

Active Choice Collective Switch Trial

Final results



November 2018

- In February 2018 Ofgem published our intent to run a collective switch trial, as part of testing different approaches for engaging disengaged consumers (on a standard variable tariff for three years or more).
- Ofgem have been undertaking this work in response to the Competition and Markets Authority (CMA) investigation, that concluded there was an Adverse Effect on Competition (AEC) stemming from a lack of consumer engagement in the retail energy market. The CMA found that this AEC resulted in an annual consumer detriment of £1.4bn.
- The intervention trialled was a series of three letters offering customers an exclusive tariff negotiated by an Ofgem-appointed consumer partner, energyhelpline. The tariff offered was with an alternative, large supplier (Supplier B). We measured levels of switching across the trial arms.
- Ofgem selected one of the six largest energy suppliers as the incumbent supplier. 50,000 of their customers who had been on the standard variable tariff for at least 3 years were randomly selected and offered the chance to take part
- These customers were randomised in to three trial arms, an Ofgem arm that received letters from Ofgem and energyhelpline, a supplier arm, who received letters from their supplier and energyhelpline, and a control group who received no additional communications.
- A fourth trial arm was added part way through the trial using an adaptive trial design. These customers were in the Ofgem arm and received their last letter in a supplier branded envelope

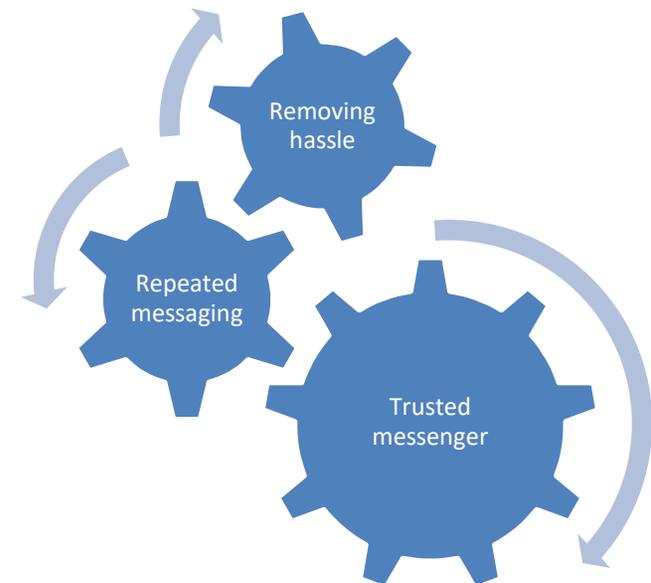
- This trial ran between February and April 2018 and was designed to be straightforward for customers. Unlike other collective switches, participants did not need to enter their existing energy tariff details in order to have their projected personal savings calculated. Participants were signposted to a third party, energyhelpline, who would help with the switching process
- The same number of letters were sent to customers across both letter trial arms. They each received 3 letters; Announcement, Saving and Reminder letters.
- Customers who contacted energyhelpline also received the results of an open market tariff search, giving them a range of deals to choose from
- Disengaged customers in the trial were able to opt out of having their savings calculated
- Those that did not opt out received a projected saving and then decided to switch or not (the 'active choice' element)
- energyhelpline negotiated a competitively priced tariff for the collective switch. They calculated the saving each customer could make and let them know what it was
- energyhelpline provided online and phone routes to switch to the new tariff and customers also received the results of a search comparing tariffs across the market

Customers in the letter trial arms received three letters over seven weeks:

- Letter 1 – announcement of the forthcoming exclusive tariff plus opt-out option
- Letter 2 – projected saving with exclusive tariff, suggesting customers contact energyhelpline for full results
- Letter 3 – reminder letter with projected saving emphasising closing date

The letters were developed based on an understanding of customer behaviour. We assessed the barriers customers face to switching energy tariff, and the insights from behavioural science that may help them overcome these barriers.

The following slides show the letters and these techniques.



Collective Switch | Announcement letter



Making a positive difference
for energy consumers

Trusted messenger

Personalisation

<Name> <XXXXXXXXXX>
<Address>
<Address>
<Address>
<Address>
<Postcode> <Date>

<Supply Address: Mr John Sample, Sample Street, Sample Town,
Sample County SA15 PL>

Find out about a cheaper energy deal

Dear <Mr Sample>

For more than 3 years, you've been on one of the most expensive types of energy deals. We are Ofgem, the independent energy regulator. We're writing to tell you about switching to a cheaper energy deal, if you want to – it's easy to do.

Who can help me to switch?

We've asked the independent price comparison service **energyhelpline** to negotiate an energy deal especially for a group of [redacted] customers in your situation – people who've been on a type of deal for at least 3 years called a 'standard variable tariff'.

People typically save around £200 over a year when they switch from this type of tariff.* In a few weeks, energyhelpline will send everyone in this selected group of [redacted] customers a letter showing how much you personally could save.

Priming

What do I need to do now?

Nothing. Just wait for energyhelpline's letter and decide then if you want to switch.



If you choose to switch, energyhelpline will explain in its letter how to do it. It's straightforward.

Collective Switch | Savings letter


In partnership with 
Visit - switch.energyhelpline.com
Call - 0800 042 0187
Mon-Fri: 8am – 8pm, Sat-Sun: 9am – 5pm


Making a positive difference
for energy consumers

<FullName>
<Address>
<PostCode>

5 April 2018

Save £<QuoteAnnualSaving> by switching your energy deal

Dear <FullName>

A few weeks ago we wrote to you about switching to a cheaper energy deal.

We are Ofgem, the independent regulator that looks after the interests of gas and electricity consumers. So far energyhelpline has helped over 5 million households switch energy suppliers.

We said we'd asked energyhelpline to negotiate a cheaper energy deal for around 50,000 [redacted] customers like you – people who've been on the same expensive type of deal for more than 3 years.

Now energyhelpline has secured an exclusive deal for you with [redacted]. Here's what you will save, based on you using the same amount of energy as last year:

If you stay with the [redacted] deal, you'd pay £<CurrentAnnualSpend> for your energy over the next 12 months.

If you switch to the deal energyhelpline has negotiated with [redacted] you'd pay £<QuoteAnnualSpend> over the next 12 months.

That's a personal saving of £<QuoteAnnualSaving> if you decide to switch.

energyhelpline has made it easy to switch
All you need to do is go to switch.energyhelpline.com or call their UK call centre free on 0800 042 0187 and speak to a friendly adviser.



You can get your bills in the same way

Pay by direct debit or when you get each bill

Your gas or electricity supply won't be interrupted

Message framing

Personalised quote

Salience

Scarcity

Brand recognition

Only one tariff

Reassurance that supply will be maintained

Collective Switch | Reminder letter



In partnership with **ofgem**
Visit - switch.energyhelpline.com
Call - 0800 042 0187
Mon-Fri: 8am – 8pm, Sat-Sun: 9am – 5pm



Making a positive difference
for energy consumers

<FullName>
<Address>
<PostCode>

16 April 2018

Deadline

You still have until 30 April to switch energy deals and save £<QuoteAnnualSaving>

Reminder

Dear <FullName>

We wrote to you earlier in April with details of a cheaper energy deal for you. *(If you have already switched, please discard this letter.)*

We are Ofgem, the independent regulator that looks after the interests of gas and electricity consumers. So far energyhelpline has helped over 5 million households switch energy suppliers.

We said we'd asked energyhelpline to negotiate a cheaper energy deal for around 50,000 [redacted] customers like you – people who've been on the same expensive type of deal for more than 3 years.

Now energyhelpline has secured an exclusive deal for you with [redacted]. Here's what you will save, based on you using the same amount of energy as last year:

If you stay with the [redacted] you'd pay £<CurrentAnnualSpend> for your energy over the next 12 months.

If you switch to the deal energyhelpline has negotiated with [redacted] you'd pay £<QuoteAnnualSpend> over the next 12 months.

Choice of channels

That's a personal saving of £<QuoteAnnualSaving> if you decide to switch.

energyhelpline has made it easy to switch

All you need to do is go to switch.energyhelpline.com or call their UK call centre free on 0800 042 0187 and speak to a friendly adviser. *(This deal isn't available by going direct to [redacted])*

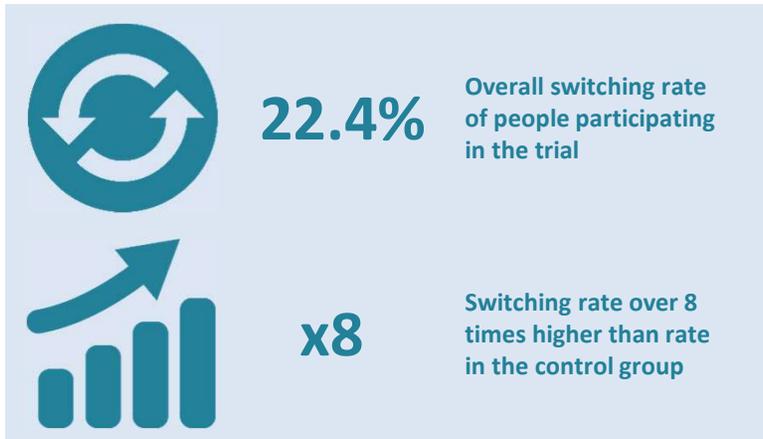
Reassurance about simplicity of switching

Reassurance that payment method doesn't need to change

You can get your bills in the same way

Pay by direct debit or when you get each bill

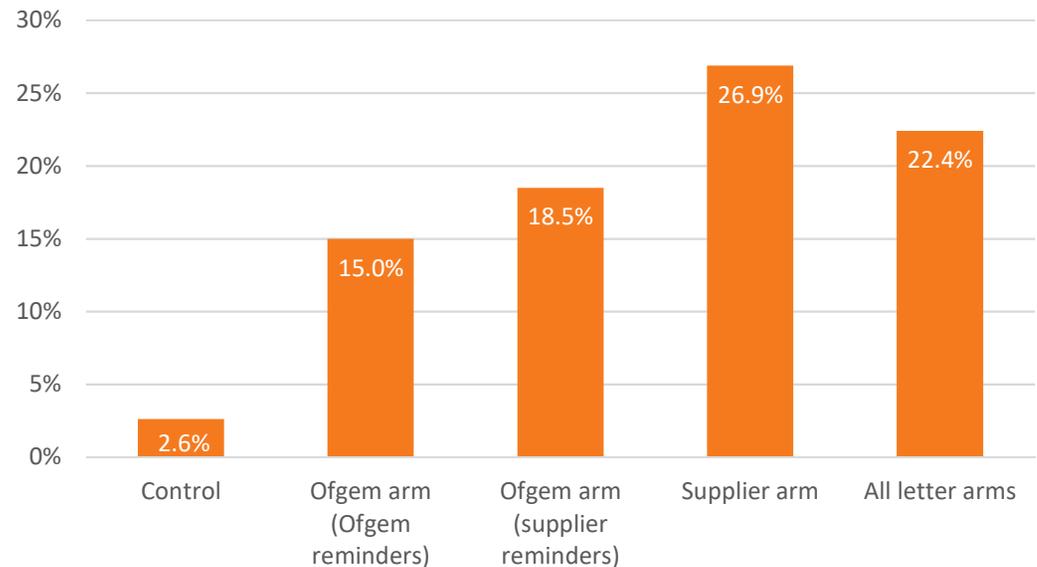
Your gas or electricity supply won't be interrupted



- The most successful arm of the trial increased switching rates to 10 times the control group
- Customers who received information and reminder letters with their supplier's branding switched the most, at over 10 times the control group.

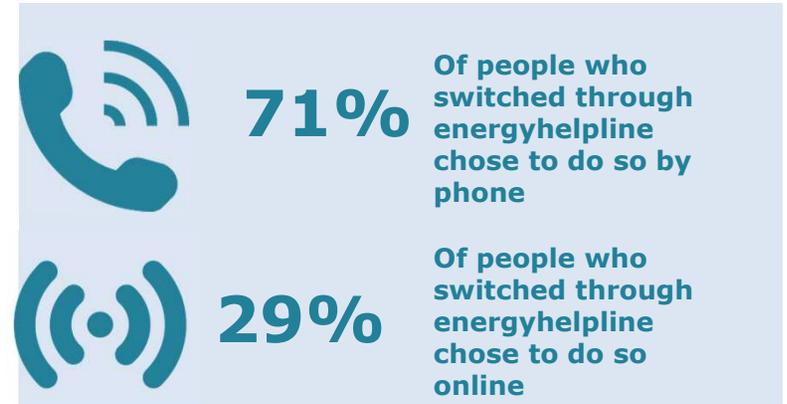
- All trial arms saw a significant increase in switching compared to the control
- This intervention had a clear and substantial impact

Switching by trial arm



Switching routes

- Phone was the preferred switching route for customers in the trial
- Almost three quarters of customers who switched through energyhelpline chose to use the phone
- energyhelpline provided personalised advice and tailored support to customers in the trial through a phone service.



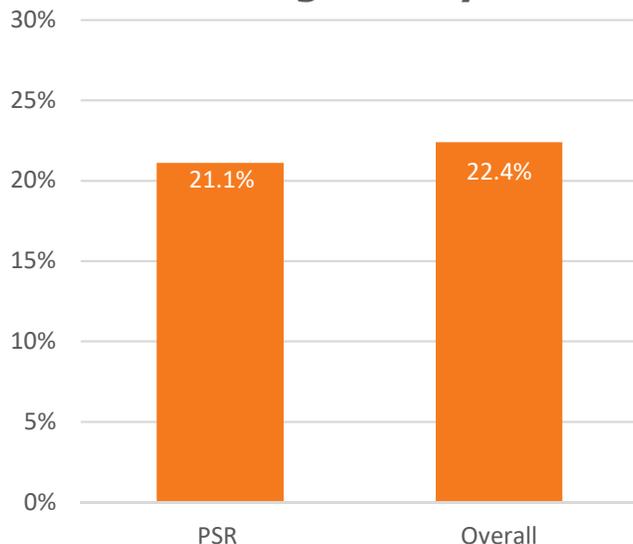
Switching choices

- Over half of all switchers chose the Supplier B tariff offered in the letter, and a further quarter chose another tariff via energyhelpline
- Almost two thirds of external switchers chose a tariff from another large energy supplier
- Across all the trial arms, a strong majority of switches that were made were external switches (i.e. to a different supplier). This was true for both offline and online accounts.

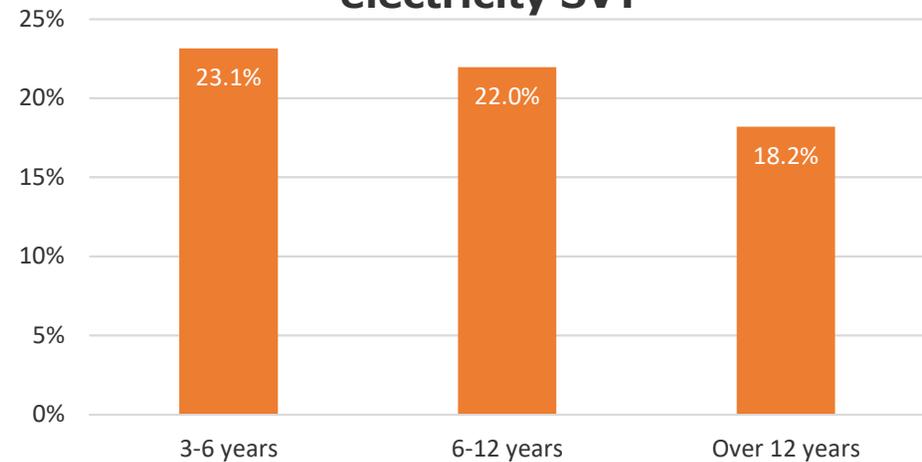
Switching characteristics

- Almost two thirds of the participants in the trial had been on a standard variable tariff for between 3 and 6 years.
- These customers were more likely to decide to switch than those who had been on these tariffs for longer.

Switching rate by PSR status

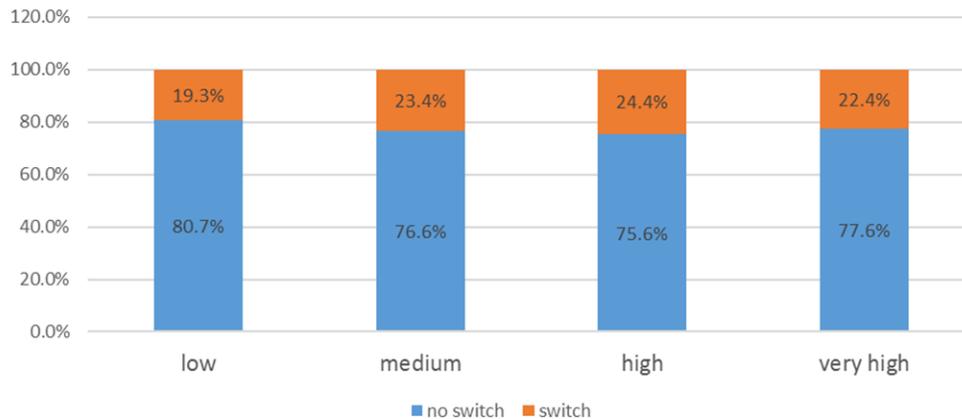


Switching by length of time on an electricity SVT



- The Priority Services Register (PSR) is a free service provided by suppliers and network operators to customers in need
- Switching rates for customers signed up to PSR with the supplier were consistent with the overall switching rate
- 24% of the switches made through energyhelpline were by customers over 75 years old.

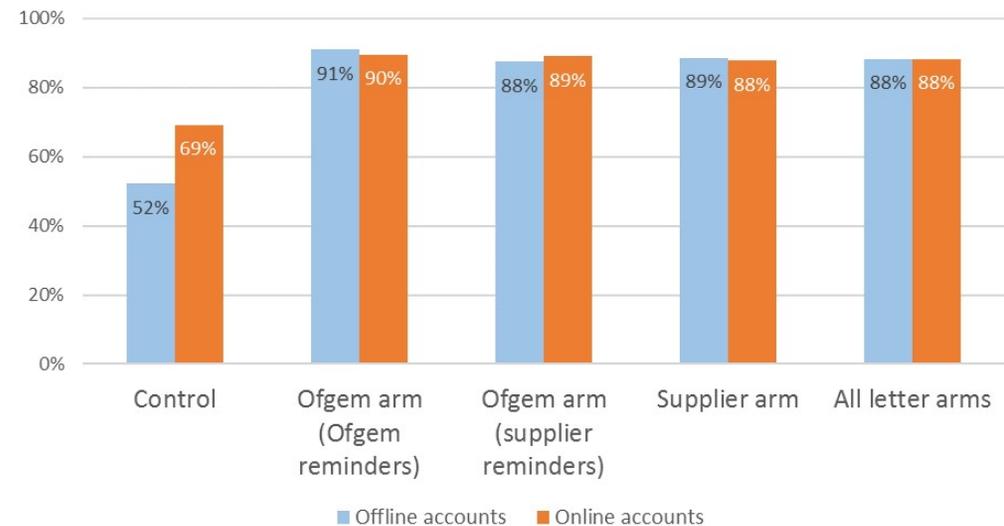
Switching rate by electricity consumption



- Customers with high consumption were slightly more likely to switch tariff, but the differences were small
- Over a half of all the customers in the trial paid their bills by direct debit; those customers were much more likely to switch than those who paid by other methods

- Across all the trial arms, a strong majority of switches that were to a different supplier. This was true for both offline and online accounts.
- Those with both online and offline accounts were much more likely to switch having received the letters compared to those in the control group

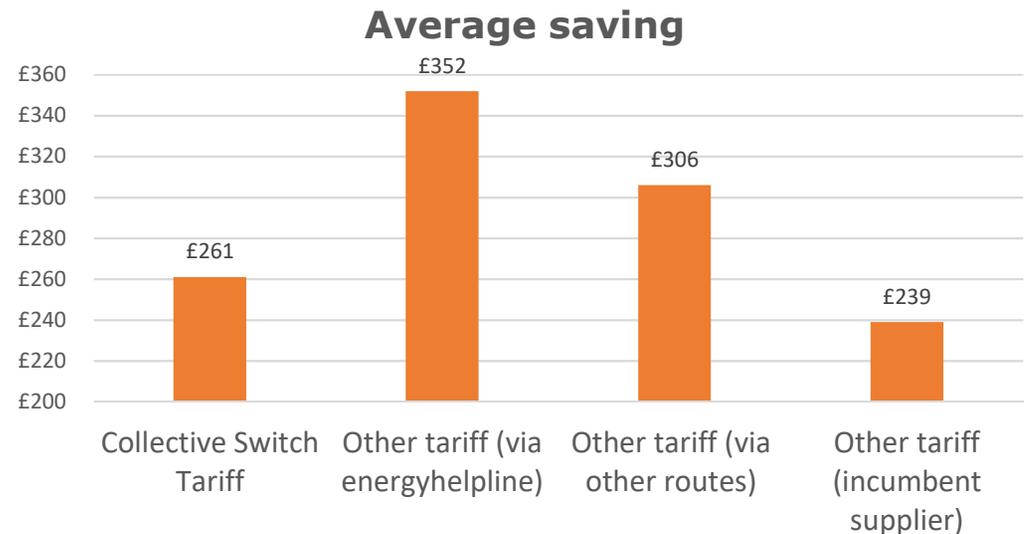
External switching by account management type





- Customers who switched saved a total of £3.9m, with an average saving of £299 each
- The table below shows average savings by customers in the trial.
- Customers who managed their accounts online saved more, on average, than those who did not, both for the collective switch and otherwise.

- The collective switch tariff was competitive, but not the cheapest on the market
- Half of those who switched chose the collective switch tariff
- Average savings were higher for customers if they switched supplier as well as changing tariff.



"I thought about it considerably and then I got the second letter and acted on it. I did think maybe it was a scam but it turned out not to be...I thought about it and then I got the second letter which convinced me it was a good idea"

Trial participant

- We commissioned qualitative research with both customers who switched tariff during the trial and those that did not
- We found that customers found the letters easy to understand and follow, and the savings believable
- The endorsement from Ofgem seems to have played a big part in helping customers trust the offer, energyhelpline and the switching process
- The multiple communications appear to have been effective, with the initial letters getting customers to think about switching, and the follow up ones encouraging them to actually act
- Customers reported having a better understanding of what it means to be on a standard variable tariff after receiving the letters, and the cost implications
- Customers reported appreciating the telephone service and the chance to talk through the deals with energyhelpline before deciding
- Reasons customers gave for not switching included a lack of time to think about switching, satisfaction with their current supplier and a feeling that the potential saving wasn't great enough

"The fact the letter was Ofgem, and it had the monetary value, that's the two things which had any influence on us"

Trial participant

- These results show that switching rates can be substantially increased by simple communications, especially from customers' current supplier
- This is a hard group of customers to reach. However these results show that even customers who are disengaged from the energy market and have not switched for a long time can be encouraged to do so using a simple intervention
- There were a number of elements of this intervention which appear to have been particularly successful- the telephone service allowing customers to speak to a trusted expert, the reminder letter prompting interested customers to actually take action, and the level of potential savings
- This was a robust randomised controlled trial which ran as planned
- However, there were a number of limitations to this trial- it was with one supplier, there was a price increase during the trial which may have primed customers to take action, and there was an alteration to the design part way through resulting in an unplanned fourth trial arm
- Ofgem are planning a series of further trials to investigate the impact of this intervention with different suppliers

Our core purpose is to ensure that all consumers can get good value and service from the energy market. In support of this we favour market solutions where practical, incentive regulation for monopolies and an approach that seeks to enable innovation and beneficial change whilst protecting consumers.

We will ensure that Ofgem will operate as an efficient organisation, driven by skilled and empowered staff, that will act quickly, predictably and effectively in the consumer interest, based on independent and transparent insight into consumers' experiences and the operation of energy systems and markets.