

Energy Markets and Affordability Team
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By email: energyretailmarketsreview@beis.gov.uk and futuresupply@ofgem.gov.uk

16 September 2019

Dear Sir/Madam

uSwitch response to the Government and Ofgem's Flexible and Responsive Energy Retail Markets consultation

I am writing on behalf of uSwitch in response to the Government and Ofgem's consultation on Flexible and Responsive Energy Retail Markets published in July 2019. uSwitch is the UK's leading price comparison and switching service for home services, helping consumers to find a better deal and save money on their gas, electricity, broadband, mobiles, TV, landlines, and personal finance products including mortgages, credit cards, current accounts and insurance.

We welcome the Government and Ofgem's Energy Retail Markets consultation as a driver towards the country's future energy system. uSwitch agrees that there are steps the Government and Ofgem can take to support consumer-friendly innovation and deliver an agile retail market. We're pleased to have the opportunity to engage with the Government and Ofgem on their Energy Retail Markets consultation and we would welcome the chance to discuss our submission if useful.

Innovative consumer offerings will be borne out of flexibility and a competitive, engaged retail market

We agree that the future energy retail market should deliver consumers the benefits of a smart, low-carbon energy system. uSwitch welcomes the Government and Ofgem's shared objective of enabling innovation in the energy retail market. This is likely to result in completely new categories of firms in the market performing both new and existing functions, resulting in a highly competitive, engaged retail market. We note that, as it is not possible to pre-empt what such innovation will be, the design of the future regulatory framework must be careful not to pre-determine any particular changes to the dynamics within the market.

uSwitch is firm in its view that all energy retail activities should be in the scope of Ofgem as the relevant economic sector regulator. This does not mean that all activities should have rules imposed, but it is right that Ofgem should conduct the appropriate economic analysis and decide which rules are proportionate and appropriate. This should include the potential to impose switching processes where needed, as well as to intervene in parts of the market where there is no competition. Even today we see models in the market, such as district heating networks, that currently sit outside Ofgem's regulatory framework and would benefit from being in scope of economic sectoral regulation.

We see a flexible rulebook that is focused on making it straightforward for firms to undertake different types of activity will be best placed to deliver improved consumer outcomes. The ability for consumers to choose between innovative, motivated firms for the provision of different aspects of their energy products and services has the potential to improve individual consumer outcomes. This capacity to switch is an important mechanism within competitive markets more generally. Indeed, the ability for consumers to choose an alternative market actor creates the incentive for each actor to compete to both retain and gain customers with innovative offerings at attractive prices.

A co-ordinated approach to reviewing regulatory frameworks

The right approach to regulating the retail energy market is highly dependent on the specific roles being performed by different firms. In the short and medium term, we consider that existing general consumer law has an increased role to play in shoring up consumers' experience of the retail energy market. uSwitch's view is that a modular approach to regulation that would require firms to adhere to requirements relating to the specific activities performed could be a sensible approach to longer-term reform. This makes sense in a future market where there are likely to be a range of new and innovative products and services performing different but overlapping roles, meaning that a rigid licensing regime is likely to be less suitable. Consumers would benefit from uniform standards and protections in relation to a specific activity no matter which type of

market player is performing it. This should extend to ensuring that consumers in vulnerable situations receive consistent levels of support.

uSwitch agrees that there is potential for digital intermediaries to perform regulated roles within the energy and other consumer markets, such as taking on the role of being the customer's point-of-contact regarding their ongoing energy supply, meaning that some form of regulation of such activities would be justified. Considering the potential role of digital intermediaries specifically, we would welcome clarity from the Government and the sector regulators on the degree of interaction in designing different future regulatory frameworks. There would value to greater coordination to the considerations of the cross-sectoral regulatory mechanisms proposed within the Future Energy Retail Market Review, Digital Competition Expert Panel Review and Smart Data Review. We are aware that the Government is considering whether to introduce a cross-sectoral regulatory regime for third-party intermediaries, with the option of a cross-sectoral general authorisation regime for intermediaries in the energy and telecoms markets to provide a common set of rules across markets.

As an incremental step towards longer term regulatory reform, the proposed approach of a specific energy market authorisation regime alongside the supply licence seems most aligned with the Government's ambition of a cross-sectoral regulatory regime for third-party intermediaries, though detail on how they might interact in practice would be welcome. Such an approach makes sense in future markets where there are likely to be a range of new and innovative services performing different but overlapping roles, meaning that a rigid licensing regime is likely to be less suitable. However, ultimately, uSwitch considers that sector regulators are likely to be best placed to enforce aspects of any cross-sectoral regime due to their expertise around the specific complexities within each market.

Improved capability to serve vulnerable consumers

uSwitch agrees that the future energy retail market should certainly safeguard the needs of vulnerable consumers. It is essential that customers in vulnerable circumstances are protected by targeted interventions that provide the in-depth, varied support required to deliver fair experiences and outcomes. Indeed, in terms of pricing, customers in financially vulnerable situations, including those experiencing fuel poverty, require much deeper financial assistance than can be provided by a blanket cap. For example, as part of the Government's Smart Data Review, we look forward to regulators identifying ways in which the leveraging consumer data could greater support vulnerable consumers, including via a new Vulnerable Consumer Challenge to ensure that the most vulnerable and least digitally engaged customers are able to enjoy the best deals. Given that uSwitch's energy comparison and switching service already offers consumers a frictionless end-to-end journey built on data provided by suppliers, this enables us to better support vulnerable consumers with their energy needs. Oversight of the entire energy switching journey means that uSwitch's call centre can complete switches over the phone for those who would prefer additional support and/or who do not have internet access.

Ultimately, vulnerable customer schemes offered across the energy industry, such as the Warm Homes Discount, need to be consistent, easy to understand and access and fairly funded to ensure all customers in vulnerable circumstances can access the support they require. This will be crucial in the likely future context of firms specialising to offer more niche products and services within the energy market, which could leave firms with more vulnerable customers unable to fund vulnerable customer schemes.

We would welcome the opportunity to engage further with BEIS and Ofgem regarding our submission if useful.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Imogen Buxton', with a stylized flourish at the end.

Imogen Buxton
Policy Advisor