who are already engaged. These consumers typically have a high degree of energy literacy and are already convinced about the benefits of switching, and they believe that the suggested improvements to supplier communications will make this easier. For this audience, the additional information is likely to support switching behaviour, although it is unlikely to impact on their propensity to engage.

Overall, the research suggests that improving the language, design and layout alone is unlikely to prompt consumers to review their tariff options, as most remain unconvinced of the value of engagement (i.e. how much they could save as a result).

If aiming to engage consumers and prompt them to consider their energy options, the key aspect of any improvements to supplier communications should be providing clear information about potential price savings. How saving messages are communicated and signposted is crucial.

Price Increase Notification (PIN)

Panellists were asked to comment on an example developed by Ofgem for the research as well as consider alternatives for the ideal PIN. Whilst a PIN appeared to appeal most to Engaged and Reactive consumers receiving a PIN alone would do little to encourage the vast majority of consumers to engage in the market, no matter how well-designed and clear. This is primarily because Passive and Disengaged consumers believe that there is little price differential between suppliers and that all suppliers raise their prices at around the same time, cancelling out any savings that might be made in switching.

In order to increase clarity and prompt action by these consumers, price increase information should be displayed in terms of monetary value relating to their personal usage, and there should be a clear statement regarding the potential savings to be made, and signposting to independent switching advice.

Annual statement

Currently, the annual statement is of most use to Engaged consumers, who are able to use the information to inform their energy choices. We asked Panellists for their views on several examples of annual statements produced by Ofgem and found that a simplified and clearer version would increase the appeal to Reactive and some Passive consumers, especially if it expressly directs them to use annual consumption information to explore different tariffs. Some less engaged consumers would like to be given information about their suppliers' other tariffs within the annual statement, and to be explicitly directed to the tariff that would suit them best.

To increase appeal to these consumers, Ofgem would need to mandate content, language and format of the annual statement, as the interplay of all three is crucial in ensuring the information is accessible and prompts further engagement. However, even if all annual statements were as accessible as the Ofgem versions tested, lack of energy literacy means that the statement would not succeed as a prompt to action for many consumers.

Annual statement information on bills

We asked Panellists for their views on a proposed box to be added to bills containing five pieces of information: tariff name, tariff type, price per kWh, standing charge and consumption over the previous year. Currently, very few consumers engage with their bills beyond looking at the price and any action to be taken, while some direct debit customers never look at bills. As a result, the proposed annual consumption information in its current form would, at best, be put to use by a few Engaged consumers, and the addition of this information may be seen as a lower priority, especially as many Panellists thought that bills already have too much information on them.

However, if this information is to be added to bills, there are several ways to increase appeal: expenditure should be presented in pounds and pence, alongside savings to be made by switching.

Tariff Information Label

We asked Panellists for their views on an example of a TIL developed by Ofgem for this research, which summarises the key features of a tariff in a grid, as in the example below.

Energy Tariff Label	
Supplier	ABC Energy
Fuel	Electricity
Tariff name	ABC Standard
Tariff type	Standard
Payment method	Direct debit
Unit rate	10p/kWh
Standing charge	£10 per month
Estimated monthly price for a low user (ie 1,650 kWh per year) medium consumption (ie 3,300 kWh per year) high consumption (ie 4,600 kWh per year)	£ 24.36 per month £ 41.86 per month £ 68.11 per month
This tariff lasts for	There is no end date to this tariff
The price is guaranteed for	The supplier will notify you at least one month before the price changes
If you leave before the tariff end date you must pay	There is no fee if you switch from this tariff
Additional products / services included are	N/A
Other consumers rate the supplier's service	*****

Very few Panellists understood the purpose of the Tariff Information Label in its current form and therefore it had limited appeal. Panellists would prefer a tool that allows them to compare tariffs at a glance across the energy market. When asked to design their own 'ideal TIL', Panellists envisaged a grid/comparison table that enables them to compare a range of relevant tariffs like for like.

How Ofgem can increase the effectiveness of improved supplier communications

The proposed changes to information presented to consumers are likely to have some positive effects. Given widespread cynicism in relation to price savings claims, and the lack of trust many consumers feel towards energy suppliers, there is potentially a bigger role for Ofgem to directly provide:

- Unbiased, simple and clear information about the switching process – this could tackle the widespread belief that switching is a difficult and time-consuming process;
- Information on potential price savings for different types of 'typical' consumers – this could provide the trustworthy evidence that reviewing tariff options is worthwhile; and
- Assurances of a fairer market – if consumers see signs of a regulated industry working for them, they may be more likely to engage.

In summary, much of what Ofgem has recommended around improving the language, design and layout of information could help to make supplier communications a 'call to action' for more consumers, but only if the precursors outlined above are in place. Until more consumers are energy literate, believe that there are long-term savings to be made from switching, can choose between a manageable number of tariffs and have easy access to trusted independent advice, the effect of any improvements on switching rates may be minimal and confined to consumers who are already Engaged. However, in interim, these changes are likely to benefit consumers by allowing them to better understand their own tariffs and energy use.

Introduction

Section 1: Introduction

In October 2011, Ofgem commissioned Ipsos MORI to conduct research with a refreshed Consumer First Panel to understand what information enables energy consumers to engage with, and make an informed decision about, their energy options, and to establish the communication channels through which consumers want to receive this information. The Panel will meet 3-4 times over the coming year in a deliberative process, whereby they build their knowledge and understanding of energy related issues, and offer Ofgem their views on these. This report presents the findings of the first set of workshops with this new Panel.

1.1 Background and context

The Office of Gas and Electricity Markets (Ofgem) is Great Britain's economic regulator for the electricity and downstream natural gas markets. Ofgem's principal objective is to protect the interests of consumers, present and future, wherever appropriate, by promoting effective competition.¹

In accordance with this objective, on 26 November 2010, Ofgem launched a review into the state of the retail energy market of Great Britain (GB). In March 2011 Ofgem put forward a series of proposals as part of this Retail Market Review (RMR). These proposals were based on relevant research - including findings from previous Panels – and aimed to help transform the GB retail energy market, by enabling consumers to choose an energy option that best meets their needs. Previous Consumer First Panels have identified both the complexities and number of energy tariffs available as contributors to lower levels of consumer engagement with the energy market. As a result, Ofgem has proposed to make it easier for consumers to compare prices and access a better deal, and more specifically to explore measures that could be taken to reduce the overall complexity of tariff offerings.²

Ofgem also reported in the RMR a commitment to ensuring consumers get easy access to information about their energy consumption and tariffs. Ofgem believe this will help consumers engage with the market and ultimately enable them to 'get a better deal'. In order to achieve this aim, Ofgem proposed:

*"Strengthening existing regulations to ensure consumers receive clear and transparent information"*³

To ensure that any regulatory change would fulfil this objective, Ofgem commissioned the Lawes report, which draws on linguistic theories to provide recommendations on how the language and layout of key supplier communications channels could be improved.⁴ For example, the report suggests that consumers would be more receptive to the information in their annual statement and more likely to act on it, if the statement was clearly labelled and sent in a separate envelope. And, moreover, that the language used in these statements, and other communication, needs to be clear, simple and standardised.

1 Ofgem (2011) The Retail Market Review, 34/11, p2.

2 Ofgem (2011) The Retail Market review, 34/11, p.48

3 Ofgem (2011) The Retail Market Review, 34/11 p.10

4 Lawes Consulting (2011) The Retail Market Review: Energy bills, annual statements, price rise notifications; advice on the use of layout and language

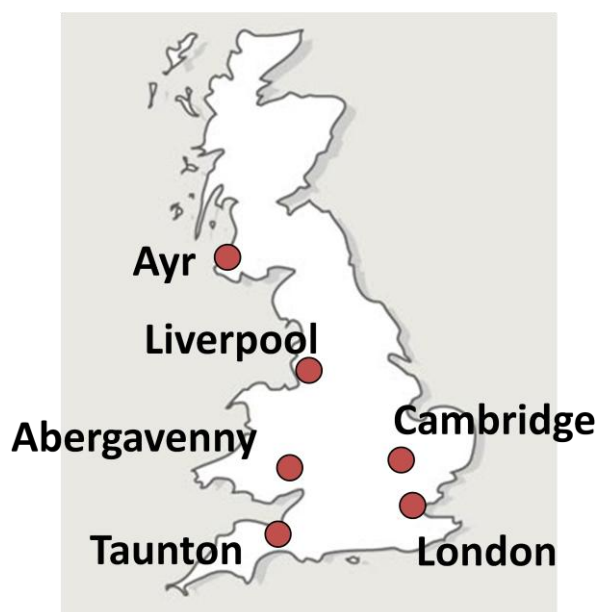
1.2 Objectives

In this context, Ofgem commissioned Ipsos MORI to undertake research to understand the key pieces of information energy consumers need to help them review their energy options, and how consumers would want this information presented. This research builds on findings from previous Panels, the Lawes report and Ofgem's own work in designing improved channels of communication that could be tested among Panellists. The overall aims of this research are:

- To identify the information needed to equip customers to make an informed decision;
- To establish the communication channels through which consumers want to receive this information; and
- To provide insight into how this information should be presented to encourage engagement.

1.3 Methodology

A qualitative method was considered the optimal approach to allow participants to explore their responses to different proposals for what and how information should be communicated. Qualitative research is particularly useful when exploring different propositions and the likely impact on behaviour, such as switching. It also allows participants the freedom to express the issues that are salient to them and they are not restricted in their thoughts by a structured questionnaire.



Six workshops of 3 hours were conducted to allow Panellists enough time to express their views about the GB energy market and discuss and reflect on different channels. Activities involved group discussion and exercises to review Ofgem examples and design of different information channels such as the Annual Statement.

The Ofgem examples and stimulus used to communicate some of the information channels to Panellists and all other research materials (discussion guide and end of event questionnaire) are provided in the appendices.

1.4 Sample and recruitment

The research process involved 110 Panellists from different backgrounds across six locations (Abergavenny, Ayr, Cambridge, Liverpool, London, and Taunton) as shown in Table 1 below. The groups were recruited to comprise a broad range of energy consumers, taking into account a number of key criteria that are likely to influence views of the most salient issues. The criteria included the following recruitment variables:

- Gender
- Age
- Ethnicity
- Socio-Economic Group (SEG)
- Tenure
- Fuel poverty
- Long-term condition/disability
- Supplier
- Electricity only vs. gas and electricity
- Payment type
- Employment status
- Family status
- Urban/rural

In order to ensure Panellists reflected energy consumers in Great Britain, the sampling frame corresponded to national demographic figures derived from the Census. However in certain locations it was necessary to up-weight quotas to ensure the following groups were represented:

- **Ethnicity** – black and ethnic minorities (BME) were up-weighted to ensure that the Panel adequately represents these groups.
- **Rural/Urban** – we recruited those living in rural areas, including those living off the gas networks to ensure we could capture their views, as they can often have different experience to those living in urban environments.
- **Tenure** – we also over-represented those living in social and private rented accommodation.

Participants were recruited by specialist qualitative Ipsos MORI recruiters. The recruitment was done face-to-face on street and through door-knocking. Recruitment happened within easy travelling distance of the venue (while ensuring the rural quota is met). And all respondents were given information about the purpose of the Panel and of the commitment required at this stage – i.e. they would be taking part in up to 4 workshops over the year, with the potential of being asked to take part in other research in between. Participants received £40 as a thank-you for their participation in the workshop and will be paid more for attendance at each subsequent event to encourage continued participation.

The Panel was over-recruited to take into account a dropout rate of 20%, which is a common feature of panel research. Table 1 overleaf displays the overall target sample for recruitment, and those who attended the first Consumer First Panel.

Table 1: Achieved sample breakdown

Gender *	Target	Achieved
Male	61	58
Female	65	52
Total	126	110
Age *		
18-24	23	14
25-44	43	43
45-64	35	34
65+	25	19
Total	126	110
Ethnicity *		
White British	96	90
White Other	6	3
Black or Minority Ethnic	24	17
Total	126	110
SEG		
AB	27	27
C1	41	34
C2	27	20
DE	31	29
Total	126	110
Rural vs. Urban *		
Urban	96	76
Rural	30	34
Total	126	110
Electricity Only		
Electricity Only	26	13
Electricity and gas	100	97
Total	126	110
Tenure *		
Owner Occupied	61	56
Social Rented	37	33
Private Rented	28	21
Total	126	110

Fuel Poverty		
Yes	34	27
No	92	83
Total	126	110
Employment status		
Employed	76	65
Unemployed	8	11
Student	9	6
Retired	25	20
Other	8	8
Total	126	110
Long-term condition or disability		
Yes	26	21
No	100	89
Total	126	110
Payment type		
Prepayment	23	16
Quarterly payment on receipt of bill (standard credit)	54	42
Direct debit	49	49
Weekly / fortnightly payment scheme	0	1
Payment card / book	0	2
Fuel direct	0	0
Online	0	0
Total	126	110
Family status		
Married / cohabitating with dependent children	38	27
Married / cohabitating with no dependent children	16	21
Lone parent with dependent children	10	7
Living alone	36	31
Unrelated adults	23	21
Other	0	3
Total	123	110

1.5 Interpretation of findings

It is important to note that qualitative research approaches (including deliberative methods) are used to shed light on *why* people hold particular views, rather than *how many* people hold those views. Such research is intended to be illustrative rather than statistically reliable and, as such, does not permit conclusions to be drawn about the *extent* to which something is happening. In the case of this study, we intended to develop an in-depth understanding of consumer reactions to current information channels, creating a platform for them to design their own.

Where possible we have stated how common a particular view was amongst Panellists, but as this is qualitative research, these proportions should be considered indicative, rather than exact.

Throughout the report, verbatim comments have been included to illustrate particular viewpoints. Where this is the case, it is important to remember that the views expressed do not always represent the views of all participants. In general, however, verbatim comments have been included to illustrate where there was a particular strength of feeling among participants.

1.6 Report outline

The rest of this report is structured as follows:

Section 2: Panellist typologies – this describes different consumer characteristics. It outlines how levels of energy literacy and a belief that savings are worthwhile are major factors in determining levels of engagement and ability to navigate the energy market.

Section 3: Consumer views of the current energy market – this looks at how consumer needs are met and outlines their concerns. It also discusses important questions asked of Panellists throughout the course of Ofgem’s Consumer First Panel.

Section 4: Views of energy market language – this section is overarching and cuts across all information channels. It describes the varied comprehension of language.

Section 5: Content and format of information channels – discusses Panellist views about format and content, as well as considering any likelihood of behaviour change, i.e. market engagement.

Section 6: Conclusions – this brings together the findings from the study to provide overall conclusions and implications.

Panellist typologies

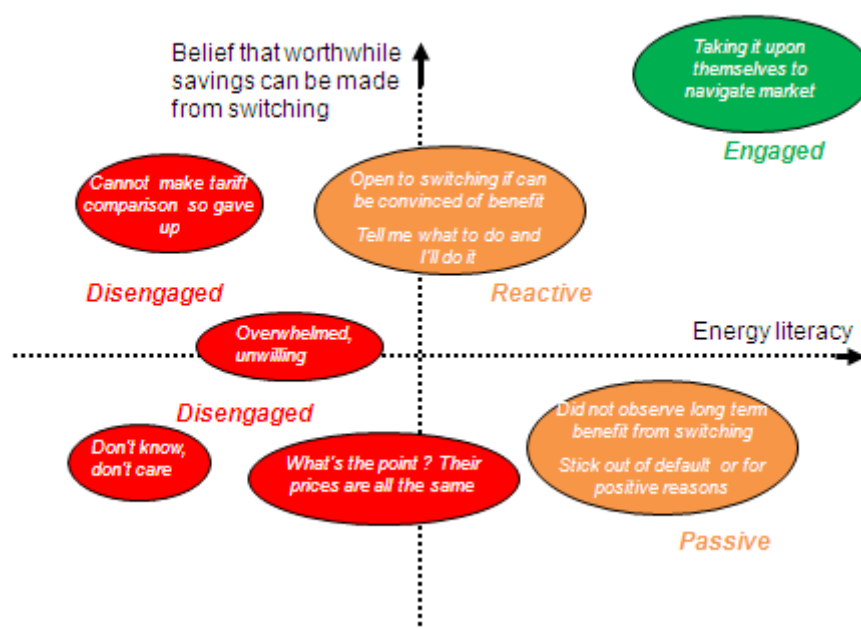
Section 2: Panellist typologies

As discussed throughout this report, there was widespread agreement among many Panellists that improved channels of information are necessary steps but alone would not be sufficient to achieve Ofgem’s objective of enabling consumers to review their tariff options. The 110 Panellists (broadly reflective of all gas and electricity consumers) who took part in the six workshops across Great Britain can usefully be grouped depending on differences in attitudes and behaviours towards the GB energy market. Typologies are useful because they help to shed light on a range of consumer concerns that will need to be responded to before consumers act when they receive information. They also enable us to discuss the different needs of different people, rather than treating all energy customers as a homogenous group.

Among all Panellists the degree of engagement was shaped by two key factors, these included:

- Level of energy literacy; and
- A belief that *worthwhile* savings can be made from switching.

Figure 1: Engagement requires energy literacy and a belief that *worthwhile* savings can be made from switching



A single interaction with the energy market (typically an encounter with a supplier sales agent) and its outcome can sometimes trigger a change in consumer attitude, which in turn, can affect future behaviour. For example, some Reactive consumers who received the right advice at the right time, opted for a fixed term/ fixed price tariff, and subsequently observed

that switching had worked for them became more positive in their views towards the energy market. Although these consumers continued to require independent advice to signpost them to a deal that suited their circumstances, their experience had made them believe that worthwhile saving can be made from switching.

2.1 Engaged

A small minority of Panellists were Engaged consumers.⁵ Typically, these Panellists had the high energy literacy considered vital for navigating the energy market and making informed decisions about their tariff options. These Panellists understood what a tariff is, were familiar with types of tariffs such as standard and fixed, and were aware of different fixed tariffs. However, even these energy-literate consumers often lacked a detailed understanding of technical terms such as kWh.

Unlike other Panellists they were not put off by complicated terminology. This is because these consumers were already convinced, either from direct experience or from word-of-mouth, that worthwhile savings could be made from switching. Therefore, the important thing for them is being able to access the necessary information (of which usage is a key part) that enables them to get a quotation. Consequently, Engaged consumers found it straightforward using online comparison sites and talked about using them as a means to switch between fixed-term/fixed-price tariffs often every twelve months.

“I go to an online comparison site – I keep an eye on it. I’m on fixed rates, so when it comes to an end I shop around. So, I know what I’m paying for a kilowatt hour for a certain period of time. If they push prices through the roof it gives me protection.”

Given their ability to navigate the tariff market, engaged consumers were often confident that they were on a deal that suited their needs, and before choosing a tariff would often reassure themselves that this was true by getting quotations from several comparison sites. This does not mean that all Engaged consumers were necessarily on the most appropriate tariffs for their needs. However, they felt confident that they had the skills to find a tariff that they believed was right for them, and would change tariffs if they were dissatisfied or became aware of a better deal. Unlike most Panellists, they did not consider it a ‘hassle’ to engage with the market since their familiarity with it meant it took a matter of minutes to get several quotations, which in turn enabled them to make an informed and balanced decision about their tariff options.

As discussed in Section 5, annual statement and bill data is unlikely to be an additional call to action for the most engaged and energy literate consumers since they are already familiar with using pieces of information to their benefit, and, more importantly, are convinced savings are worth it.

⁵ Throughout this report, this group will be referred to as Engaged consumers (capitalised). However, when discussing more engaged consumers or less engaged consumers, we refer to different ends of the engagement spectrum.

2.2 Reactive

Some Panellists were Reactive: they reported that their switching occurred in response to an encounter with a supplier sales agent (most often face-to-face) or another trigger (e.g. high bill or increased direct debit). These consumers are typified by relatively low energy literacy. However, they are interested in financial savings from lower prices or taking advantage of discounts or rewards – typically these consumers were vulnerable groups and families on low incomes.

Subsequently, many talked about being advised (typically by a door-step salesman or friends and family) or in some cases being talked into switching even though they were uncertain about the benefits. Given this lack of understanding of the deal they were signing up for, often these consumers felt that switching had not met their expectations and as a result are less inclined to switch in future.

“I changed a while ago; they said it would be cheaper. I did that twice and it’s never cheaper.”

As discussed in Section 5, the design of information channels should take account of Reactive consumers’ preferences for accessing verbal advice. They would therefore be more likely to review their tariff options if a free or local rate contact number (i.e. not an 0870 number) was positioned alongside a web address.

2.3 Passive

Many Panellists had a passive relationship with the energy market: they do not feel strongly about it and consequently do not engage, despite often having high levels of energy literacy do not engage very often (if at all).

These consumers were aware of their right to switch, but for various reasons, both positive (satisfaction with supplier, brand loyalty) and negative (fear of higher prices) and situational (inability to switch due to rental agreements) did not to do so.

Most Passive consumers reported an immediate short-term benefit from switching but then became frustrated when they ended up with similarly priced bills inside twelve months. However, it was evident that many fail to take into account how their bills may have changed had they stayed on their existing tariff.

Those who stick by default, and are categorised here as Passive consumers, did so for several reasons. Firstly, many Panellists, especially those on lower incomes were fearful of switching in case prices were higher. For some, this belief was borne out of actual experience, while for others it was due to a concern that switching could make paying for energy bills unmanageable on existing budgets. Secondly, some had not experienced any problems sufficient to motivate them to switch – this was common among London consumers who were satisfied with their supplier and did not see switching as a priority, given how much time they believed it would take. Finally, a few were unable to switch due to rental or household agreements.

“I’m in a council house; they have designated suppliers.”

It is important to note that some Passive consumers are not engaging with the market for positive reasons. Most often there was a belief their energy prices were reasonable – often based on a comparison to friends and family’s bills. Energy-literate consumers believed their prices were in line with the cheapest tariffs on the market. A few consumers reported that the peace of mind they got from other supplier services, such as maintenance cover, meant they were content with their supplier and therefore chose not to switch. Finally, brand loyalty, in particular towards companies perceived as being British-owned was another reason why consumers did not engage.

2.4 Disengaged

Most Panellists can be defined as Disengaged consumers. The major barrier to engagement for these consumers is a belief that there is little price differentiation in the market. Since price is the most important factor in choosing a tariff, these consumers currently believe there is insufficient incentive to review their tariff options. Moreover, there is a lack of trust in supplier claims that switching makes a long-term difference.

Another major barrier to engagement is the perception that tariff comparisons are difficult; indeed there is widespread agreement from Panellists that suppliers have created a complex market that works to their advantage by discouraging consumers from finding the best deal. These consumers said that confusing terminology and the difficulty in making sense of the number of tariffs were major barriers. Given the current market situation consumers agree that the effort of switching outweighs the potential benefits:

“There’s so many companies offering gas and electric. I’m on the same deal from my previous house. I can’t be bothered and I really don’t have the time to change.”

As indicated above, some consumers told us they could previously be typified as Passive or Reactive but due to a negative experience had become Disengaged. This change in attitude was often caused by the actual switching process or outcome of switching. For example, Panellists were put off as a result of aggressive and pressurised sales agents, the amount of time taken to move to another supplier and, once they had switched, higher energy bills or a drop in customer service.

It is important to note that not all reasons to disengage are negative. Many consumers attach a great deal of importance to good customer service (possibly because of perceptions of low price differentiation) and where this was found (for example Ayr) Panellists were satisfied to not engage. Some also valued discounts offered by their supplier, for example supermarket and leisure discounts, while for others online account management was important, as it meant they could avoid estimated bills by supplying meter readings. A few told us that because their suppliers supported efforts to ‘go green’ or enabled them to sell energy back to the national grid, this meant they did not look around at other suppliers or tariffs.

Finally, some Disengaged consumers said that the quality of the product (energy) you receive does not vary, so why bother? These consumers compared it with other markets, such as mobile phones, where the ‘package’ (the handset and, for some, the network coverage) varies and the trade-off between time invested and return are viewed as worthwhile.

Consumer views of the energy market

Section 3: Consumer views of the energy market

This section sets out consumer views of the current energy market. It looks at how consumer needs are met before going on to discuss the concerns consumers have. The findings presented in this section give a contextual understanding of many of the reactions to the different information channels discussed in this report and are broadly ordered according to the strength of feeling amongst Panellists.

Key messages

Consumers are concerned about what they see as excessive profit-making in the energy market. Regular increases in prices have led most consumers to feel powerless, despite their efforts to save energy in the home.

For most, the market is seen as disengaging, either because there is little incentive to switch, as prices and products are perceived to be similar, or too much choice, as there are too many tariffs which are difficult to compare.

Most were aware they could switch and only a few were not. However, there is little belief that there are worthwhile savings to be made by switching tariffs, and most choose not to look into their tariff options

A minority of consumers are happy with their supplier citing good customer service, tariff discounts and bonus point schemes, but many think that suppliers should be working harder on their relationships with consumers, in particular to reward loyalty and check customers are matched to the best deal for their needs.

Knowledge of and engagement with the energy market outside of their own relationship with suppliers is minimal, although opinions on renewable energy are strong but varied.

3.1 Concerns over prices and profits

When asked what they thought about the energy market overall, Panellists' spontaneous reaction was overwhelmingly negative. Panellists throughout the country thought that gas and electricity were overpriced and that energy companies are making too much profit.

"The profits they're making are astronomical..."

Some Panellists thought that prices were being fixed or that the energy companies were in a cartel; this was especially apparent in Liverpool. However, in all areas, there was a feeling that suppliers were quick to pass on increases in wholesale prices, but would never pass on any similar decreases. This negative attitude towards suppliers was influenced by media reports, with some Panellists mentioning things they had read or heard about the energy companies:

“There’s been a big shift in profits over a few years, from £20 per customer to £100 per customer.”

Those who were less knowledgeable still thought that the companies must be making large amounts of profit as their own prices have been increasing inexorably:

“My bills have rocketed... you assume that they are making a profit somewhere along the line!”

High and rising prices were a key cause of negativity towards prices and cynicism about the market. Panellists complained that energy accounts for an increasing proportion of their household budget. A few reported using or wanting to use PPM as a means to control costs, even though they perceived that this may be more expensive per ‘unit’.

“I pay by card, I pay in the shop and I’m never behind on payment”

The idea that energy prices are uncontrollable meant that many Panellists felt disempowered within the energy market, as even those who were switchers had to contend with regular price rises. For some, this manifested itself as fear; they feel ‘scared’ about their energy use rising or of receiving their energy bill.

“I’m terrified about the cost of gas; it’s definitely going to increase.”

Where Panellists were not fearful of their energy bills as consumers, they often looked at high energy prices from a citizen’s perspective and mentioned vulnerable groups who might be affected. In Cambridge, Panellists were worried about rising fuel poverty, while in other areas Panellists voiced their concerns about pensioners not being able to afford adequate heating. Rising prices and, for some, environmental reasons, had led many Panellists to make an effort to become more energy efficient.

“People laugh at me turning off all the lights but it’s about saving money.”

However, Panellists with children in the house often felt frustrated in their efforts to reduce their usage. Some were attempting to reduce their bills but struggled to do so because they found it difficult to regulate their children’s energy use. Also, while they could make small reductions in their consumption, the fact that energy is a basic necessity meant that most Panellists were left feeling powerless to make any significant changes to their energy bills.

“You’re trapped: you’ve got to be warm. If you’ve got small children you have to pay.”

3.2 Disengagement from the energy market

Many Panellists were disengaged from the energy market: some to the extent that they were not aware that they could switch. While most were aware that switching between suppliers was a possibility, (although less were aware of the possibility of switching between tariffs with the same supplier) most felt that the choices available in the energy market have not helped them to get a good deal:

“When it was privatised, you’d think that there would be more competition, that it would cost less for us as consumers, but it doesn’t. Competition is supposed to push down prices but they keep on going up.”

Disengaged consumers often thought there was too little choice in the market. This is because all of the suppliers seemed the same to them, as all were seen to charge equally high prices. As there is not much apparent differentiation across product and price, they do not have very much else to help them choose between suppliers.

Conversely, some, and in particular Reactive and Passive consumers, complained of too much choice and some thought that the market was deliberately confusing. A few Panellists were aware of how many tariffs are available and, spontaneously, many called for a reduction. They thought the current number makes it impossible for consumers to make comparisons across all the available tariffs. Those who had spent some time looking into their choices often became overwhelmed by what was available, and the lack of ease of comparison:

“They make it so difficult for you.”

In particular, price comparison sites confused many of the more engaged Panellists who had used them. Some were sceptical of their independence, especially as the advice they offered was free:

“Who funds price comparison? Someone must be paying; is it these companies?”

A few Panellists had also noticed that different sites can generate different advice as to which is the best tariff. This left them further confused, wondering if even the ‘experts’ can’t agree which tariff is best for them, how are they meant to work it out?

Most importantly, given the general concerns mentioned in the previous section about prices and profit in the market, one of the key reasons that Panellists were ‘stickers’ was their certainty that price savings cannot be made in the long term. Many Panellists, and especially those who were Disengaged and Passive consumers, thought that all suppliers’ prices were “much of a muchness.”

Most Panellists did not trust supplier claims that switching will enable them to save money over a long term period.

“Every company will say they’re cheaper. ‘Come with us, come with us’. They all say it but there’s no proof.”

This lack of trust sometimes stemmed from experiences of switching and not experiencing a saving, or word of mouth stories of bad switching experiences. For Panellists, this was the most significant barrier to engagement within the energy market. Until consumers are satisfied that there is a significant amount of money to be saved by switching, and that this saving will continue for a long enough period to result in significant savings to them, clearer information is bound to affect only the minority who already believe this to be true.

3.3 Views of supplier experience

A large number of Panellists had been targeted in the past by direct marketing on behalf of suppliers. This was particularly true in Ayr, Abergavenny and Liverpool. While this had been a positive experience for a number of Panellists, especially in Ayr, in general, the sometimes aggressive sales techniques that they had encountered had increased their negativity towards suppliers. They found cold-calling by suppliers particularly annoying, as there is no limit to how often they can call.

Those who had switched to a new tariff as a result of direct sales often used negative language to describe the experience, and were left with a feeling that they had been misled, while a few were 'stuck' on tariffs that they wanted to get out of:

"My husband was drawn in by the fixed rate; it was a hook."

"They came door to door and I found it hard to say no to them."

The effort that suppliers put into sales and the recruitment of new customers made some Panellists question whether suppliers valued loyalty. Perhaps influenced by other markets where suppliers may go to some length to retain customers by offering them discounts and rewards, Engaged and Reactive Panellists thought that their suppliers should offer them deals to reward their loyalty.

A few Engaged, Passive and Reactive Panellists were generally positive about their suppliers and their tariffs. Some engaged Panellists felt that their needs were being met by fixed tariffs, as they felt that they were making savings compared to standard tariffs, and often they had chosen a tariff that was a good fit with their own lifestyle. They cited the security as the main benefit, and had the energy literacy to understand that paying more now could result in savings in the future. These Panellists were often pleased with the small extras that suppliers provide with certain tariffs, noting that they valued things like loyalty points and vouchers, although for most it would never be the primary reason to switch.

For some, good customer service was one of the main reasons that they were happy with their supplier and was therefore a reason for sticking:

"I'm with supplier X, I find them very good – if you're older they have a care line you can phone up."

For others, however, customer service was a particular bugbear, and another key driver of their negativity towards suppliers and the market. Many could not understand why suppliers cannot improve this, as they perceive it to be a basic aspect of the service that they pay for, and they felt service is much better when a company is persuading you to switch to them.

"If they [suppliers] said 'We have a tariff that would save you money'....now that would be customer service."

Many Panellists described frustration with having to call 0845 numbers, difficulties getting through on the phone, long waits to get refunds when they had overpaid by direct debit, unexpected (and some believed unjustified) increases to direct debits, call-centre staff reading from scripts and frustration with the relentless moves towards online customer service:

“My mother is 97...they shouldn’t assume people are online.”

More generally, Panellists were unhappy that more attractive tariffs and discounts were available to online customers, as they thought this was unfair.

3.4 Views of the wider energy market

Panellist knowledge of the wider energy market varied dramatically. Many did not think beyond their own relationship with their supplier when thinking about energy. Some had strong views on the ownership of these companies and resented the fact that foreign-owned companies were making such large profits. Some more engaged Panellists were also concerned about the security and sustainability of domestic gas supplies, with some advocating an end to the export of gas.

Opinion on renewable or ‘green’ energy was split between those Panellists who were of the opinion that more needs to be done in this area and those who were unhappy with what is being done currently and the way it is impacting on them personally. The former group tended to be based in urban or semi-urban areas and in these locations most thought that suppliers should be doing much more to source renewable energy in order to help to reduce carbon emissions, or to decrease our reliance on imported gas.

“We aren’t doing much to encourage renewable energy sources like wind turbines.”

In Cambridge, some were both well-informed and sceptical about government emissions targets and the recent changes in feed-in tariffs which they felt undermine efforts to reduce emissions. Conversely, those who were more negative about renewable energy tended to be based in rural areas and were concerned about the perceived damaging effects of some renewables, in particular wind generation, on the natural landscape.

“Wind farms: if you’ve ever stood underneath one you’ll understand. Stop taking the beautiful countryside and ruining it.”

Some were also concerned about the high cost of some renewables and their efficiency; in Ayr and Abergavenny particular projects were singled out for criticism out by more knowledgeable Panellists:

“It cost £300 million, but it will only ever supply 100,000 homes; it’s a waste of money.”

Less well-informed Panellists were more concerned about the more general effect an increase in renewable energy sources might have on energy prices. In general, there was a sense that this issue is one where decisions are made entirely by politicians and vested business interests and consumers’ opinions are not valued.

3.5 Implications

Panellists spontaneously called for a variety of reforms to the energy market which are summarised below. It is likely that some of these would need to be implemented in order for Disengaged and Passive consumers to begin to engage with the energy market. As outlined

throughout the report, improving supplier communications will do little to engage those who currently hold deeply ingrained negative views about the energy market and suppliers.

- More transparency in pricing so that consumers are sure that any increases are fair and proportionate;
- Restrict the number of tariffs to make choice easier. Priorities for the level of restriction varied. Engaged customers were the least likely to want a drastic reduction as they were most likely to have chosen a tariff tailored to their needs;
- Widen choice, benefits and incentives to PPM and offline customers;
- Clearer evidence of savings to be made from switching needs to be made available to consumers, ideally by Ofgem or another independent third party;
- Suppliers should build better relationship with consumers and reward loyalty; and
- Sales should be less pressurised, with more tailored advice extended to both existing and new customers.

Views of energy market language

Section 4: Views of energy market language

This section explores how consumers think about, understand and comprehend language, terminology, words and phrases in relation to energy. This overarching section is therefore relevant to all the key information channel discussions.

Key messages

Energy market language tended to intimidate all but Engaged consumers. As a result, very few read their supplier communications in any detail.

Many standard energy market terms are not well understood by consumers. This includes tariff, kWh, fixed, standard, standing charge, two-tiered pricing and estimates.

While improving the design and content of supplier communications may drive engagement in the energy market for some, it is unlikely to have any great effect until the majority of these terms and concepts are understood by consumers.

This suggests that Ofgem, as well as mandating suppliers to use simpler language in their communications, may have a key role to play in promoting energy literacy.

4.1 Views of energy market language

The language used in energy supplier communications tended to intimidate all but Engaged consumers. One of the primary reasons that Panellists gave for not looking at energy supplier communications in detail was that they could not understand them.

"The bills are really confusing. It makes me feel a bit stupid."

Some thought that the impenetrability of bills was a ploy by the energy companies to stop them from properly understanding how much they are being charged,

"We have to have the gas and the electricity, and they [suppliers] know that. The stuff that's on the bills, you can't make head or tail of it."

Some Panellists thought that they could never understand the 'jargon' used by the energy companies, as it was inherently confusing. Others thought that, if they were to make a substantial effort, they may understand the language, but did not have the time or inclination to make that effort, and as such thought that the energy suppliers should simplify it:

"Busy families don't have time to read all of that."

Panellists believe simpler language would make consumers more likely to read, and engage with, their bills and could help them better understand the market and their own tariff. In addition, it was also the concepts behind the language (such as the notion of a kWh, or a fixed term tariff) that were confusing. Thus, even if language was simplified, they may still have difficulties in accurately comprehending their supplier communications. Across all information channels, there were several key terms or concepts that Panellists either found difficult to understand, or misunderstood without realising. These are set out in detail below.

KWh

This was almost universally seen as a very confusing term, and they did not understand why suppliers use it when it is 'too technical' for the average consumer to understand:

"The language of the KWh, it's just unnecessary really."

As outlined in the Lawes report, the concept of a kWh meant nothing to Panellists personally.⁶ They did not understand how it was worked out, and, for some, this lack of understanding fed into their sceptical attitude towards energy companies. They felt disempowered, as they do not understand how to verify their energy use. When their energy supplier tells them that they have used 2,000 kWh last month, they must take this on trust, as they cannot equate this to a concrete amount of energy usage.

"How would you work it out, if you phoned up and said. 'Well I didn't use 10,000kWh', and they could just say, 'You did'... You can't query it if you don't know what you're querying."

Even Engaged consumers, who may be able to work out the relationship between kWh and the price that they pay, do not feel that they understand the concept.

"My mum drilled it into me, to look at the bill. I worked it out with a calculator but what is a kilowatt?"

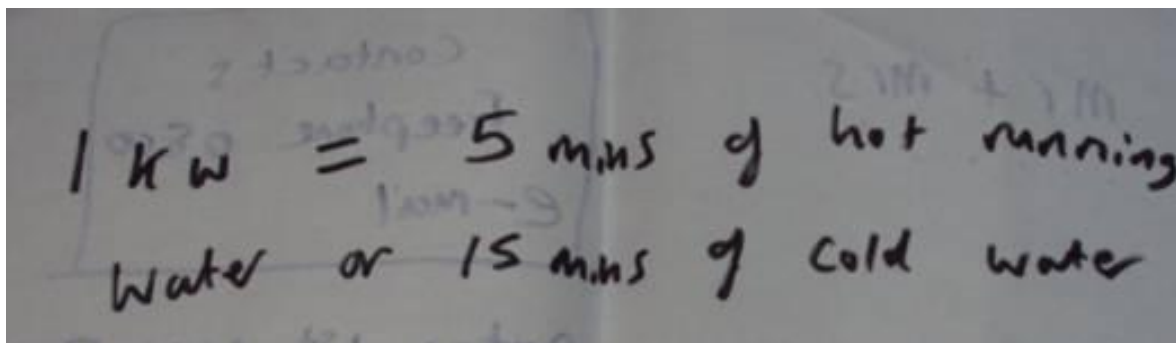
Panellists thought that kWh need to be better explained on supplier communications.

"Say it in English, not Kilowatts: You've had your energy on for so many hours and it will cost you this much, that would be brilliant, so they can't deceive you."

They would like to see everyday examples of what a kWh might mean in terms of use in the home, e.g. how many baths it would heat, full kettles that could be boiled, etc. The Panellist design below indicates how consumers might like to see this but also shows how energy use is misunderstood.

⁶ "People do not experience gas and electricity in units of one kWh, they experience it in the amounts of money they have to periodically hand over to their energy supplier and they experience it in a practical way when they have their lights, central heating and appliances on." Lawes, R., (2011) Retail Market Review: *Energy bills, annual statement and price rise notifications; advice on the use of layout and language*, p.11

Figure 2: A Panellist suggestion for how to explain the concept of kWh



Tariff

Most Panellists understood the term tariff to be a type of 'contract' between them and their energy supplier, although, as discussed below, many Panellists were unaware of different tariff types or the extent to which tariff features (e.g. standing charge) can vary. Disengaged Panellists had not heard of the term before and struggled to comprehend what it was:

"I don't understand; the word tariff means nothing."

This may be a consequence of the language, as these Panellists found the concept simple to understand when it was explained as a contract between them and their energy supplier, as this is language that they are familiar with from other markets, such as mobile phones.

Tariff name/type

Panellists found it difficult to distinguish between these two terms, both of which were used in all of the Ofgem developed materials:

"What's the difference between tariff name and tariff type?"

As outlined below, the terms standard and fixed are in themselves confusing, and only a minority of Panellists understood the difference between the two.

I didn't know there were different ones [tariffs]...I just thought there was just one standard one at each supplier."

As such, knowing their tariff type is not useful to them, as they would require further information to be able to understand what this means. However, following standardisation of tariff types, this information may become more helpful over time.

In relation to tariff names, the lack of standardisation of across suppliers creates confusion. Panellists noted that these would be easier to understand if the name was in itself an understandable description of the tariff.

"Tariff names should all be standardised. Type and price – what's the difference?"

Standard

Panellists were unsure of what this means in relation to tariffs, and confused as to what a 'standard' tariff includes as it does not have a description in the title. It was seen as an industry term that suppliers have not made an effort to explain. Again, general distrust of the market probably fuels the mistrust of this term, as many consumers think that 'standard' prices are unfairly high.

"You're currently on our standard tariff? What's that mean? That's immeasurable."

"What does standard mean, standard to what?"

Fixed

Relatively few Panellists were on fixed term deals. Some of those who were Reactive engagers had been sold a fixed-term/fixed-price direct-debit tariff on the doorstep or by phone. Among these, a few had presumed, when buying into the tariff, that the overall monthly cost was fixed, and had not understood that it was simply the price per kWh that was fixed. This then caused confusion when their supplier tried to increase their direct debit payments due to an increase in consumption.

Many less-engaged consumers simply did not realise that fixed tariffs were available and, as such, were unaware of what they might entail. Some, who had heard of them, thought that the concept was unfair; they did not think that you should have to pay more now in order to pay less later. They associated the need for this kind of tariff with what is, in their eyes, the key problem with the energy market: that prices are constantly going up and savings are never passed on to the consumer.

Standing Charge

Many Panellists did not understand what a standing charge was, although some of the more energy literate were aware of its purpose. Many of these were confused by the fact that some suppliers charge for it and some don't, and referred to it as a 'hidden cost'. This lack of consistency was the key reason for the confusion here; once they had learned what a standing charge was, most Panellists questioned why this disparity existed, as it made accurate comparison across tariffs really difficult, unlike in other markets:

"If you get something in a simple format, well that petrol station is charging 1.32 a litre and that is charging 1.38, you can make a decision. If you have a standing charge of x pence for 32 days and then it's x pence per kWh, you've got no idea."

As long as suppliers continue to differ in how they account for standing charges, it is quite likely that consumers will make inaccurate price comparisons by focussing solely on price per unit.

Tiered Pricing

Few Panellists fully understood how tiered pricing works. Where a standing charge and daily unit rate was presented alongside a tiered price tariff, most found it too complicated to compare prices and quickly gave up.

There was a suspicion that companies used tiered pricing as a means of “disguising” the standing charge, or another example of the unfair complexity of the market:

“I think there’s an element of confusion, it’s done deliberately by the energy market...”

Most customers did not understand the concept at all, but even those who were aware of tiered pricing found it difficult to understand tier thresholds, and when they begin to be charged the lower rate per unit, with some thinking that this is measured daily (so that you are charged x rate per day for the first y units used in the day and z rate for any further units). As with the standing charge, this was seen as something that inhibited proper comparison across tariffs. Many Panellists did not understand how tiered pricing could be beneficial to certain consumers (e.g. families often benefit from better value for money as consumption rises), and as such there were calls from some Panellists for standardisation of tariff price structures, if the intention is to help customers make comparisons across tariffs more easily.

Estimates

The word ‘estimate’ was badly received by many Panellists, and any supplier communication that uses this word is likely to alienate many consumers. There are two related but separate reasons for this:

- 1) Estimated meter readings: Panellists associated estimated readings with suppliers overcharging them. As their trust in their suppliers is low, they assume that these figures are always overestimates. Some also had experience of energy companies owing them money, having overcharged, and difficulties in claiming this money back.

“We don’t like estimated, we want to be billed for what we use.”

While they were frustrated by receiving bills based on estimated readings, many do not proactively give their companies their actual readings, thinking that this was the responsibility of the energy companies themselves.

- 2) Estimates of future use/projections: Most Panellists did not understand how these estimates/projections are calculated. In addition, many thought that there is a chance that their usage will go down in the coming year. Figures based on actual costs might be more useful to them e.g. “You spent X much last year; using our new prices, you would have spent Y”. This would help to avoid cynicism that estimates are always used as an excuse to increase the direct debit price when they believe that their usage could go down or up.

The implication for supplier communication is that even where estimates are based on a long historical consumption (and thus quite likely to be accurate), many consumers will not trust them. In particular, Panellists thought that the information on annual statements should always be based on actual readings, and the use of estimates in this context would render the information useless to them.

Low/medium/high user

Very few Panellists understood these concepts, as used in the Ofgem Tariff Information Label and Annual Statement examples. In essence, they read the information backwards, i.e. from right to left. Most looked at the prices and extrapolated from that whether they were a low/medium or high user, rather than knowing their own usage to evaluate the price.

“I think it would make me feel bad [the low/medium/high user estimates]...I’d think, ‘Oh my god I’m a high user.’”

Higher energy literacy would be necessary before the information tested could be useful for most consumers. In the meantime, pen portraits of types of household users (e.g. family of five, home during the day, working couple) might help Panellists relate to estimated costs, where usage figures cannot be personalised.

4.2 Impact on market engagement / switching

Lack of energy literacy among consumers was a key driver of disengagement and unsuccessful engagement with the energy market.

Their inability to understand some widely used energy market terms heavily influenced how some Panellists reacted to supplier information. Passive and Disengaged consumers in particular tend to not read anything from their supplier other than the price on their bills as they are completely bewildered by all of the other information they receive.

“It’s [kWh] too complicated, so you just ignore it.”

There was sometimes a key difference between ‘understanding’ and ‘misunderstanding’ key energy terms. Misunderstanding appeared to be even more of a barrier to engagement than not understanding them would have been. Misunderstanding of their tariffs meant that customers often felt that they had been misled about what they were buying. This was particularly the case with Reactive consumers, who may have bought into fixed tariffs without fully understanding the concept. Their bad experiences have then converted them into Disengaged consumers who are likely to share their negative experiences with friends and relatives, thus driving further lack of trust in the energy market.

While improving the design, language and content of supplier communications may encourage engagement in the energy market for some, it is unlikely to have any great effect until the majority of the terms and concepts above are understood by all consumers.

This suggests that Ofgem, as well as mandating suppliers to use simpler language in their communications, may have a key role to play in promoting energy literacy.

4.3 How could understanding be improved?

The changes suggested below could make it easier for consumers to understand energy market language. In the absence of these changes, a clear glossary provided on the back page of all supplier communications could boost consumer understanding of energy market language, however the evidence indicates only proactive consumers would use this understanding to navigate their supplier communications:

- Standardise tariff naming conventions across the market;
- Run a campaign (around the time of price rises) advertising the 'benefits of changing';
- Mandate suppliers to carefully explain the standard and fixed tariffs in all of their communications and marketing, particularly during door-to-door sales and telemarketing; and
- Estimates of future consumption and costs should be phrased carefully, in plain English, without using the word 'estimate' e.g. 'Last year you used 16,500 kWh of gas and that cost £850. Next year, if you use the same amount of gas as last year, your cost will be £900 as prices have risen.'

Content and format of information channels

Section 5: Content and format of information channels

This section outlines Panellists' views about the format and content of different information channels, including price increase notifications, annual statements, information contained in bills and a tariff information label. Taking each information channel in turn, it explains spontaneous reactions in terms of appeal and any concerns before moving on to discuss how these channels could be improved. It ends by considering how these information channels might affect behaviour change.

Consumers have fixed ideas about supplier communications

Before discussing each information channel, it is important to note how most consumers view supplier communications, as this helps shed light on the likely efficacy of these channels in nudging consumers to review their tariff options. Panellists are mostly accustomed to being sent or directed to bills, marketing materials and online comparison sites. This causes them to have particular expectations about the usual messages of each of these information channels, which in turn impacts on interpretation and behaviour. For example, an expectation exists that marketing or promotional materials are likely to be in the interests of the supplier, therefore often consumers will not trust the information provided and do not pay them much attention or act on them:

“Their marketing stuff falls into the junk mail, all that matters really is the bill.”

Due to the lack of trust in supplier claims about ‘better price’ and the ‘ease of the switching process’, it is likely that attempts to signpost consumers to better tariff options will be treated with scepticism. As long as a low expectation about communications and widespread cynicism relating to suppliers in the market prevails, it is likely these channels would need to be supported by other measures to be effective in changing engagement levels among consumers.

5.1 Price increase notification

A month before any of the charges consumers pay for their energy are about to change, suppliers are obliged, through Ofgem’s licence conditions, to notify them in writing. This is usually when the price is about to increase, but can also be for any other changes which result in an increase in overall charges paid by the customer, for example, a change to the amount a customer has to pay to leave a fixed-term tariff before its term expires

When prices are raised, the notice received by the customer is usually referred to as a price increase notification (PIN). Panellists thought that information on energy options and switching was most relevant on the PIN, as consumers are most likely to think about looking into their energy options when the terms of their current deal are about to change.

Key messages

The PIN appeared to appeal most as a prompt to engagement among Engaged and Reactive consumers. A PIN with a clear call to action may prompt some consumers in these groups to look into their energy options.

In order to increase clarity and prompt action by these consumers, price information should be displayed in terms of monetary value, and there should be a clear statement regarding the right to switch, the potential savings to be made, and signposting to independent advice.

As Passive and Disengaged consumers believe that there is little price differential between suppliers and that they all raise their prices anyway, cancelling out any savings made in switching, the PIN alone would do little to encourage the vast majority of consumers to engage in the market.

Spontaneous reaction to price increase notification

Most Panellists could recall receiving a letter from their supplier informing them about a change in their energy prices in the previous twelve months. In all cases, Panellists explained they were informed about a price rise (i.e. increase in price per unit of energy) but doubted whether they had received communication about other possible price changes (e.g. financial penalty for switching away from a fixed tariff). Few could remember how they were given this information, but several noted that it was not particularly easy to understand what the increase meant in real terms as illustrated in the quote below:

“They give you the price change in kWh, [but to find out] how much you actually use, you’d have to sit there watching your meter all the time”

5.1.1 The ideal price increase notification

Panellists were asked to design their ‘ideal’ PIN, with all of the information they required to adequately explain to consumers how they would be affected by an increase to their energy prices. Here we discuss the outputs of Panellist PIN design, and views of the Ofgem example⁷ (appended) before moving on to discuss our recommendations for optimising the PIN

In terms of content, there was often a distinction made between what Panellists considered ‘essential’ and ‘nice-to-have’ information.⁸ It was evident that consumers are most interested in *how* and *when* the change will occur and, as such, essential pieces of information included: timing of price increase and current and new price.

⁷ Ofgem’s PIN example was developed in accordance with recommendations from the Lawes report and Ofgem’s own review of current supplier practices.

⁸ The full list of information that suppliers are mandated to include in a price increase notification was not presented during the workshops instead Panellists were asked to identify key pieces of information that they would want included in the PIN.

Many felt being notified a minimum of four weeks before the price change was sufficient time to allow them to review their tariff options. However, it is unclear to what extent Panellists would make use of this window given the high level of disengagement that currently exists.

A simple summary of the forthcoming price change was seen as vital in order to aid comprehension and ensure financial impact could be understood. As such, all designs contained the old and new price clearly set out side by side (see design overleaf). Less energy literate consumers wanted this to be presented purely in terms of price per month or year, based on their past consumption. While some more energy literate consumers also added the old and new prices per kWh, and standing charges, this was seen as useful additional information, rather than essential. In order to attract the reader, this information should be placed in a colour coded box positioned in the centre of the first page.

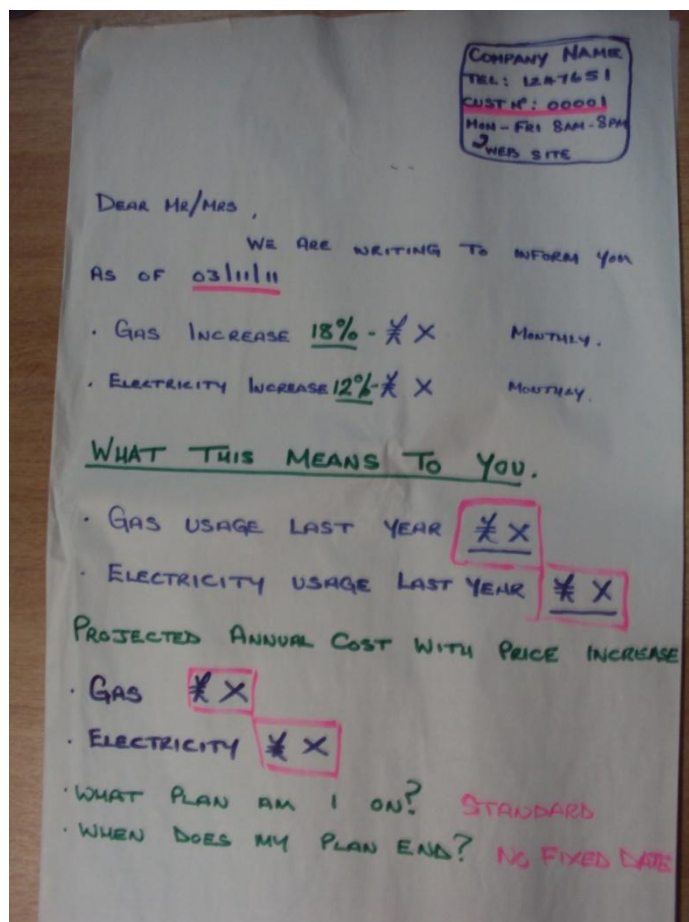
As outlined throughout the report, consumers felt that to motivate them to review their energy options is to outline, in a monetary value, the amount of money they could save from switching tariff and/or supplier. In general, many thought that suppliers should be doing more to communicate where savings could be made (and why consumers should stick with them), especially when prices are rising. Consequently, Panellist's designs included information on the financial benefits available through switching, with section headings such as 'alternatives for your benefit' and 'how we can help'.

Some who lacked trust in supplier claims about price savings questioned the benefit of this information and called for a more heavily regulated market that would mean their current supplier would be mandated to provide them with the best tariff option for them. However, some doubted if, in the current market, this could be mandated.

Panellists had specific requirements for the language of the 'ideal' PIN. Panellists called for plain English to aid comprehension, written in a simple and straightforward manner. They also called for clear headings such as 'your new energy prices' that told them at a glance why they were being contacted.

Finally, Panellists agreed formatting is important and propose the use of colour coding, bolded headings, and larger font (as in Figure 3 overleaf) to help customers navigate documents and draw their attention to the key facts. Most Panellists also preferred an uncluttered tabular format for presenting prices and cost implications.

Figure 3: A Panellist design of the 'ideal' Price Notification Letter



Because of widespread disengagement, many did not consider it important to review their tariff options and, as such, a general sentence which reminds them of their right to switch and signposting to independent consumer organisations were considered less important. Therefore, the back page was considered an appropriate position for these, although many would not read that far.

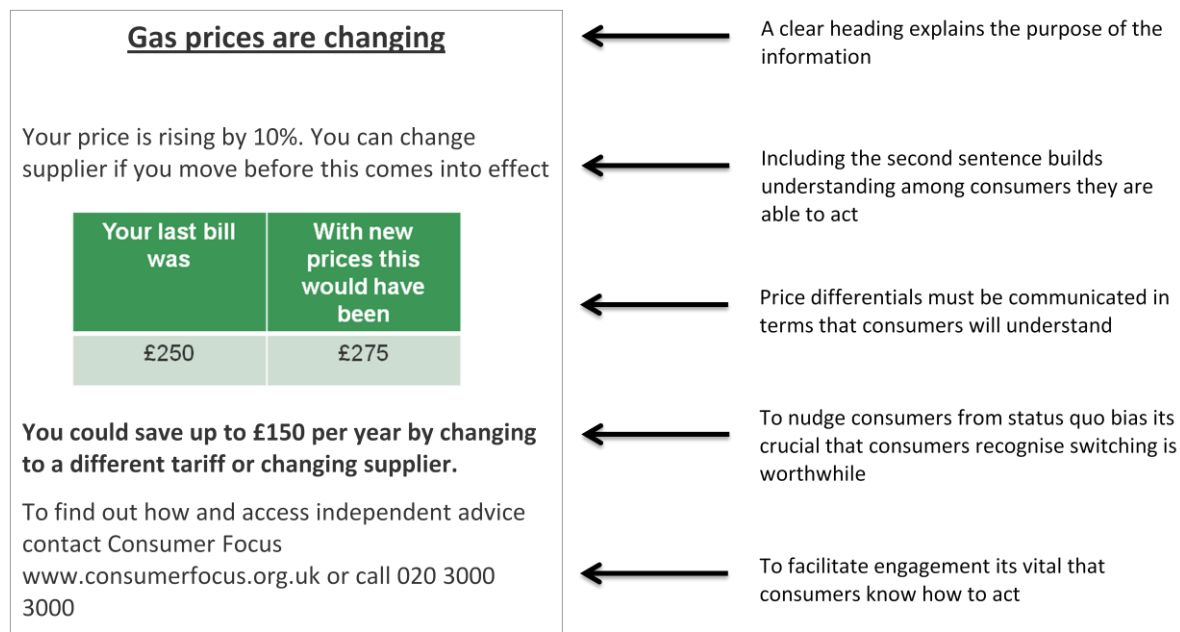
Panellists were asked to compare their own design with Ofgem's in order to understand the optimal PIN. Largely the Ofgem examples resonated with the Panellists and included many of the points raised by them in the exercise on designing an ideal PIN.

5.1.2 Impact on market engagement / switching

There were two price-related reasons as to why some Panellists either did not or would not review their energy tariff on receipt of a price increase notification. Firstly, the widespread perception that supplier energy prices are 'much of a muchness' is a major factor. Panellists do not see the value in switching between suppliers, and thus a price rise will not change their opinion about their current tariff. Secondly, many Panellists, even those who are considered Engaged, thought that there was 'no point' in switching after receiving a PIN as they believed that a new supplier would change their prices shortly after they switched, and thus any saving would be eliminated.

This leads to the conclusion that on its own, the PIN would do little to encourage most consumers to engage in the current market. However, a design similar to the one below could be more effective in engaging participants, as it communicates that savings are possible. It also deals with the misunderstanding that energy prices are the same across all tariffs. Presenting price information in this way (i.e. current price and impact on price consumers will pay given *current* usage) would aid comprehension and make it tangible for many. However, it would not deal with the belief that other suppliers would follow with similar price rises and, as such, may still fail to prompt action. Realistically though, even the perfect PIN will not be able to change behaviour of most consumers, given the context discussed elsewhere in this report.

Figure 4: The ideal front page of a price increase notification



Finally, Panellists generally thought that it would be helpful to receive their annual statement in conjunction with the PIN⁹. As the PIN does not come at a set time, this is not possible, but reprinting annual consumption information on the back of the PIN may help some consumers access personalised information when they are most likely to want it. Many will not read this information, but those who are more engaged may find the information useful if the price rise encourages them to reconsider their options.

“Maybe [I’d want annual consumption information] on a price increase statement – that’s when I need to find cheaper prices”.

5.2 Annual statement

Currently, annual statements are failing to make a significant impact on Panellists. Many did not recall receiving them, others remembered getting some information about consumption on their bills, but did not recognise this material as being part of an annual statement. The few that did recall receiving an annual statement often commented negatively on the length

⁹ Panellists discussed the PIN after discussion of the Annual Statement, so this suggestion is likely to have been prompted as a result of increased awareness of Annual Statements.

and font size of these documents, or admitted that they do not read or understand them. Their lack of understanding has two elements. Firstly, Panellists did not understand why they were being sent this information. Secondly, only some of the most Engaged Panellists were able to comprehend and therefore utilise information, for example kWh.

Key messages

The annual statement appeals primarily to Engaged consumers, who are able to use the information to inform their energy choices.

A simplified version would increase the appeal to Reactive and some Passive consumers, especially if it expressly directs them to use annual consumption information to explore different tariffs.

Some less engaged consumers would like to see their suppliers give information on their other tariffs within the annual statement, and direct them to the tariff that would suit them best.

To increase appeal to less engaged consumers, Ofgem would need to mandate use of consistent content, language and format, as the interplay of all three is crucial in ensuring the information is accessible and prompts further engagement. However, even if all annual statements were as accessible as the Ofgem versions tested, lack of energy literacy would still limit the ability of the statement to act as an effective prompt for many consumers.

5.2.1 Spontaneous reaction to annual statement

Once the concept had been explained to them, Panellists generally thought that annual statements are a good idea, providing they are easy to understand, as it is useful for their household records to have this kind of information available. We tested four different versions of standardised and simplified annual statements, which Ofgem had developed for the purposes of this research (appended).¹⁰ They were well received, with Panellists praising their accessibility, which in turn aided comprehension, especially in comparison to suppliers' current presentation of information required as part of an annual statement. Quite often, however, it was not entirely clear what the primary purpose of the Ofgem developed annual statement was meant to be. While for a few, it was clear that it was intended to be a prompt to look into your energy tariff options, many Panellists questioned what distinguished it from a bill.

Across all four versions certain features were, in general, seen as useful by Panellists:

- Projected annual costs given in pounds rather than rates;
- The plain English used throughout, which was seen as jargon free and consumer focussed;

¹⁰ Ofgem developed draft documents to provide a feel for the type of language, formatting, contextual information customers found most helpful. The feedback will in turn inform Ofgem's further development of standardised elements.

- Use of bold text, section headings and bite-sized information were seen to make navigation easier;
- The clear sentence ‘you are able to switch your energy tariff and supplier’ was seen as useful; and
- The prominently placed contact details for Consumer Focus were useful.

Similarly, across all four versions, some elements were seen as unhelpful by Panellists:

- The lack of phone contact details for Consumer Focus;
- Signposting to comparison websites without alternative offline sources; and
- The ordering of the statements; Panellists would like to see their consumption information first, before other contextual information.¹¹

5.2.2 Reaction to the four Ofgem example annual statements

Panellists also responded to each of the four versions individually. We asked them to mark their examples using coloured pens to highlight pieces of information or words and phrases that they thought were particularly helpful or unhelpful.¹² **Please see the appendices for a marked-up version of each.** Reactions to each of the versions are summarised below. It is important to note all Ofgem examples were designed to use plain English, avoided jargon and stated a consumer’s ability to switch and indicated how contextual information could be used, i.e. to review energy options. The key differences between each version were:-

- Version 1 presented information in letter format;
- Version 2a used ‘themed section headings’ and bullet points to present information;
- Version 2b was formatted using ‘themed section heading with boxes’ and bullet points; and
- Version 3 repeated the version 2a format and also presented key tariff information in a table.

Annual statement version 1

This version appealed to many Panellists. It was seen as straightforward, clear and simple in the information it offered and the language it uses. In particular, the first sentences of each paragraph were highlighted as ‘useful’. Panellists like that it contained information on potential savings to be made through a direct debit tariff.

“The first one for me is very clear, reminding me of what tariff I am on, telling me this is where I’m at...very simple.”

¹¹ This became the case once Panellists were made aware they require energy usage data to be able to get a quotation.

¹² Versions of all four annual statements summarising key points that Panellists found helpful or unhelpful are appended.

There were very few criticisms of this version, although the use of 'easy' and 'easily' in the first paragraph to describe the switching process was for some was frustrating, as they felt it did not reflect their experience or belief of the current switching process.

Annual statement version 2a

This version was also well-liked by Panellists, in particular the headings, which helped them to navigate the information.

"I get this! I don't get what I currently receive [from my supplier]"

2a and 2b are the versions most likely to be useful to consumers as they are easily understood and represent a useful compromise between versions 1 and 3. However, there is also the potential that this is not the ideal layout for each type of consumer. The least engaged Panellists preferred version 1, whereas Engaged consumers with a high degree of energy literacy tended to prefer version 3, where information was presented in a more technical manner, e.g. Tariff Information Label.

"There's nothing there to cling on to; it's all a bit vague; the last one [version 3], at least you had that chart which was relevant."

Annual statement Version 2b

As in version 2a, the 'key information you need to switch' box was picked out as particularly useful. The bullet points were also popular, although some Panellists noted that the text in each bullet should be shorter than in the current version. Again, there is a danger that this format will discourage Passive and Disengaged consumers, who say they are more likely to read the letter format.

"I don't like it. It throws everything at you – everything's in your face."

"I'm less likely to read it all. It's the format: there are no paragraphs."

Similarly, Engaged consumers may be frustrated by this version, and some commented that it is too brief regarding details about their consumption, as they are used to receiving more detail on their current statement.

Annual statement version 3

This version was divisive. Those who understood the information table in this version tended to think that this was the best way to communicate key tariff and consumption information, which they felt was normally relegated to the back of these types of documents, or hidden in small print.

"That's the one I like. The rest are a bit flowery. 3 is the kind of idiot guide I'd like to see."

Engaged consumers liked that this version had a greater amount of detailed information on it than the others, although a few noticed that there was not a clear outline of last year's consumption on this version, which they thought was the primary purpose of the annual statement.

“It should have what you’ve actually used.”

However, many Panellists had no real understanding of the pieces of information in the Tariff Information Label table, and thus no conception of what they might do with them. In addition, many Panellists, particularly the Disengaged, found the tabular layout immediately off-putting, or thought that it contained too much information and too many figures.

“I just thought it was a bit intimidating, a bit formal.”

This version of the statement would be most useful for those who are already Engaged, but for other consumers it seems to be a “mish-mash” with nothing really standing out. As the table draws the eye immediately, those consumers are likely to be discouraged by the technical nature of the information and not read the rest of the document, thus missing the information on switching. In order to make version 3 impact on consumer switching behaviour, there needs to be, within the TIL grid, a call to action, such as colour coded information communicating savings that could be made, e.g. by switching to a direct debit standard tariff.

5.2.3 The ideal Annual Statement

The ideal annual statement would have a different name; one that was more indicative of the purpose of the information.

“Don’t like statement – statement means bills and you said it wasn’t a bill.”

The words ‘personal’, ‘your’, ‘yearly’, ‘energy’, ‘summary’ and ‘review’ were used quite often in suggested alternatives, and it was felt that a combination of these words creating a term like ‘personal energy review’ could be a clearer title. This might help to differentiate the statement from other communications from energy suppliers. One Panellist also suggested an advertisement campaign to let people know that “it’s not just another bill”.

Format was just as important as content, particularly among those Passive and Disengaged consumers who said they were bored by energy supplier communications. No matter how useful the information is, if it is presented poorly or perceived to be overloading consumers with information customers will not even get as far as reading it. In general, for the Disengaged, it is best that the information is broken up and presented in short paragraphs with strong lead sentences, or short bullet points. As many Disengaged consumers complained about irregular and tiny font sizes on their current supplier communications, text should be evenly and generously sized throughout. Some thought that a small amount of colour could add to the appeal of the statement, but the overriding call was for simplicity in the format, something that is currently perceived to be missing in many supplier’s annual statements.

The simple English used in the Ofgem examples is ideal. As noted in Section 4, many of the terms used may still confuse consumers, and this applies to all supplier information. The ideal statement would have a glossary.

Many Panellists would like more descriptive and comparative information about energy use and tariffs on the annual statement. For example, they would like to see how much different types of households (e.g. family of four, home during the day, working couple) spend per month or year, as this would enable them to place themselves in context. A further

improvement would be if these consumer or household types could be matched with the best tariff for their needs, as this would enable consumers to make an assessment of whether they are on the most appropriate tariff for their needs.

Panellists thought that the ideal statement would have the online contact details, and, importantly, the telephone number and postal address of an independent consumer organisation that could help consumers work out the best tariff. Panellists who were internet-literate noted that many people do not like to use the web for these purposes, and were concerned that older people would not have access to the information they needed if phone numbers were not included.

A few Panellists thought that they would be more likely to look at the annual statement if it contained extra pieces of information not included on the Ofgem examples. Their suggestions included example tips for how to reduce your bill or reminders for reducing energy consumption. Some Panellists would also appreciate information about the energy source, in order to make the statement more engaging for them. These suggestions need to be treated with caution, since the priority for many Panellists was the ability to identify at a glance essential pieces of information and, as such, a simplified and standardised annual statement was called for by most.

5.2.4 Impact on market engagement / switching

Panellists generally thought that a standardised and simplified annual statement was a good idea, and thought that versions along the lines of the Ofgem examples would aid their understanding of energy-related information.

"I like it, I'd read it, it's short and simple. When they make it so long, it puts you off; you don't have the time to read it."

Across all of the workshops, there were a few Panellists who claimed that a standardised and simplified annual statement might make them think about looking into their energy options:

"I like the simplicity of the first one: it would make me think about switching, looking to see if I could get it cheaper. It would be better if they were all like this...right now you're put off with different jargon."

Only those Panellists who were already Engaged or energy-literate and were already familiar with most of the language and more technical terms used in version 3 considered it a potential prompt to action. In general, if the annual statement were to contain extra information on how much could be saved by switching and information on how to make those savings, then it would be more likely to make an impact (but this is again dependent on consumers believing that long-term savings are possible).

Finally, for most Panellists a well-designed annual statement was seen as a nice to have piece of information that may help them to better understand their current energy usage but not as a means of comparing tariffs. Ultimately, it would be seen as a source of information rather than a call to action, and until other proposals are introduced that will transform current market structures it is quite likely that most would remain 'sticky' customers.

5.3 Bill data

Almost all Panellists remembered receiving a bill from their supplier in the last few months, and, as such, it is the primary information channel through which they engage with their supplier. However, many do not read anything on their bill beyond what they owe, which limits its usefulness as a means to further engagement with the energy market.

The current format of most bills was seen as unappealing, and this was a key reason that less-engaged customers did not read any further. The 'cluttered' look, along with an abundance of information, much of which was seen as superfluous, meant that bills were seen as confusing and impenetrable.

Key messages

Very few consumers engage with their bills beyond looking at the price, and noting any action to be taken. Some direct debit customers never look at bills.

The proposed annual consumption information in its current form will probably only be put to use by the most engaged of consumers.

To increase appeal, annual cost information should be presented in pounds and pence, along with an indication of potential savings to be made by switching.

Panellists were presented with an Ofgem-produced example of what a standardised section of a bill might look like within a standalone information box (ringed in red in Fig 5 overleaf). Spontaneously, many questioned the reason for adding information from their annual statement to their bills:

"If it comes on your bill, you won't notice."

This is because only the most engaged consumers take note of information beyond price, usage-period and what action (if any) they need to take:

"All I want to know is whether I owe them or they owe me."

However, on reflection there was a general agreement among Panellists that Ofgem-selected pieces of standard/non-optional information were broadly necessary and helpful to allow for the comparison of tariffs. These were seen as the pieces of information needed to go onto an online comparison site and get a quotation. As previously noted, many did not understand what standing charge. More engaged consumers pointed out that this made any kind of meaningful comparison of prices almost impossible, due to the variety of pricing structures, and the fact that standing charges are not applied consistently. In addition, some thought that the information looked quite impersonal, and noted that if this came with their bill they would not even realise it was related to their own annual consumption.

Most Panellists had to be directed to the box containing the annual information, as it did not immediately stand out for them on the sample bill we provided. The positioning of 'data' did appeal to most: it seemed like a logical position in that the eye travelled naturally from the most important information (the bill amount) to this box. Given that Panellists rarely turn their bills over, it is essential that this information be placed on the front page. This supports the

findings from the Lawes report that a box on the right hand side of the front page is the best place for this information.¹³

In order for this box to stand out, the format of the bill would have to be significantly streamlined. They felt only key information should be included on the front page of the bill. They also suggested font sizes of all content should ideally be consistent so that each bit gets equal attention. Panellists said that a different, more eye-catching colour should be used, and that the box containing annual information should have a clearer heading that better indicated the point of the information in the box.

Figure 5: Example of annual statement data added to front page of bill produced by Ofgem as stimulus for the research



5.3.1 The ideal bill data

Ideally, the annual pricing information would be presented in as clear a way possible. In particular, many Panellists wanted a 'price per unit' together with some kind of illustration of what a unit might mean, in terms of powering household appliances.

The least energy-literate wanted pricing information in the summary box to be included in pounds and pence, as calculating their annual bill, even if the calculation only meant multiplying a number of units by a price per unit, was seen as too difficult, time-consuming

¹³ Lawes, R., (2011) Retail Market Review: *Energy bills, annual statement and price rise notifications; advice on the use of layout and language*, p.11

and off-putting. In reality, less energy-literate consumers who are on a two-tier tariff might find this calculation almost impossible:

“You can divide the tariff price by the consumption to see what you’re paying.”

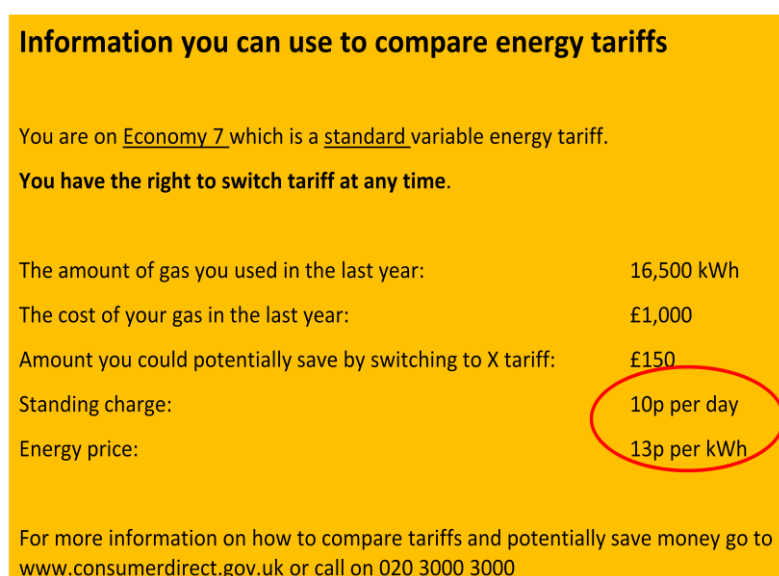
“I want to see that, though: I want to see the answer.”

Panellists who were on fixed-term tariffs or who were particularly energy-literate noted that they would need other specific types of information in order to use the summary box to make accurate comparisons. This includes information on the duration of the tariff and penalty charges. Others noted that information on discounts would also be helpful in aiding comparisons.

Finally, as with other pieces of information, some Panellists said they would like to see a clear indication of what the difference would be if they were on a different tariff, even if that is with the same supplier. Again, this is needed to overcome the widespread belief that worthwhile savings from switching cannot be made

Figure 6 below shows the kind of information that is likely to increase the usefulness and, therefore, appeal of these pieces of information added to the bill to less engaged customers.

Figure 6: Essential bill data needed to aid tariff comparison



The information in the red circle would only be understood by energy-literate consumers and those who do not understand it are likely to ignore it. The figures based on the ‘last year’ should be based on the last twelve months (as opposed to calendar year) to avoid any confusion.

5.3.2 Impact on market engagement / switching

While Panellists were generally very positive about the idea of providing clear and useful annual consumption information on the bill, only the most engaged consumers considered it

particularly useful. A few recognised that it was good to have this up-to-date information to hand:

“If you want to change tariffs you have something to go by.”

However, as noted, most will only ever look at the price, usage period and what action needs to be taken when they receive their bill:

“I wouldn’t have noticed all new information because all I see is the price.”

The mindset that consumers are in when reading bills also has an effect on how they may view any extra information. It may be that they are in a domestic, problem-solving mindset, concentrating on the immediate actions that need to be taken as a result of reading. For many, they are in ‘payment mode’ when they read their bill, not ‘shopping around mode’, and, as such, found it difficult to envisage this information as triggering a switch, or looking into their energy options:

“After reading it [the bill], I think, ‘I’m never going to be able to change the price’.”

Finally, there was widespread consensus that Ofgem-selected pieces of information were broadly correct. It was recognised that these were necessary to get a quotation from another supplier. However, only the most engaged consumer considered it useful having key tariff and updated consumption information to hand.

5.4 Tariff information label

Ofgem is currently considering a template that may help consumers to compare the key features of tariffs to work out which would be the most suitable for their circumstances. It is meant to be a clear summary of all the important features of a tariff a consumer would review to enable them to review their tariff options. We asked Panellists to design their own version of such a tool, concentrating on what pieces of information or key facts they might need on such a tool. We also asked them to critique an Ofgem-produced example of what a TIL might look like.

The idea of a tariff-comparability tool that allowed Panellists to make easier tariff comparisons had appeal, especially among Panellists more open to switching. However, this was often conditional on suppliers taking steps to simplify and standardise terminology and pricing. The evidence also shows that in order for Panellists to want to use a tariff comparability tool, they need to be convinced (which many currently are not) that there are worthwhile savings from switching.

Key messages

Panellists want a tool that allows them to compare tariffs at a glance across the energy market.

Panellists envisaged a grid/comparison table that enables them to compare tariffs like-for-like.

Very few understood the purpose of the Tariff Information Label in its current form, therefore it had limited appeal.

Most Panellists welcomed the idea of a tool that would make comparison easier. Although some still want suppliers to make more of an effort to signpost them to tariffs that offer better terms:

“I can use a computer [to compare tariffs], but I still don’t want to be doing this. I’m paying for it. I want them [the suppliers] to do the leg work.”

Many of the pieces of information the Ofgem example contained were seen to be useful. For example, tariff type, unit rate, standing charge, and payment method. A few designs included consumer rating, although, given the variability of customer experience, some questioned where this information would come from and whether it was truly independent and could be trusted:

“I always look at trip advisor to see what people think of hotels. That would be useful... customer feedback.”

“People only review when something is bad.”

Very few Panellists understood the low/medium/high usage data which aims to show what different users might pay on average with this tariff. As outlined in Section 4, most looked at the prices and extrapolated from that whether they were a low/medium or high user, rather than relating their own use to the price. Pen portraits of types of household users (e.g. family of five, home during the day, working couple) might help Panellists to understand these estimated costs, but, ultimately, higher literacy on energy use and kWh will be necessary before this will be used correctly in the ‘real world’.

Overall, the TIL in its current form had limited appeal. A few engaged consumers valued having all key information in one place, however many Panellists saw the TIL as a single-tariff document which did not tell them how their current tariff compared with other tariffs across the market:

“It’s helpful but not that helpful. If it was all in one place, you’d go on there to compare.”

Consequently, almost all Panellists wanted a grid design, with tariff features across the top and a number of tariffs down the side, as in Figure 7 overleaf. This would allow them to easily compare tariffs across these features.

Figure 7: A Panellist design of the 'ideal' Tariff Information Label

Tariff Comparison

Supplier	Fuel	Price per unit	Tariff	Tariff end date	Exit fees for switching	Customer Rating 0-5
						1/5
						1/5
						1/5
						1/5
						1/5

To Compare tariffs and advice visit www.consumerfocus.org.uk
 or phone 0845 XXXXXX

It is worth noting that the inclusion of the Consumer Focus website and contact details supports some key findings from the workshops. Firstly, Panellists find the retail energy market confusing and would benefit from support when comparing tariffs; secondly, it illustrates the lack of trust in supplier claims about savings from switching; thirdly, it indicates that consumers question the impartiality of online comparison sites and, as such, consumers want independent information. Finally, given Consumer Focus do not offer a tariff-comparison site, it also indicates a lack of understanding among some Panellists about some of the key players and their role in the energy market. It is likely they saw 'Consumer Focus' on another piece of the stimulus materials and copied it across without knowing what Consumer Focus actually can do.

5.4.2 The ideal TIL

Almost all Panellists were unsure of the role of the TIL in its current form. Opinions were mixed about whether this should be a web tool or an offline document. In any case, to make it a true and useful comparison tool, consumers need all information in one place:

"It wouldn't give a comparison, so what's the point?"

TILs were compared against the option of making tariff comparisons (in the energy and other markets such as mobile, broadband and insurance) using price comparison sites, which was

seen as more useful. However, others compared the concept to printed price comparison grids for mobile phones:

“Why can’t we have a list of tariffs?”

They thought that a similar concept could work for energy prices if there was some way of arranging or filtering the data so that it would be possible to get a price comparison grid that only included certain types of tariff, e.g. standard online direct debit or ‘green’ tariffs:

“I was looking at mobiles and they [supplier name] had something like that: a grid; it was really helpful. This [TIL] could have all fixed price on one sheet.”

Even though there was concern about the functionality of the TIL, it is important to note that many of the pieces of information it contained did have widespread appeal. As indicated above, tariff type, unit rate, standing charge, and payment method were considered important. Almost all Panellists called for a glossary of terms, due to the lack of understanding about key terms such as standing charge and tariff type (e.g. standard).

Many consumers felt the Ofgem example TIL contained an exhaustive list of the key pieces of information they would need to make a fully-informed decision about their energy options. For example, consumers liked the fact that exit fees were included – many said this was vital in calculating any financial implications of switching. Others felt the inclusion of key terms such as tariff duration was important; again, this was considered essential and they were pleased that other less important terms and conditions did not clutter the TIL. However, some wanted information about discounts such as direct debit or paperless billing included, since it was a key part of making an informed decision.

5.4.3 Impact on market engagement / switching

There was widespread support for a tool that made comparison easier. However, the TIL in its current form is unlikely to be used by any but the most engaged to review their tariff options. While the TIL will prove helpful to energy-literate consumers looking to switch tariffs, it is not going to be the catalyst for switching behaviour; these consumers would switch anyway.

There is also a real inherent risk in the current design which presents prices per unit and standing charge separately. Many consumers do not understand the concept of a standing charge, so they are likely to focus solely on unit rate when making price comparisons. This may mean that they are not comparing like with like and will mistakenly discount the price of tariffs that include a standing charge, and consequently favour these tariffs even if they are not actually less expensive once the standing charge is included.

Conclusions

Section 6: Conclusions

This section summarises how Panellists responded to Ofgem’s proposal¹⁴ as set out in the RMR, and the degree to which this proposal would genuinely facilitate consumer engagement with the energy market.

6.1 The need for energy market reform

While lack of engagement in the energy market can sometimes be a result of satisfaction with suppliers, for many, negativity towards the energy market and suppliers was a key driver of disengagement. There was a clear consensus among Panellists that the current market contains a number of barriers which discourage them from engaging, not least its current complexity. They spontaneously asked for help to allow them to better understand the market through a number of mechanisms:

- Using standardised and easily understood language to describe tariffs;
- Making it easier to compare the prices of different tariffs; and
- Greater effort by the energy companies to build better relationships with their customers by rewarding loyalty and helping consumers to find the best tariff for them.

Many called for a restriction of the number of tariffs available; it was said the current volume made it impossible to make comparisons across the market. However, given the varied lifestyles of energy consumers, regulatory action to limit the number of tariffs would need to take account of different consumer priorities.

6.2 Reaction to Ofgem’s proposal to make supplier information clearer and simpler

Ofgem’s idea of mandating suppliers to make information simpler and more straightforward had widespread appeal. The findings show that an inability to understand some widely-used energy market terms means that many consumers do not read or engage with the information they receive from their suppliers. Standardisation and simplification of language are therefore important and necessary steps that would help consumers understand their current tariffs and ultimately make the market more transparent, less confusing and easier to navigate.

However, it appears that this information tends to have most appeal for consumers who are either Reactive or Engaged. They believe that the suggested improvements to supplier communications will make this easier. For this audience, the additional information is likely to support switching behaviour, although it is unlikely to impact on their propensity to engage. Overall, the research suggests that improving the language, design and layout alone is unlikely to instigate many consumers to review their tariff options, as wider attitudes to the market mean they remain unconvinced of the value of engagement (i.e. how much they could save as a result).

Providing clear information about price savings could help to overcome the lack of trust consumers have in supplier claims that switching is worthwhile. How saving messages are communicated or signposted is crucial.

¹⁴ Ofgem proposed “strengthening existing regulations to ensure consumers receive clear and transparent information - possibly requiring more standardised information on bills and Annual Statements”

6.3 What other actions are necessary to enable more consumers to engage in the energy market?

There are some key actions that need to occur before consumers engage with the energy market and subsequently consider taking action when they receive their bills, annual statements or price notification letters, or using tariff information labels to make comparisons across the market. These include:

- Standardisation and simplification of language;
- Tariff simplification;
- An increase in energy literacy; and
- Evidence of a significant financial saving (Nb. this will require price to remain low compared with current tariff for sustained period).

As noted, standardisation and simplification of language are crucial to building understanding and aid comprehension among consumers, which in turn, will make it easier for consumers to interpret and apply key tariff and pricing information to their own circumstances. However, if consumers cannot navigate the number of tariffs that currently exist, they will be further deterred from engaging, even if they have an ability to comprehend energy related information.

As such, tariff simplification is another key aspect of facilitating engagement; it is one way for making comparison and switching easier. It should be noted that a great deal of work has already been conducted in relation to tariff simplification and findings from previous research¹⁵ have fed into Ofgem's RMR proposals. Panellists have no awareness of the RMR and Ofgem's work in this area, therefore consumers will need to observe meaningful improvement before they are willing to engage further.

Another option for improving consumer engagement is making consumers more energy-literate. The research shows that most Engaged consumers had a degree of energy literacy; although it is worth noting that very few had a strong grasp of 'technical' terms such as kWh. Regardless of this, these consumers had sufficient understanding of different tariff and pricing features (e.g. standing charge and tiered-pricing) that enabled them to choose some of the best tariff deals available to them. For most other consumers, a lack of energy literacy either inhibited engagement in the energy market or meant that they could not choose the most appropriate tariff for their circumstances when they did engage.

Finally, given widespread cynicism in relation to price savings claims, and the lack of trust many consumers feel towards energy suppliers, there is potentially a bigger role for Ofgem to directly provide:

- Unbiased, simple and clear information about the switching process – this could tackle the widespread belief that switching is a difficult and time-consuming process;
- Information on potential price-savings for different types of 'typical' consumers – this could provide the trustworthy evidence that reviewing tariff options is worthwhile; and

¹⁵ Ipsos MORI (2011) *Consumer reactions to varying tariff comparability*. Quantitative research conducted for Ofgem .

Opinion Leader (2011) *Ofgem Consumer First Panel: report from the second set of workshops*.

Creative Research (2011) *Tariff Comparability Models: Volume 1 - Consumer qualitative findings* research conducted for Ofgem

- Assurances of a fairer market – if consumers see signs of a regulated industry working for them, they may be more likely to engage.

In summary, much of what Ofgem has recommended around improving the language, design and layout of information could help to make supplier communications a 'call to action' for more consumers provided there are precursors outlined above in place. Until more consumers are energy literate, believe that there are long-term savings to be made from switching, can choose between a manageable number of tariffs and have easy access to trusted independent advice, the effect of any improvements on switching rates may be minimal and confined to consumers who are already Engaged. However, in the interim, these changes are likely to benefit consumers by allowing them to better understand their own tariffs and energy use.

Appendices

Appendices

Discussion guide

Ofgem Consumer First Panel Workshop 1 – Energy Market Information FINAL 261011

Objectives for the first Panel are:

1. Refresh understanding of overall attitudes towards the energy market to compare and contrast with previous panels
2. Identify/explore what information is needed for customers to engage more effectively with the energy market
3. **Identify/explore what information is needed for customers to make better informed decisions about their supplier / tariff choice**
4. **Establish how consumers want this information to be communicated to them (with a particular focus on language, format and content)**

Those in bold are the primary objectives. In particular, we are testing following information channels:

1. Price Notification
2. Tariff comparability tool
3. Bill
4. Annual statement

Timing	Exercises / activities	Comments
15 min	<p><u>Introduction:</u></p> <p><i>AIM: Introduces the Ofgem Consumer First Panel and how it will operate throughout the year.</i></p>	
20 min	<p><u>Section 1: Perceptions and understanding of the of energy market</u></p> <p><i>AIM: to understand Panellist perceptions and understanding of the current energy market.</i></p>	
20 min	<p><u>Section 2: Spontaneous views of the information received from suppliers</u></p> <p><i>AIM: to understand Panellist views of the information they receive from their suppliers, in particular their recall and understanding, and whether this information enables or hinders engagement with the energy market.</i></p>	
40 min	<p><u>Section 3: Detailed discussion of language and format of annual statements and billing</u></p> <p><i>AIM: to understand how best to present information in annual statements in a way that enables consumer engagement / switching.</i></p>	

<p>15 min</p> <p>30 min</p> <p>35 min</p> <p>5 min</p>	<p><u>Break</u></p> <p><u>Section 4: Design exercise</u></p> <p><i>AIM: to allow Panellists to show us their ideal Price Notification Letter (PNL) or Tariff Information Label (TIL)</i></p> <p><u>Section 5: Review of the PNL/TIL</u></p> <p><i>AIM: to understand what information Panellists want to see on these information channels and how best to present it and determine what impact (if any) these would have on consumer engagement / switching.</i></p> <p><u>Section 6: Close</u></p> <p><i>AIM: to bring the discussion to a close and allow participants to comment on what they've done in the session.</i></p>	
<p>17.45-18.15</p> <p>18.15-18.30</p>	<p><u>Arrival and Registration</u></p> <p><u>PLENARY Introduction</u></p> <p>Lead moderator to welcome, introduce the team and clients (as applicable), housekeeping.</p> <p><i>Use stimulus 1-6 to introduce Ofgem, the Consumer First Panel explaining how it will work and what their involvement means, what we're asking Panellists to do and what they get in return.</i></p>	
<p>18.30-18.50</p>	<p><u>BREAKOUT Section 1: Perceptions of the energy market</u></p> <p>Introductions around the table: First name, household composition and how long lived there.</p> <p>What things come to the top of your mind when you think about the GB energy market? What do you think is good / bad about the energy market? PROBES IF NEEDED: competition, wholesale / consumer price, tariffs, sales, customer service.</p> <p>NB: <i>PRIORITY IS TOP-OF-MIND RESPONSE ONLY USE PROBES WHEN NECESSARY</i></p> <ul style="list-style-type: none"> • Sustainability / environmental issues • Changes to retail prices • How do you think changes in retail prices will affect you in the future? Probe on: finances, energy consumption, switching supplier etc • Changes to consumer energy goods available • Changes to consumer energy behaviour – Do you think consumers have started changing the way they use energy? What do they do differently? • The need for new / alternative energy sources • Changes to new homes being built • What are the future risks to our energy supply? Discuss fully • What are the future risks to consumers? Discuss fully <p>Do you know what kind of things energy suppliers / Ofgem / government might be doing to reduce these risks?</p> <p><i>Moderator note: spend 10 minutes on views of energy suppliers.</i></p> <p>I'd now like to understand your views on energy suppliers and how you chose your current one.</p> <p><i>Use flipchart to record responses to top of mind perceptions of choosing a supplier.</i></p>	<p>MODERATOR NOTE:</p> <p><i>Use flipchart to record responses to the top of mind perceptions of the energy market. Use as an opportunity for participants to raise issues with energy pricing, customer service etc, but remind them that this is not the focus of the workshop and we will not be discussing this for the rest of the evening</i></p>

	<p>Which suppliers are you aware of? Are some suppliers better than others? Why? Where did you hear that/ get that information?</p> <p>Have you ever changed supplier (if no, what about when moving house/getting your gas and electricity from the same supplier?) What things are important to you when choosing your supplier? PROBE: price, tariff, customer service, brand, special offers/ discounts, past experience. Why? How easy / difficult do you find choosing supplier? Why?</p>	
<p>18.50-19.10</p> <p>15 min</p>	<p><u>Section 2: Spontaneous views of the information received from suppliers and terminology used by suppliers.</u></p> <p><u>PLENARY</u></p> <p>I'd now like to talk to you about certain types of information you receive from your energy supplier. You may have looked at some of this information while doing your pre-task. Don't worry if you haven't brought anything with you. We're interested in understanding if you recall any information you may have received.</p> <p>So thinking about the last twelve months, what information have you received from your supplier? PROBE; billing, information about how much energy you've used over the course of a year, any information about changes to the prices you pay, anything else? (FLIPCHART responses)</p> <p><i>Moderator note: decide on most suitable exercise depending on Panellist ability e.g. hands-up exercise if mobility impaired</i></p> <p>Now can everyone stand up. Stay standing if you remember receiving... (go through each channel of information mentioned in turn). What words / phrases would you use to describe it?</p> <p>Split into two groups and explain we will have a general discussion about each type of information channel mentioned.</p> <p><u>ON BREAK-OUT TABLES</u></p> <p>Moderators to flipchart each channel of information mentioned (discounting any information which is not the focus of the research e.g. marketing materials not relevant to the topic of the workshop and energy efficiency information)</p> <p><i>Moderator note: here focus is top-of-mind thinking about information mentioned in stand-up exercise.</i></p> <p>TAKE EACH INFORMATION CHANNEL IN TURN AND ASK:</p> <p>How do you get it? PROBE: post / online and for preferred format. And how often? PROBE: monthly / quarterly/annually and for preferred frequency.</p> <p>What do you look at first? Is there anything that you don't look at or don't read? What's most important to you? What else is useful? What do you do with the information you receive? Why?</p> <p>How easy or difficult was it for you to understand? Why? PROBE: words, phrases, design, layout, format. What words would you use to describe it?</p> <p>How could this information be improved? PROBE content,</p>	<p>MODERATOR NOTE:</p> <p><i>Please pay particular attention to the language the people use here; this will give us an indication of how they spontaneously refer to the different pieces of information they receive from suppliers</i></p>

<p>5 min</p>	<p>presentation, language, medium. What difference would it make? What information don't you receive that you think would be useful? Why? What difference would it make (if any) to how you make decisions about energy in your household? IF DISCUSSING INFORMATION RECEIVED ABOUT PRICE RISES Did you get any additional information with that? (e.g. marketing material, energy saving advice etc). Did you look at it? Was it helpful/unhelpful? What about it was helpful/unhelpful? Does it detract from the key reason for the mailing?</p> <p>Use stimulus 7 and read out</p> <p><i>Ofgem (the independent regulator of the GB energy industry) has looked into making tariffs simpler to understand with other Panels and consumers. Their views have allowed Ofgem to put forward proposals that could transform the energy market. This Panel builds on this work. Ofgem is interested in understanding your view about the content, format and language of different types of supplier communications.</i></p> <p>What are your immediate reactions to this idea? What do you find appealing/ unappealing about changes to the way suppliers give information? Why? How do you think this could be achieved? What do you think needs to happen?</p> <p>How much difference (if at all) would it make to how you think about / navigate the energy market? PROBE: consider energy options / make tariff comparisons / switch tariff / supplier.</p>	
<p>19.10-19.50 10 min</p>	<p><u>BREAKOUT Section 3: Detailed discussion of language and format of annual statements and your energy bills.</u></p> <p>I'd like us to think back to information we've just discussed but this time we're going to ask you to work in groups of three and consider two pieces of information.</p> <p><i>Use stimulus 8 to explain the concept of the annual statement</i></p> <p><i>Do not use the term 'annual statement' – for the rest of this section, please use the language that the Panellists themselves use</i></p> <p>Your energy supplier sends you a piece of information every year containing personalised information about your tariff and the amount of energy you use.</p> <p>What do you think would be a good name for this piece of information? What do others think? How about annual statement? Why/ why not?</p> <p><i>Moderator to hand-out Ofgem mock-ups of annual statements. Split into pairs, hand out one copy per pair and ask half to look at version 1 and 2A and half to look at version 2B and 3. Ask them to spend 5 minutes looking at the information and use highlighter pens to point out.</i></p> <p><i>Any information/language/presentation that is particularly clear or useful (blue)</i></p>	

	<p><i>Any information/language/presentation that is unclear/confusing or unhelpful or that they don't think/are not sure if they understand (pink)</i></p> <p>If they finish early ask them to swap over. Then talk through each version in turn.</p> <p>What specifically stood out positively for you – what will you recall</p> <p>What if anything – ‘pushed you away’ – what was it about it that did that (listen to see if it's the whole idea or just specific words/phrases)</p> <p>What do you think it is telling you? (Assessing for comprehension of the main idea(s) Were there any aspects that would encourage you to look into energy options / compare tariffs / switch tariff / supplier – any information that was particularly helpful?</p> <p>IF NOT: What would need to be on there to encourage you to look into your energy options?</p> <p>When do you think you should receive it in order to make you most likely to look into energy options?</p>	
<p>5 min</p>	<p>Now I'd like us to consider how the design and layout of 'annual statements' could make things better.</p> <p>Looking at your examples, what do you find appealing / do not find appealing about the design / layout? Why?</p> <p>What is the ideal design / layout to present this information? Why?</p> <p>Would this improve the way things are now?</p>	
<p>15 min</p>	<p>Now I'd like us to consider the language used in the 'annual statement'</p> <p>Looking back at the highlighting that you have done, did any words or phrases stand out for you as particularly clear? Why was this? What was it telling you? Do you know what it might mean?</p> <p>And were there any words or phrases that were unclear? Why?</p> <p>How could they be made clearer?</p> <p>Were there any words or phrases that were really unhelpful? Why? How would you write this so that it was more helpful – as a means to looking into your energy options / comparing tariffs / switching tariff / supplier</p> <p>Would it make any difference to you personally if terminology were standardised for the 'annual statement' so that all companies had to use the same wording? Why do you say that? How about standardised format? Why/ why not?</p> <p>Would it make you take any action about your energy supply? PROBE: look into energy options / compare tariff / switch tariff / supplier.</p> <p>Moderator to go through version 3 of Ofgem mocked-up annual statement line by line and ask participants what they think it means. Use FAQ sheet with 'real' answer. Moderator to challenge wrong conceptions and then ask participants to come up with a more accessible way of phrasing the things that they didn't understand.</p>	

<p>10 min</p>	<p>Moderator to mention again that suppliers send out these statements annually.</p> <p>AND ASK.</p> <p>What pieces of information from this statement would you most want to see on your regular bill? FLIPCHART, then ask table to vote for top five WHY?</p> <p>Where should this appear on your bill and how? E.g. Summary box, separate sheet? Where should it be positioned? E.g. top / bottom / centre / left/ right of page. Why there?</p> <p><i>Distribute Ofgem mock-up of a bill with the 5 pieces of information on it. What do you find appealing / do not find appealing? Why?</i></p> <p>What are the advantages/disadvantages of having it on your bill?</p> <p>Is the information in the right place? Would you notice it? Where would you place it? What do you think of the way it is laid out?</p> <p>What do you think about the words and phrases used? Would you change any of the language here?</p> <p>Would it make any difference to you personally if terminology were standardised for the 'bill'? Why do you say that? How about standardised format? Why/ why not?</p> <p>Would receiving this information on your bill change how you make decisions about your energy supply? PROBE: look into energy options / compare tariffs / switch tariff / supplier</p> <p>Why? IF NOT: what else would need to change?</p>	
<p>19.50-20.05</p>	<p>BREAK AND ASK PANELLISTS TO RETURN TO BREAKOUT TABLES</p>	
<p>20.05-20.35</p> <p>10 min</p>	<p><u>Section 4: Design exercise</u></p> <p>BREAKOUT TABLE 1: PRICE NOTIFICATION LETTER</p> <p>I'd now like to talk to you about how suppliers communicate changes in their charges to consumers</p> <p>Can you remember the last time your energy company changed their prices? How did you find out? Did you receive a letter or e-mail about it? If so, what can you remember from the letter? Did you understand all the information in the letter? IF NOT What did you not understand? How could it have been improved?</p> <p><i>Use stimulus 9 to explain price notification letter, but do not use the term 'price notification letter' – take your cue from the Panellists on language</i></p> <p>A month before any of the charges you pay for your energy are about to change, you should receive notice in writing. This is usually when the price is about to increase, but can also be for any other changes to charges, for example, a change to the amount you have to pay to leave a fixed term tariff.</p> <p>Do you understand broadly what this means?</p>	

<p>20 min</p>	<p><i>Moderator to ensure that all Panellists understand the concept.</i></p> <p>What do you think would be a good name for this piece of information? Why do you say that? What do others think?</p> <p>BREAKOUT TABLE 2: TARIFF INFORMATION LABEL (TIL)</p> <p>I'd now like to talk to you about how you compare and choose energy tariffs.</p> <p>Who knows what tariff you are you currently on? How did you choose your current tariff? Who did you ask about it/Where did you look for your information? PROBE? Friends., family, comparison and supplier websites</p> <p>Which pieces of information did you need to allow you to choose your tariff? Why those ones? Was there any information that you needed that you did not have access to? What was this?</p> <p><i>If non-engager (doesn't know tariff).</i></p> <p>Have you ever tried to change your energy supplier or tariff? Why not? What would have to change to make you think about looking into the differences between different tariffs?</p> <p>I'd like to discuss one way you could receive tariff information.</p> <p><i>Use stimulus 10 and read out:</i></p> <p>Ofgem is currently developing a template that would help you to compare the key features of tariffs to work out which would be the most suitable for your circumstances. It is meant to be a clear summary of all the important features of a tariff. You might see it on marketing materials (for example, on a stand at the supermarket or posted to you by energy companies). Ofgem is currently trying to work out what are the pieces of information or key facts consumers need on such a tool.</p> <p>Can you tell me what you think it will be like?</p> <p><i>Moderator to ensure that all Panellists understand the concept.</i></p> <p>What would you call it? Ofgem are calling their current version a tariff information label – what do you think of that name? Why do you say that?</p> <p>Do you think you need something like this? IF YES What information would need to be provided? Why? Do you think it will be helpful? IF SO What would you use it for? PROBE: look into energy options / compare tariffs / switch tariff / supplier IF NOT Why not?</p> <p>ALL MODERATOR NOTE: INSTRUCTIONS FOR PANELLISTS TO DESIGN PNL/ TIL</p> <p>IN SMALL GROUPS (c.3 GROUPS PER TABLE) USING A3 CARD</p> <p><i>Moderator to explain to participants in their group. Thinking about everything we've discussed this evening we want you to work in groups of three to design the ideal PNL/ TIL. (Only if needed) explain <u>that ideal in this context means it would enable consumers to more easily look into energy options / compare tariffs / switch tariff / supplier.</u></i></p>	
---------------	--	--

At the end of the session the other table will vote on which is the best solution and why.

You have learned a lot in this session, but we'd like you to design this with the average consumer in mind - your partner, another member or your family or a friend. Use language and a layout that you think they would understand.

Depending on the confidence of the group, provide definition sheet for each of the following (name and definition) to inspire them to think about other possible things to include.

However, please stress that these are suggestions only, and that if the Panellists do use them, they should try to use the LANGUAGE that makes most sense to them as a consumer, and that they would like to see. For example, they could call the 'standing charge' the 'basic rate')

Remind them that it can be designed in any way they like (using only text, using graphs, presenting the information visually)

- Supplier
- Fuel
- Tariff name
- Tariff type
- Details of tariff charges (including tiered rate thresholds, unit rate, standing charge, discounts etc)
- Tariff end date
- Exit fees / penalties for switching
- Payment method
- Price of the energy you use
- Energy consumption over the previous year
- Standing charge
- Contact details for independent information and advice
- Additional products / services included
- Price guarantee
- Key terms and conditions
- Price guaranteed for (tariff end date) ONLY FOR TIL
- Estimated monthly price for low, medium and high user for low, medium and high users ONLY FOR TIL
- Customer satisfaction rating ONLY FOR TIL
- Green Credentials ONLY FOR TIL
- Old price ONLY FOR PNL
- New price ONLY FOR PNL
- Personal cost (actual) ONLY FOR PNL
- Personal cost (projected) ONLY FOR PNL
- Information on how to compare and switch tariffs ONLY FOR PNL
- Comparison of your tariff with information on the supplier's

	<p>standard tariff (direct debit payment) ONLY FOR PNL</p> <ul style="list-style-type: none"> • Consumer rights on who to contact if you're in debt ONLY FOR PNL <p><i>Moderator to listen to participants conversations around these laminates and probe as appropriate. Do participants understand the concepts? And the terms/language used?</i></p>	
<p>20.35-21.10</p>	<p><u>Section 5: Review of the PNL/TIL</u></p> <p><u>BREAKOUT</u></p> <p>Moderator to explain the concept of a PNL/TIL (whichever they have not already worked on) to their table.</p> <p>Then, as a group, ask them to critique the three PNLs/TILs that the other table has designed. Attach the examples to the wall or pass them around. Ask Panellists to pay particular attention to the language, and to write on suggested alternatives where they find it confusing or unhelpful.</p> <p>Then, as a group, ask:</p> <p>Which examples do you find appealing / do you not find appealing? Why?</p> <p>What are the advantages / disadvantages of presenting information in this way? Why? Which examples have the best layout? Why? What would you change?</p> <p>How much difference (if at all) would it make to you personally if the format were standardised for the PNL/ TIL? Why do you say that?</p> <p>Which examples use the best language? Do any of them use words or phrases that are confusing or unhelpful? What is it about these words or phrases that is confusing or unhelpful?</p> <p>How much difference (if at all) would it make to you personally if terminology were standardised for the PNL/ TIL? Why do you say that?</p> <p>VOTE: IF HAD TO PICK ONE WHICH WOULD BE FAVOURED AND WHY?</p> <p>Introduce Ofgem mock up.</p> <p>How does this compare to the ones the other team designed? What are the advantages/disadvantages?</p> <p>How would you describe the language and tone?</p> <p>What do you think of the format?</p> <p>Thinking about both the Ofgem and the other group's solutions: To what extent would a PNL/TIL encourage you to take action? Why? Why not? IF SO What kind of action would you take? PROBE: look into energy options / compare tariffs / switch tariff / supplier IF NOT: What other information changes do we need to consider? Why?</p>	

21.10-21.15	<p>Section 6: Close PLENARY</p> <p>Bring discussion to close – final comments/points participants would like to make. Give out prizes to winning team.</p> <p>Thanks Panellists and give provisional date (or month) of next workshop, and let them know that we'll be in touch.</p> <p>Give preview of kinds of things we will be covering at future workshops. Remind them next time we'll probably be talking about something different but will definitely be about gas or electricity or both.</p> <p>Remind them of how important the research is (previous waves of the Panel have directly influenced Ofgem's decision making) and that we will be informing them of the key findings of this workshop at or before the next event.</p> <p>Incentives handed out</p> <p>Thanks and close</p>	
-------------	---	--

Price increase notification

PretendCo

Mr Sample
1 Any Road
Any Town
Any County
A99 9AA

Account: XXXXXXXXXXXX

Tariff: SuperValue 2.0

1st November 2011

Dear Mr Sample,

Your new energy prices and why they're higher

[Prices will be higher. This reflects xxx.]

What's going to happen?

From **1st of December 2011** your prices will increase.

Your new prices are shown over the page, along with an estimate of your new monthly/annual payments.

If you're unhappy with these changes and wish to change supplier, your switching rights are detailed in the box below.

How can you save money?

To find out how we could help you save money by changing your energy tariff visit www.pretendco.co.uk.

If you would like Information, impartial advice or details about changing your energy supply this is available from Consumer Direct on telephone 0800 8910 256 or by visiting www.consumerdirect.gov.uk.

Yours sincerely,

PretendCo

Your rights

- If you wish to switch your supplier in order to end your contract for the supply of gas or electricity (or both) to avoid these increases in charges, please let us know. You can write to the address at the top of this letter or contact us on 0121 123 4567 by **the 1st December**. You may be able to switch without incurring a termination fee (exit charge).
- Your new supplier should contact us within 15 days to let us know they will take over your energy supply.
- If you have outstanding charges on your account we may prevent your supply being transferred until you have cleared your outstanding balance. If you are prevented from switching supplier due to an outstanding balance, you can still avoid the increase in charges if the remaining balance is cleared within 30 days of being notified.

Any questions?

Call us on

 0000 111 2345

Write to us

Our offices
Our street
City XX99 9XX

How your electricity and gas prices will change

Your region: London

Your tariff name: SuperValue 2.0

Your payment method: Direct Debit

Price is guaranteed for: n/a

If you intend to switch supplier, let us know before 1 December to avoid these increase in prices. No termination fee will be charged.

Electricity

Charge	Current price until 30 th November 2011	New price from 1 st December 2011
Standing charge (p/day)	9.6p	9.6p
Unit rate (p/kWh)	11p	13p

Gas

Charge	Current price until 30 th November 2011	New price from 1 st December 2011
Standing charge (p/day)	33p	33p
Unit rate (p/kWh)	2.9p	3.6p

Your projected price for electricity and gas

The projected price show what you would pay for electricity and gas based on the new prices and assuming your [estimated/actual] use is the same as the previous 12 months. Our records show you used 3300 kWh for electricity and 16500 kWh for gas in the last year.

Charge	Current price until 30 th November 2011	New price from 1 st December 2011
Your projected average monthly charges* (including discounts)	£86	£100
Your projected yearly charges* (including discounts)	£1030	£1180

Did you know you could save money and energy by just switching your PretendCo tariff? Visit our website on www.prentco.co.uk/products to find out more.

Annual statements and marked up versions

Annual Energy Statement

[Version 1 - This uses a letter format to convey information]

Dear XXXXX

This is your Annual Energy Statement. The information provided will give you easy access to key information about your energy tariff. It will help you easily compare your tariff to others in the market, and switch if you find a different tariff that is better.

You are able to switch your energy tariff and supplier. The information below can help. Independent advice and information can be found via a range of accredited switching websites. Contact consumer Focus to find out more: www.consumerfocus.org.uk/ You can also find contact individual energy suppliers to find out more about the tariffs they offer.

Key information needed to compare your tariff includes:

- Tariff name: Standard
- Gas consumption over the last 12 months: 16,500 kWh (based on estimated/actual reads)
- Electricity consumption over the last 12 months: 3,300 kWh

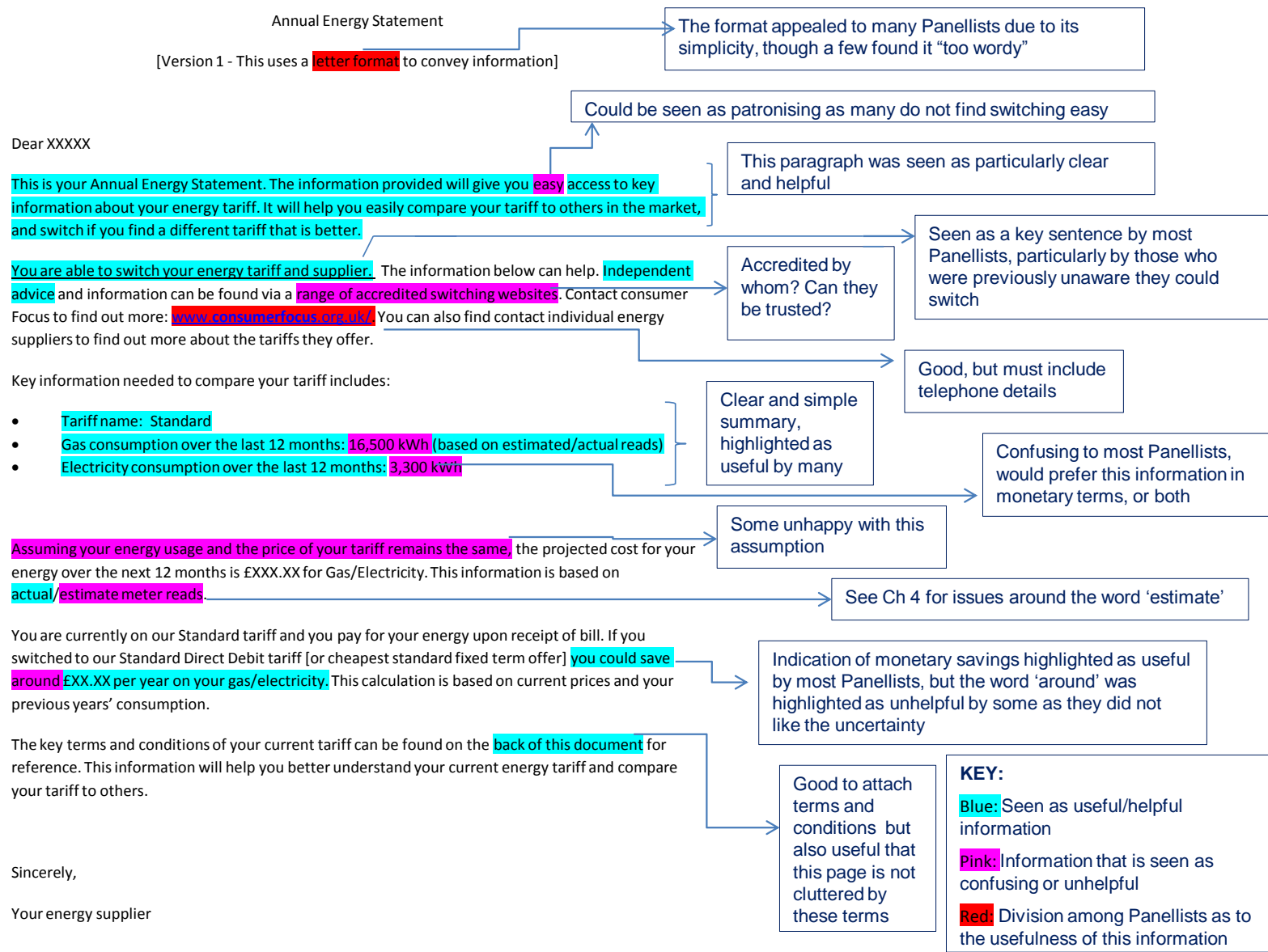
Assuming your energy usage and the price of your tariff remains the same, the projected cost for your energy over the next 12 months is £XXX.XX for Gas/Electricity. This information is based on actual/estimate meter reads.

You are currently on our Standard tariff and you pay for your energy upon receipt of bill. If you switched to our Standard Direct Debit tariff [or cheapest standard fixed term offer] you could save around £XX.XX per year on your gas/electricity. This calculation is based on current prices and your previous years' consumption.

The key terms and conditions of your current tariff can be found on the back of this document for reference. This information will help you better understand your current energy tariff and compare your tariff to others.

Sincerely,

Your energy supplier



Annual Energy Statement

[Version 2.A - This uses clear headings – and possibly boxes to clearly separate topics]

This is your Annual Energy Statement. The information provided will give you easy access to key information about your energy tariff. It will help you easily compare your tariff to others in the market, and switch if you find a different tariff that is better.

Your right to switch tariff and supplier

- You have a right to change supplier or change tariff. *[Recognise that with fixed term offers there may be timing restrictions around when you can switch.]*
- You can contact suppliers directly to get information about the tariffs they offer.
- Independent advice and information can be found via a range of accredited switching websites. Contact consumer Focus to find out more:
www.consumerfocus.org.uk/

Key information you need to switch

- Tariff name: Standard
- Gas consumption over the last 12 months: 16,500 kWh
- Electricity consumption over the last 12 months: 3,300 kWh

Information about your tariff rates

- Assuming your energy usage and the price of your tariff remains the same, the projected cost for your energy over the next 12 months is £XXX.XX for Gas/Electricity. This information is based on actual/estimate meter reads.
- You are currently on our Standard tariff and you pay for your energy upon receipt of bill. If you switched to our Standard Direct Debit *[or cheapest standard fixed term offer]* you could save around £XX.XX per year on your gas/electricity. This calculation is based on current prices and your previous years' consumption as noted above

Key details about your terms and conditions

- The key terms and conditions of your current tariff can be found on the back of this document for reference. This information will help you better understand your current energy tariff and compare your tariff to others. *[presented within a clearly marked box]*

Annual Energy Statement
 [Version 2.A - This uses **clear headings** – and possibly boxes to clearly separate topics]

The format appealed to many Panellists, though some preferred the letter format

This is your Annual Energy Statement. The information provided will give you easy access to key information about your energy tariff. It will help you easily compare your **tariff** to others in the market, and switch if you find a different tariff that is better.

Please see Chapter 4 for a discussion on the difficulties some Panellists had with the concept of tariffs, and the difference between tariff names and tariff types

Your right to switch tariff and supplier

Many liked the paragraph headings as they made the information clearer and easier to understand

- You have a right to change supplier or change tariff. [Recognise that with fixed term offers there may be **timing restrictions** around when you can switch.]
- You can contact suppliers directly to get information about the tariffs they offer.
- Independent advice and information can be found via a range of **accredited switching websites**. Contact consumer Focus to find out more: www.consumerfocus.org.uk/

Many respondents highlighted this as 'unhelpful' because they disagreed with the concept of restrictions on switching. These were often Disengaged consumers who did not understand fixed term tariffs.

Key information you need to switch

Please see Chapter 4 for a discussion on the difficulties some Panellists had with the concept of tariffs, and the difference between tariff names and tariff types

- Tariff name:** Standard
- Gas consumption over the last 12 months: **16,500 kWh**
- Electricity consumption over the last 12 months: **3,300 kWh**

While bullet points were liked by many Panellists, some thought that they should be shorter to aid comprehension

Information about your tariff rates

- Assuming** your energy usage and the price of your tariff remains the same, the projected cost for your energy over the next 12 months is £XXX.XX for Gas/Electricity. This information is based on actual/estimate meter reads.
- You are currently on our Standard tariff and you pay for your energy upon receipt of bill. If you switched to our **Standard Direct Debit** [or *cheapest standard fixed term offer*] **you could save around £XX.XX per year** on your gas/electricity. This calculation is based on current prices and your previous years' consumption as noted above

Some Panellists were critical of the fact that the Standard Direct Debit might be the cheapest tariff

Key details about your terms and conditions

- The key terms and conditions of your current tariff can be found on the back of this document for reference. This information will help you better understand your current energy tariff and compare your tariff to others. [presented within a clearly marked box]

Comments of V2b were similar to comments on this version – the addition of boxes was appreciated by some as it broke up the text better than the headings.

Annual Energy Statement

[Version 2.B -This uses clear headings – and separated by boxes to clearly outline topics]

This is your Annual Energy Statement. The information provided will give you easy access to key information about your energy tariff. It will help you easily compare your tariff to others in the market, and switch if you find a different tariff that is better.

Your right to switch tariff and supplier

- You have a right to change supplier or change tariff. *[Recognise that with fixed term offers there may be timing restrictions around when you can switch.]*
- You can contact suppliers directly to get information about the tariffs they offer.
- Independent advice and information can be found via a range of accredited switching websites. Contact consumer Focus to find out more:
www.consumerfocus.org.uk/

Key information you need to switch

- Tariff name: Standard
- Gas consumption over the last 12 months: 16,500 kWh
- Electricity consumption over the last 12 months: 3,300 kWh

Information about your tariff rates

- Assuming your energy usage and the price of your tariff remains the same, the projected cost for your energy over the next 12 months is £XXX.XX for Gas/Electricity. This information is based on actual/estimate meter reads.
- You are currently on our Standard tariff and you pay for your energy upon receipt of bill. If you switched to our Standard Direct Debit *[or cheapest standard fixed term offer]* you could save around £XX.XX per year on your gas/electricity. This calculation is based on current prices and your previous years' consumption as noted above

Key details about your terms and conditions

- The key terms and conditions of your current tariff can be found on the back of this document for reference. This information will help you better understand your current energy tariff and compare your tariff to others. *[presented within a clearly marked box]*

Annual Energy Statement

[Version 3 – Annual Energy Statement with Energy Tariff Label]

This is your Annual Energy Statement. The information provided will give you easy access to key information about your energy tariff. It will help you easily compare your tariff to others in the market, and switch if you find a different tariff that is better.

You are able to switch your energy tariff and supplier. The information below can help.

Independent advice and information can be found via a range of accredited switching websites. Contact consumer Focus to find out more: www.consumerfocus.org.uk/ You can also find contact individual energy suppliers to find out more about the tariffs they offer.

Energy Tariff Label	
Supplier	ABC Energy
Fuel	Electricity
Tariff name	ABC Fixed 123
Tariff type	Fixed Price
Payment method	Direct debit
Unit rate	11p/kWh
Standing charge	£10 per month
Estimated monthly price for a low user (ie 1,650 kWh per year) medium consumption (ie 3,300 kWh per year) high consumption (ie 4,600 kWh per year)	£ 24.36 per month £ 41.86 per month £ 68.11 per month
This tariff lasts for	18 months
The price is guaranteed for	18 months
Your price guarantee period ends	21 March 2013
If you leave before the tariff end date you must pay	£50
Additional products / services included are	Boiler maintenance
Other consumers rate the supplier's service	*****

Information about your tariff rates

- Assuming your energy usage and the price of your tariff remains the same, the projected cost for your energy over the next 12 months is £XXX.XX for Gas/Electricity. This information is based on actual/estimate meter reads.
- You are currently on our Standard tariff and you pay for your energy upon receipt of bill. If you switched to our Standard Direct Debit [or cheapest standard fixed term offer] you could save around £XX.XX per year on your gas/electricity. This calculation is based on current prices and your previous years' consumption as noted above

Further details about your terms and conditions *[much of this will already be included in the table above]*

- The key terms and conditions of your current tariff can be found on the back of this document for reference. This information will help you better understand your current energy tariff and compare your tariff to others. *[presented within a clearly marked box]*

[Glossary: on the back of each Annual Energy Statement in a clearly marked box]

Definition of:

- Tariff
- kWh
- Fixed Offer
- Direct Debit
- Estimated meter reads
- Other...

Annual Energy Statement

[Version 3 – Annual Energy Statement with Energy Tariff Label]

This is your Annual Energy Statement. The information provided will give you easy access to key information about your energy tariff. It will help you easily compare your tariff to others in the market, and switch if you find a different tariff that is better.

You are able to switch your energy tariff and supplier. The information below can help. Independent advice and information can be found via a range of accredited switching websites. Contact consumer Focus to find out more: www.consumerfocus.org.uk. You can also find contact individual energy suppliers to find out more about the tariffs they offer.

Appealed greatly to energy literate consumers, but was off-putting for others who did not understand the terms. The table draws the eye so it's quite likely that some of the rest (if not all) of the text will remain unread.

Information about your tariff rates:

Energy Tariff Label	
Supplier	ABC Energy
Fuel	Electricity
Tariff name	ABC Fixed 123
Tariff type	Fixed Price
Payment method	Direct debit
Unit rate	11p/kWh
Standing charge	£10 per month
Estimated monthly price for a	
low user (ie 1,650 kWh per year)	£ 24.36 per month
medium consumption (ie 3,300 kWh per year)	£ 41.86 per month
high consumption (ie 4,600 kWh per year)	£ 68.11 per month
This tariff lasts for	18 months
The price is guaranteed for	18 months
Your price guarantee period ends	21 March 2013
If you leave before the tariff end date you must pay	£50
Additional products / services included are	Boiler maintenance
Other consumers rate the supplier's service	***

See Chapter 4 for issues around tariff name/type – confusing to most consumers who were not energy literate

Again, these terms were not well understood by non-energy literate consumers. The fact that they are presented separately could make it difficult to make price comparisons.

Word estimate disliked by many, see Chapter 4. The term kWh meaningless to most consumers. In addition, some questioned why consumption data was presented by year, but price by month.

While they appreciated this information being presented in monetary terms, the majority of Panellists read this from right to left rather than left to right, looking at the price and trying to work out from that what type of consumer they are, rather than vice versa.

This information was seen as useful by most (and not included on the other versions)

This information was seen as useful by those who wanted to understand the financial impact of switching. Others simply felt suppliers were penalising switchers or discouraging switching.

Many highlighted this as useful, but stressed that the information would have to be collected and published by an independent, trusted source.

- Assuming your energy usage and the price of your tariff remains the same, the projected cost for your energy over the next 12 months is £XXX.XX for Gas/Electricity. This information is based on actual/estimate meter reads.
- You are currently on our Standard tariff and you pay for your energy upon receipt of bill. If you switched to our Standard Direct Debit [or cheapest standard fixed term offer] you could save around £XX.XX per year on your gas/electricity. This calculation is based on current prices and your previous years' consumption as noted above

Further details about your terms and conditions [much of this will already be included in the table above]

- The key terms and conditions of your current tariff can be found on the back of this document for reference. This information will help you better understand your current energy tariff and compare your tariff to others. [presented within a clearly marked box]

Tariff Information Label

1. A standard/evergreen tariff

Energy Tariff Label	
Supplier	ABC Energy
Fuel	Electricity
Tariff name	ABC Standard
Tariff type	Standard
Payment method	Direct debit
Unit rate	10p/kWh
Standing charge	£10 per month
Estimated monthly price for a low user (ie 1,650 kWh per year) medium consumption (ie 3,300 kWh per year) high consumption (ie 4,600 kWh per year)	£ 24.36 per month £ 41.86 per month £ 68.11 per month
This tariff lasts for	There is no end date to this tariff
The price is guaranteed for	The supplier will notify you at least one month before the price changes
If you leave before the tariff end date you must pay	There is no fee if you switch from this tariff
Additional products / services included are	Loyalty points
Other consumers rate the supplier's service	*****

2. A non standard fixed price tariff

Energy Tariff Label	
Supplier	ABC Energy
Fuel	Electricity
Tariff name	ABC Fixed 123
Tariff type	Fixed Price
Payment method	Direct debit
Unit rate	11p/kWh
Standing charge	£10 per month
Estimated monthly price for a low user (ie 1,650 kWh per year) medium consumption (ie 3,300 kWh per year) high consumption (ie 4,600 kWh per year)	£ 24.36 per month £ 41.86 per month £ 68.11 per month
This tariff lasts for	18 months
The price is guaranteed for	18 months
If you leave before the tariff end date you must pay	£50
Additional products / services included are	Boiler maintenance
Other consumers rate the supplier's service	*****

3. A standard day rate/night rate tariff

Energy Tariff Label	
Supplier	ABC Energy
Fuel	Electricity
Tariff name	Economy X
Tariff type	Standard
Payment method	Direct debit
Day-time price	10p/kWh
Night-time price	4p/kWh
Night-time price applies	Midnight – 7am
Standing charge	£10 per month
Estimated monthly price for low consumption (ie 1,650 kWh per year) medium consumption (ie 3,300 kWh per year) high consumption (ie 4,600 kWh per year)	£ 24.36 per month £ 41.86 per month £ 68.11 per month
This tariff lasts for	There is no end date to this tariff
The price is guaranteed for	The supplier will notify you at least one month before the price changes
If you leave before the tariff end date you must pay	There is no exit fee for this tariff
Additional products / services included are	Loyalty points and boiler maintenance
Other consumers rate the supplier's service	*****

Ofgem Consumer First Panel

Event 1

Welcome and introduction

Who is Ofgem?



- The Office of Gas and Electricity Markets (Ofgem) is the independent economic regulator of Britain's gas and electricity industries
- Its principal duty is to protect the interests of existing and future consumers by promoting effective competition and regulating the monopoly companies which run the gas and electricity networks
- Ofgem is funded by a licence fee, which is paid by the energy companies it regulates

Consumer representation

- Consumer Direct is responsible for providing advice to consumers
- Consumer Focus is the new consumer advocate and deals with vulnerable customers
- The Energy Ombudsman can investigate complaints that cannot be resolved by the companies themselves



What is the Ofgem Panel?



- It is 100 people (Panellists) from different background across GB taking part in a series of events to think about and discuss GB's energy issues
- Your continued membership of the Panel for the full year will help Ofgem to better understand the views of energy consumers like you
- We look forward to seeing you at each event for the coming year and hearing your views

What's in it for you? You will...

- Have your say on policies impacting on Great Britain's energy market
- Gain a better understanding of how the energy market works
- Participate in three or four interesting and engaging events throughout the course of the year
- Be paid for your time
- Hear what your fellow Panellists across Great Britain are saying

What will happen this evening?

- Discussions on
 - your thoughts about Great Britain's energy market
 - why you chose your energy supplier/ tariff
 - how suppliers communicate with customers
- Mix of
 - table discussions
 - Information-giving
 - group work

Making information clear and easy to understand



Your energy supplier sends you information every year containing personalised information about your tariff and the amount of energy you use.

A supplier must write to you one month before your energy prices change.

This is usually when the price is about to increase or decrease, but can also be for any other changes to charges, for example, a change to the amount you have to pay to leave a fixed term tariff.

Ofgem is currently developing a template that would help you to compare the key features of tariffs to work out which would be the most suitable for your circumstances. It is meant to be a clear summary of all the important features of a tariff.

You might see it on marketing materials (for example, on a stand at the supermarket or posted to you by energy companies). Ofgem is currently trying to work out what are the pieces of information or key facts consumers need on such a tool.