How the CMA's relaxation of tariff rules has created a new loyalty penalty through exclusive tariffs on PCWs

A Policy Paper from So Energy
March 2021

Contents

Introduction

A new loyalty penalty has emerged in the domestic energy supply market in the last three years, triggered by Ofgem's decision to implement a specific CMA Energy Market Investigation remedy. The structure of tariff pricing has changed significantly across the market to a position where a loyalty penalty is now ingrained into the operating models of energy suppliers. Almost all energy suppliers now operate by offering 'exclusive' tariffs for new customers switching via Price Comparison Websites (PCWs), which are substantially cheaper than the tariffs they show to their own loyal customers who engage directly on the supplier's website. There is now no way for a customer to get the best rates offered by their energy supplier if they renew a contract or remain on a standard variable tariff (SVT). Our analysis in this report shows that this loyalty penalty has historically been around £251 and is currently £190.[1]

According to our market analysis the existence of a loyalty penalty means households are missing out on £6 billion per year in savings.[2] It also adds £1.65 billion per year in additional system wide costs that are incurred every time anyone switches, costs that are ultimately borne by customers.[3]

This new structure of tariff pricing disproportionately penalises those customers who are less able to access PCWs online. These digitally excluded customers are more likely to be old or vulnerable and living in fuel poverty. Citizens Advice research also shows that "customers in vulnerable situations are disproportionately stung by the [loyalty] penalty".[4]

This practice is particularly damaging because loyal customers, whether they are on SVTs or fixed tariffs, are not provided with the tariff information in a fair and transparent manner at key prompt points e.g. SVT pricing changes / renewal notifications / bill messaging. Crucially, these exclusive tariffs are not covered by Ofgem's Cheapest Tariff Messaging (CTM) rules under Standard Licence Conditions 31F, so suppliers are exploiting a loophole. These conditions were specifically designed to allow customers to compare tariffs and make informed choices but are actually muddying the waters further.

Penalising loyalty, which impacts those least able to pay, and doing so in an unfair manner is causing serious damage to long-term trust in the sector. New customers are prioritised and offered loss-making tariffs on PCWs, and those existing customers who are on SVTs or simply renewing their fixed tariff, are lied to by energy suppliers when they are informed of alternative but more expensive 'cheapest tariffs', with the actual cheapest tariff (on PCWs) hidden from view. No customer in the UK should trust their energy supplier when they are provided with new or alternative tariff information.

In early 2021, at a point when the wider economic outlook is highly uncertain and when consumer trust is paramount to support the green revolution, this model of tariff pricing needs to be urgently reviewed and corrected. If customers can't trust their supplier to price fairly and transparently today, then why should they trust suppliers to help them

[1] See "The size of the new loyalty penalty" section below
[2] See "The size of the new loyalty penalty" section below
[3] See "Additional operational costs for suppliers" section below
[4] Citizens Advice "Loyalty Penalty" webpage

transition to net zero, by doing things like physically going into customers' homes to install batteries and solar panels, remotely taking control of smart appliances and managing all the accompanying personal data.

This report highlights how this problem has developed in the recent years, the extent to which it impacts consumers and competition, and provides Ofgem with constructive and practical recommendations that have regulatory precedent to resolve it.

So Energy requests that Ofgem follows the lead we have recently seen in other sectors, such as home and motor insurance, where the Financial Conduct Authority (FCA) are addressing the issue to ensure customers receive fair value, trust is increased and competition is enhanced.[5] In those markets, the FCA is acting to "ensure firms cannot charge renewing customers more than new customers".[6] This is exactly the firm action we need in our sector – an essential service that makes up a bigger proportion of household expenditure than home and motor insurance – to protect consumers, ensure fairness and maintain widespread consumer support for the transition to net zero.

This report has been written by So Energy who supply great value 100% renewable electricity to almost 250,000 homes across England, Wales and Scotland. Our fixed rate tariff will always be one of the most competitive on the market, so customers can be sure they're not overpaying for their energy. We have consistently been recognised by our customers and the wider industry for our outstanding customer service since we were founded in 2015. In 2020 we were a Which? Recommended Provider and we are currently third in the market wide Citizens Advice supplier performance rankings, having topped this ranking more times than any other supplier since it began measuring customer service in 2017.

---

[5] FCA "FCA sets out proposals to tackle concerns about general insurance pricing" press release
[6] FCA "FCA sets out proposals to tackle concerns about general insurance pricing" press release

Section 1: CMA and Ofgem rationale for allowing PCW exclusives

The CMA Energy Market Investigation recommended multiple changes to the way in which suppliers operated, and one of these was to remove "the prohibition against tariffs exclusive to new/existing customers", including through PCWs.[7]

The rationale for the recommendation was based upon the CMA's view that "PCWs would be well placed to negotiate exclusive tariffs with suppliers, which would have the effect of putting competitive pressure on energy suppliers and the costs of acquiring customers"[8], and one of the key aspects being that "PCWs could have an incentive to offer suppliers lower commission rates in exchange for exclusive rights to cheaper deals".[9]

Ofgem shared the CMA's view on the benefit to consumers of improving competition but also highlighted "the removal of this rule does carry the risk that some stickier customers are excluded from the best deals (unless they switch), but that on balance the long-term benefits of competition and innovation outweighed this".[10] On the potential impact of suppliers not needing to show exclusive tariffs to loyal customers, Ofgem conceded "there is a risk that, following the removal of this rule, the CTM does not identify the tariff that is actually the 'cheapest' for any given consumer, potentially undermining the tools' effectiveness as a prompt to engage".[11]

In order to address the risk of inactive consumers being exploited by energy suppliers through pricing strategies, the CMA "recommended that Ofgem establish a programme to promote customer engagement and create a database of 'disengaged customers' on default tariffs. Rival suppliers will be allowed to prompt these customers to engage in the retail energy markets".[12] These plans for this database were dropped in 2019 due to the introduction of the price cap.

Although the imposition the price cap may have prevented individual customers from being charged rates deemed 'too high' according to the methodology that has been defined, there remains significant consumer harm as these loyal customers are not able to switch or even get visibility of the exclusive tariffs which are for new customers only. Therefore, the likelihood of these loyal customers to engage is much lower than before the changes.

The sections below address the failure of the perceived benefits to materialise and highlight the negative outcomes that have played out since.

---

[7] CMA "Energy Market Investigation Final Report", paragraph 12.357, p767
[8] CMA "Energy Market Investigation Final Report", paragraph 9.504, p574
[9] CMA "Energy Market Investigation Final Report", paragraph 12.417, p785
[10] Ofgem "Helping consumers make informed choices – proposed changes to rules around tariff comparability and marketing", paragraph 2.31, p14
[11] Ofgem "Helping consumers make informed choices – proposed changes to rules around tariff comparability and marketing", paragraph 2.32, p.14
[12] Ofgem "Helping consumers make informed choices – proposed changes to rules around tariff comparability and marketing", paragraph 2.33, p14

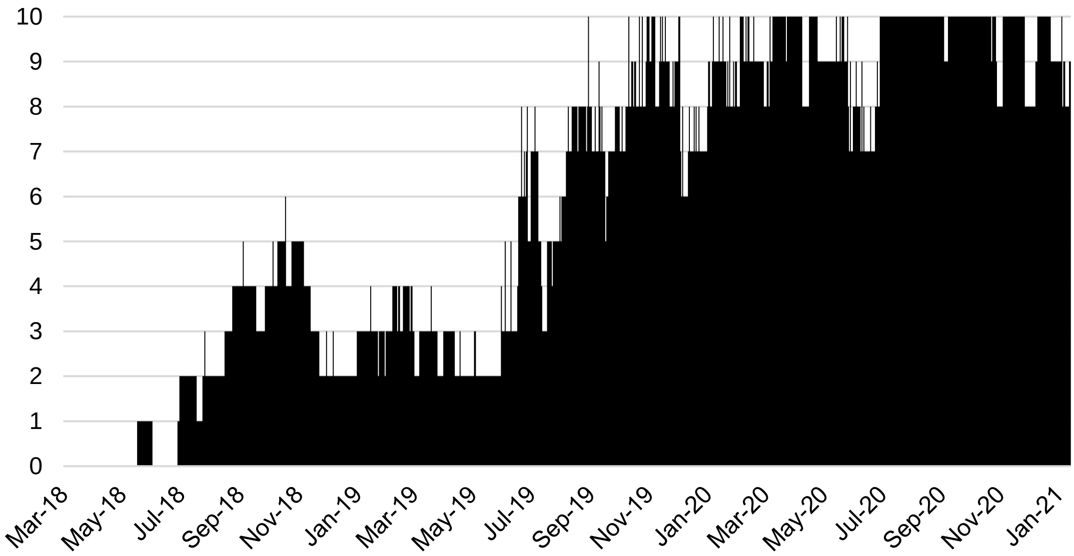
Section 2: How the market responded to these changes

In the time since these recommendations were implemented in 2018, it is now clear from both market data and So Energy experience that the expected benefits have not materialised.

In the period since, So Energy has seen no reduction in PCW rates for acquiring customers, but rather the opposite has occurred with most PCW fees increasing since 2018. This is data that So Energy is able to share on a confidential basis if required.

From a competition perspective between PCWs, we have clearly seen a significant increase in the number of exclusive tariffs in the market, as demonstrated in Graph 1 below. The first PCW exclusive tariffs were introduced in mid-2018, and began dominating PCW search results from mid-2019. Since early 2020, exclusive tariffs have made up almost all of the most competitive 'top 10' cheapest switchable tariffs on major PCWs.

Graph 1: Exclusive Tariffs in top 10 on uSwitch since 2018[13]



However, almost all of the exclusive deals that are available in the market are not PCW specific, and therefore are not promoting competition or innovation between PCWs; one of the key drivers for the change in the first place. As of 25th February 2021, all of the top 5 tariffs on the uSwitch result page were exclusive tariffs, with none of them being specific to uSwitch only, and therefore not offering any value in promoting inter-PCW competitiveness.

In addition to the lack of competition between PCWs, there has also been little tariff innovation on the part of suppliers, despite the CMA and Ofgem listing this as one of the key reasons for implementing the changes in the first place. None of the tariffs available

[13] MyUtilityGenius and So Energy data. Note this data may be incomplete due to exclusive tariff data not being shared with all PCWs. Ofgem has the ability to conduct more extensive analysis by using the 'data dictionary' tariff prices that suppliers have been required to share with Ofgem since 2018

on PCWs evidence any innovative element, except that they are exclusive and therefore hidden from view and inaccessible to loyal customers of the same supplier. Yet again, suppliers have simply found another way to offer discounted deals to new customers at the expense of overcharging their loyal customers.

For So Energy, in order to remain competitive and financially sustainable, we have had to reform our pricing principles to adopt these tactics (albeit to a much lesser extent than most). As a result of the changing market environment, with loss making exclusive PCW tariffs dominating the way suppliers price in the market, in June 2020 So Energy reluctantly abandoned its policy of offering the same single fixed rate to new and existing customers (something we had done since being founded). Now, So Energy has a tariff priced more competitively on PCWs, with the rates for loyal customers increased to fund the acquisition of loss-making new customers from PCWs. Despite So Energy having an operating cost per customer around 50% lower than traditional incumbent suppliers, and therefore being at a competitive advantage, our fair pricing model was no longer financially sustainable.[14]

The section below looks specifically at how this has caused a new loyalty penalty.

---

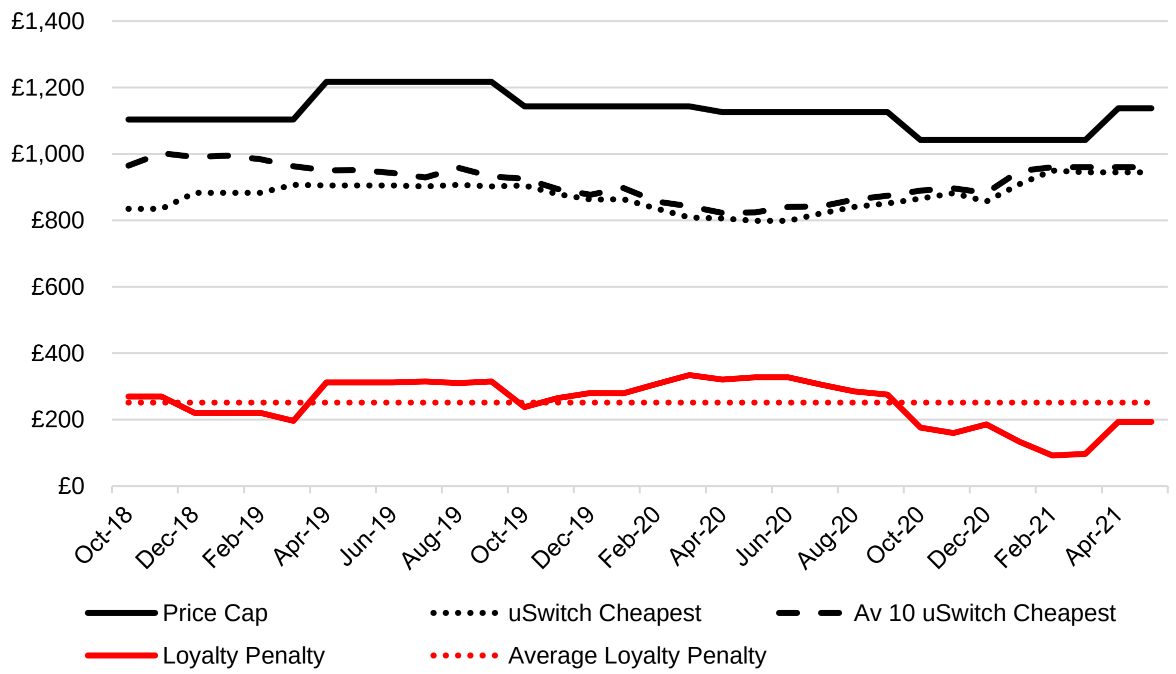
[14] This is confidential data, but based on data taken from So Energy internal reporting and published Consolidated Segmental Statements of the Big Six

Section 3: The size of the new loyalty penalty

Citizens Advice reported in January 2020 that the spread between the level of the price cap and market leadings deals remained wide, even after the introduction of the price cap.[15] That analysis of the period between April 2018 and December 2019 indicated a gap between best deals and price capped deals to be in the region of between £150 and £300 per customer per year.

So Energy's own analysis of the period since the market changes to allow exclusive tariffs occurred in 2018 shows that the loyalty penalty, from a market-wide perspective, has remained between £100 to £300 across the period with an average penalty of £251 per customer per year.

Graph 2: Loyalty Penalty (£/customer/year)[16]



The main cause of fluctuations in the loyalty penalty are due to the differences in time horizons on which energy suppliers set fixed tariffs and Ofgem sets the price cap. The price cap takes into account wholesale prices over a reference period in advance of the period to which it applies, whereas cheaper exclusive tariffs are generally priced by energy suppliers according to the live wholesale rates. This lag in the way the price cap responds to wholesale rates tends to be in the region of 6-12 months behind the trend of the cheapest tariffs.

---

[15] Citizens Advice "When the cap no longer fits discussion paper", p5

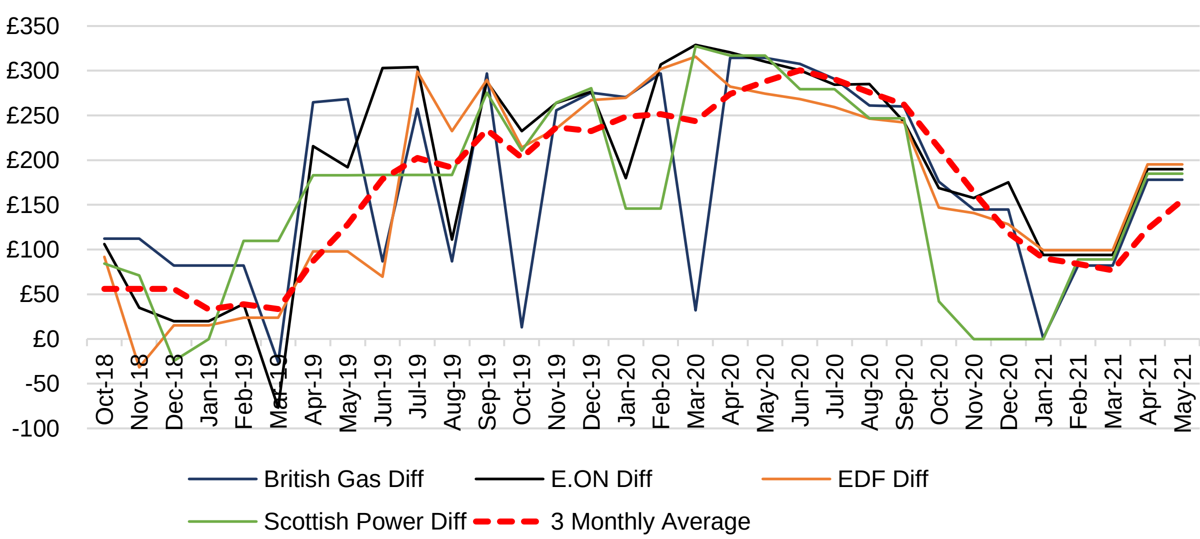
[16] MyUtilityGenius and So Energy data. Note this data may be incomplete due to exclusive tariff data not being shared with all PCWs. Ofgem has the ability to conduct more extensive analysis by using the 'data dictionary' tariff prices that suppliers have been required to share with Ofgem since 2018

From the second half of 2020 onwards, wholesale prices have increased substantially, and the cheapest fixed rate tariffs responded accordingly and increased, narrowing the gap in early 2021. The impact of the wholesale cost increases on the price cap rate have now started to take effect for the price cap period April to September 2021, and will also impact the October 2021 period onwards. This explains the narrowing of the gap between cheapest deals and the price cap levels in early 2021. From April 2021, the gap has now started to widen out again as wholesale prices have stabilised and the price cap methodology 'catches up' with the wholesale market. Overall, a gap of around £250 between the SVT rates and the cheapest tariffs offered by the same suppliers has remained consistent.

With customer switching in 2020 at around 6 million households, or around 20% of the total 30 million households, 24 million households are not switching and therefore missing out on £250 of savings per household.[17] This means that the loyalty penalty could be costing consumers as much as £6 billion per year.

As well as looking at the loyalty penalty from a market-wide standpoint, it is particularly useful to analyse one step further and look at the tariff pricing of the largest energy suppliers, and those with largest 'loyal' customer base who may never have switched. This analysis demonstrates that the loyalty penalty has become greater for those customers of the larger incumbent suppliers, and these suppliers supply the majority of the market. The majority of UK consumers, who have remained on supply with these suppliers, whether on SVTs or renewing fixed deals, and may likely never have switched, are funding the loss-making exclusive tariffs which these suppliers have available to new customers on PCWs.

Graph 3: Loyalty Penalty from Remaining Big Six (£/customer/year)[18]

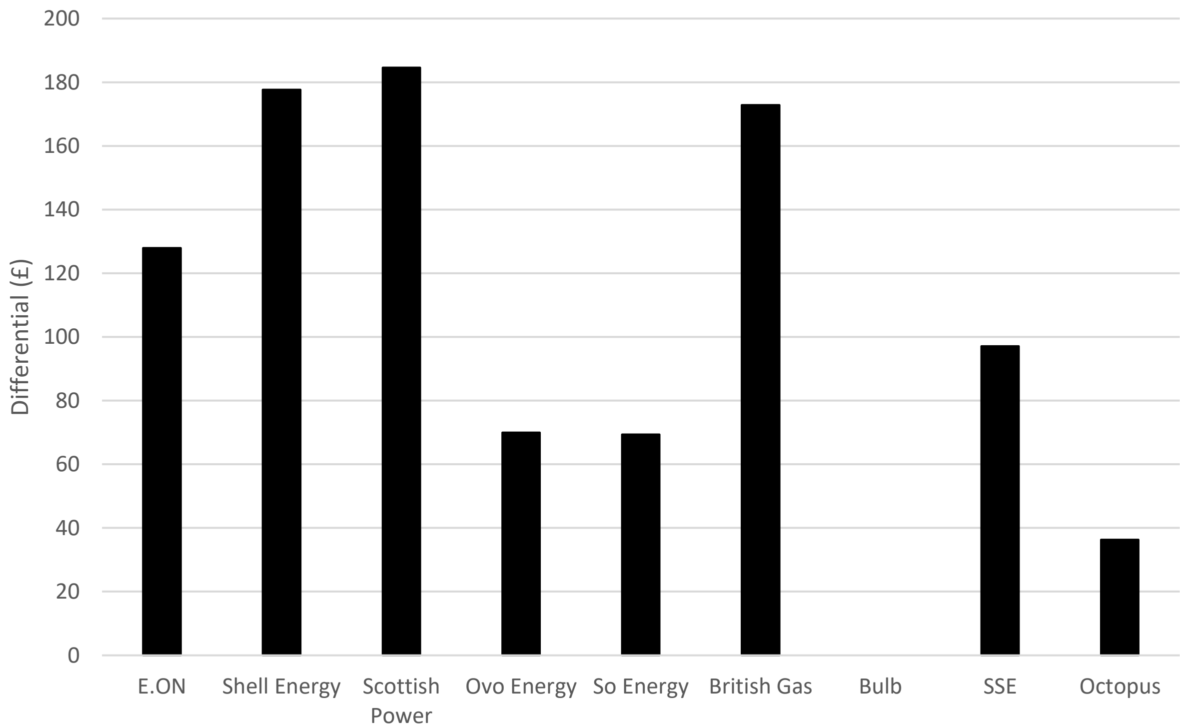


[17] EnergyUK "Six million customers switch electricity supplier 2020" press release
[18] MyUtilityGenius and So Energy data. Note this data may be incomplete due to exclusive tariff data not being shared with all PCWs. Ofgem has the ability to conduct more extensive analysis by using the 'data dictionary' tariff prices that suppliers have been required to share with Ofgem since 2018

Prior to the rule changes in 2018, a larger loyalty penalty was not feasible due to the transparency required by the CTM rules. Previously, CTM rules would have meant that these suppliers had to be transparent by showing these exclusives to loyal customers on bills, at renewal and at the point of an SVT price change. Since the changes, however, this transparency requirement was removed and suppliers were able to offer much cheaper exclusive tariffs without informing their existing customers. As Graph 3 shows, from mid-2018 onwards, there has been an increase in the loyalty penalty offered by the larger incumbent market players from around £50 per customer per year to as high as £250 during the middle of 2020, and is currently around £190.

Putting it another way, when taking a snapshot of the cheapest deals on PCWs (the majority of which are exclusives as outlined above) there are significant differentials between these and the cheapest deals available to renewing customers of each respective supplier. The graph below is a snapshot from 10th March 2021 and shows these differentials are as high as £184 per year, with an average of £103 per year. This is the extent to which loyal customers are missing out and is something which CTM does not highlight.

Graph 4: Comparison of some of the largest energy suppliers in uSwitch top exclusive deals on 10/03/2021 vs suppliers' publicly available tariff for renewing customers (which would be shown on CTM)[19]



[19] MyUtilityGenius and So Energy data. Note this data may be incomplete due to exclusive tariff data not being shared with all PCWs. Ofgem has the ability to conduct more extensive analysis by using the 'data dictionary' tariff prices that suppliers have been required to share with Ofgem since 2018

Section 4: Additional impacts of this new loyalty penalty

After considering how the market responded to the rule changes, and after looking in detail at how this impacts the loyalty penalty customers pay, this section outlines three additional impacts that these changes are having on the market.

Lack of pricing transparency

Ofgem's Licence Condition 31F.4 outlines rules for how customers can compare and switch tariff and supplier. "The licensee must ensure that each Domestic Customer is provided with information in a Form and at a frequency that is sufficient to enable that Domestic Customer to understand that they can switch Tariff and Electricity Supplier, and may benefit from doing so, including financially".[20] In addition, Licence Condition 31F.6, outlines that suppliers must provide customers with important tariff data at key customer prompt points.[21]

Unfortunately, as exclusive tariffs are only offered on PCWs for new switchers (and therefore not the customers that are being provided CTM information on bills, renewal notifications, SVT price change notifications and annual statements) the exclusive tariffs do not ever get shown to loyal customers. This was not the case before the changes were made to exclusive tariff rules. Under the new changes, exclusive tariffs do not fit within the definition of 'Alternative Cheapest Tariff', which "means, in comparison with the Estimated Annual Costs for each specific Domestic Customer's Tariff, the cheapest Tariff available from the licensee (or, where there are any Affiliate Licensees, the licensee and any Affiliate Licensees) for that Domestic Customer". As 'that' domestic customer is not a new customer, suppliers do not need to show these cheaper deals at any point.

As an example, on 17th February 2021, British Gas announced an increase in their SVT up to the price cap rate of £1138/yr taking effect from 1st April 2021 for an Ofgem medium customer.[22] At the same time British Gas were the cheapest of all suppliers in the market on uSwitch with an exclusive tariff that was priced at £965/yr (Energy Plus Protection Feb 2022v5). For all loyal customers of British Gas, whether they are loyal SVT customers facing an increase in rates of £97/yr or loyal fixed rate customers at the point of contract renewal, they would be shown CTM which would offer the new SVT rate or one of their alternative (non-exclusive) fixed rates (e.g.Home Energy Fix Apr 2022), which are all priced at £1138/yr or more. No loyal customer would ever get to see the cheapest exclusive rate, despite being shown a 'cheapest alternative' on bills, on the SVT increase notification, or for a renewing customer who was seeing a renewal quote.

The CTM is defined by Ofgem as "a personalised message provided by a supplier to its customers about what the cheapest available tariff is with that supplier, including an estimate of how much the customer would save if they moved to this tariff".[23] This is now categorically not the case. Loyal customers do not get visibility of the rates that suppliers

[20] Ofgem "Electricity Supply Standard Licence Conditions", 31F.4, p283
[21] Ofgem "Electricity Supply Standard Licence Conditions", 31F.6, p284
[22] This is Money "British Gas is the first of the Big Six to announce it's hiking prices for millions of default tariff customers in April after the pirce cap announcement" news article
[23] Ofgem "Helping consumers make informed choices – proposed changes to rules around tariff comparability and marketing", Glossary, p69

are offering to new customers. The CTM rules effectively facilitate suppliers lying to their customers about their cheapest deal, which will harm customer engagement and trust.

Additional operational costs for suppliers

Customers who want to access the best deals are now forced to call their supplier to check the best tariff (especially if they have seen the exclusive on a PCW but not on their renewal quote) and either try and negotiate over phone, or then make the switch away to another PCW exclusive deal.

This false economy of having to continually search and switch, aside from damaging trust, increases operational costs for all suppliers. So Energy's analysis, outlined below, suggests these could be in the region of around £55 per customer per year of additional costs, or £1.65 billion across the UK's 30 million households. Additional costs arise from the following areas:

a) Increased marketing and acquisition costs as a result of higher switching rates as customers can only get the best deal by moving to a new exclusive tariff
b) Increased operational costs in administering an increased number of customers switching away as it was the only way to get the best deal
c) Increased operational costs as a result of higher customer contact around renewal to challenge their quote
d) Search and switch costs for consumers in order to ensure they are on the best deal each year

So Energy's own modelling suggests that costs a), b) and c) could be in the region of around £15 per customer per year, with the burden of the costs being placed on loyal customers.[24]

There are also costs associated with d). Extensive FCA analysis from their report on the home and motor insurance market showed these costs to be in the region of £20 per customer for searching, and £20 per customer for switching.[25] Given the similarities with regard to searching and switching energy provider and home / motor insurance, it is likely that the costs for energy customers would be similar.

Encouraging financially unsustainable supplier behaviour

The increasing prevalence of sub-margin tariff pricing has an additional distorting effect of encouraging a race to the bottom in pricing, and thereby increasing consumer harm further. With newer entrants dependent on gaining critical mass to deliver profitability, financially sustainable growth is hampered by incumbent competitors pricing at loss making levels, and funding these losses through loyal customers on non-exclusive tariffs.

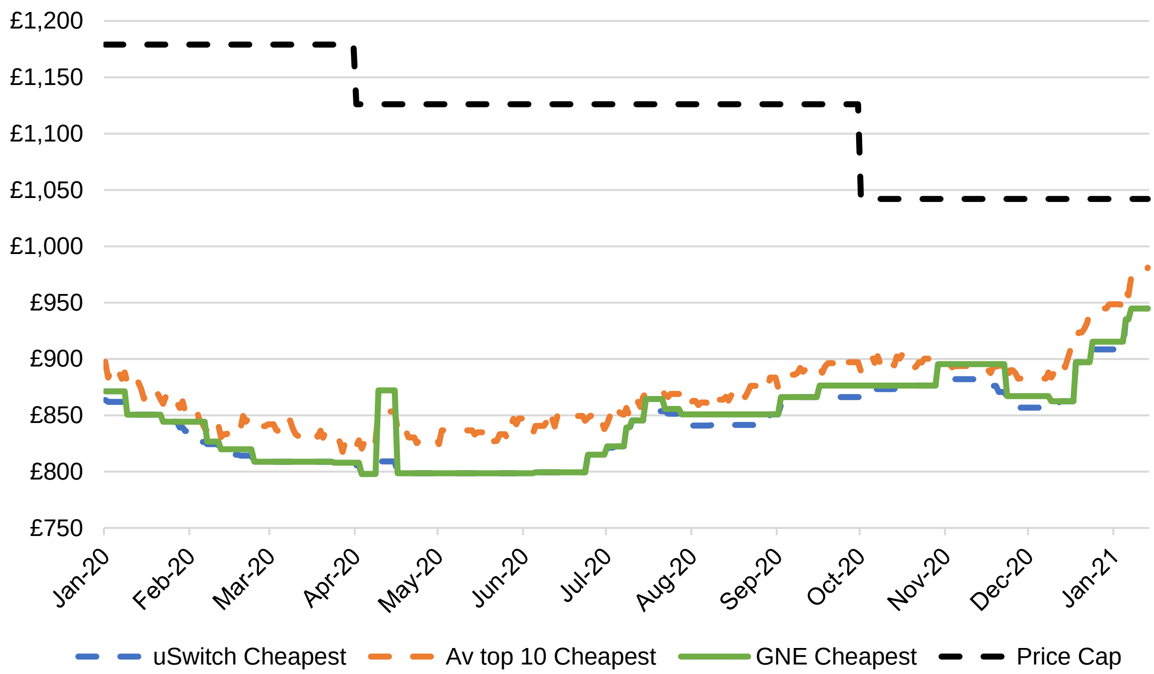
The low pricing that has been increasingly common on PCWs has accentuated this effect and has been a key factor in supplier exits over the last 3 years. Supplier failures erode trust in the market and ends up costing every single bill payer in the country, as they are

[24] This analysis can be shared on a confidential basis if requested
[25] FCA "General insurance pricing practices interim report", paragraph 5.32, p32

the ones who have to foot the bill for customers' lost credit balances during the Supplier of Last Resort process.

Taking the most recent supplier failure - Green Network Energy - it is clear that this supplier was pricing at the lowest end of the market. Despite the growth in customer numbers, Green Network Energy entered administration in January 2021 after being one of the most competitively priced suppliers for the whole of the year before.

Graph 5: Green Network Energy pricing vs the market Jan 2020 to Jan 2021[26]



With regard to So Energy, from 2015 when we started supplying our first customers until mid 2020, we offered new and renewing customers the same fixed rate deal at any given time. There was no loyalty penalty and customers were treated fairly. Due to the rule changes outlined above, and the subsequent changes to pricing structures from other suppliers to fund loss making PCW exclusive tariffs through higher loyal customer tariff rates, we could no longer offer a competitive tariff at the same time as remaining financially sustainable. Despite having an operational cost per customer around 50% lower the former Big Six, which acts as a huge competitive advantage, we could not offer all customers the same loss-making tariff in a sustainable manner if we wanted to maintain our busines growth.

We highlighted these concerns to Ofgem in the Summer of 2020 and our proposed actions to change our pricing model to one where we would have a cheaper exclusive PCW tariff, in order to maintain market share and/or grow, but this would need to be paid for by increasing the tariff rates for our loyal customers.

[26] MyUtilityGenius and So Energy data. Note this data may be incomplete due to exclusive tariff data not being shared with all PCWs. Ofgem has the ability to conduct more extensive analysis by using the 'data dictionary' tariff prices that suppliers have been required to share with Ofgem since 2018

In June 2020, we took the regrettable decision to make a change to our pricing model, and our ongoing financial incentives each day are to further increase the prices for loyal customers as far as possible, in order to fund growth with exclusive acquisition tariffs. Our strong view is that the prevalence of exclusive tariffs distorts competition in a harmful way, as the only commercially rational approach from energy suppliers is to charge the biggest possible loyalty penalty as loyal customers are less likely to switch, and therefore are used to subsidise loss-making tariffs to support growth.

Section 5: FCA actions in the insurance market

There has been recent action in other sectors to tackle loyalty penalties and properly analyse the impacts on consumers and competition. The most relevant for the energy sector is in the home and motor insurance markets where there are strong similarities in the nature of the loyalty penalty, and where the FCA has taken recent action to prevent customer harm. They have proposed a remedy that ensures the “renewal price should be no higher than the equivalent new business price the firm offers”.[27]

The FCA conducted extensive analysis on the market and outlined the harm that is done by having a market dominated by cheaper pricing for new customers, with loyal customers paying more. Harms identified include ‘distorted competition’, ‘higher price for customers who do not switch’, ‘higher overall search and switch costs for consumers’, and ‘high acquisition costs being passed onto consumers’.[28] All of these resonate strongly with what we see today in the domestic energy supply sector.

One key area of focus of the FCA analysis was to highlight that although the pricing could work for those customers that switch regularly, the reality was that competition overall was distorted and that “competition is not working well for all consumers”.[29] The same is true in the energy sector, where some consumers get the best prices by switching regularly. However, the majority of consumers end up paying more, and those in this majority include those that are most likely to be in financial difficulty.

The FCA also outlined “we expect our remedies to improve the nature and intensity of competition. This would mean firms competing in a more effective and innovative way, which should lead to lower overall costs for supplying insurance, more intense competition and ultimately lower average prices paid by customers”.[30] This is contradictory to the conclusions of the CMA in its energy market investigation, where it was felt that exclusive tariffs could encourage innovation. The changes in the energy market since exclusive tariffs were introduced have shown that the only innovation has been to discriminate against loyal customers. So Energy’s view is that the FCA’s analysis on differential pricing is far stronger, proven by real life examples and should be upheld when informing policy on pricing practices within other regulated markets.

The FCA are also proposing to introduce an “attestation provision”, requiring regular confirmation from a “Senior Manager” that the firm’s pricing practices comply with the pricing rules.[31] In the insurance sector, customers have different risks and therefore pricing is more opaque when comparing like-for-like. This is therefore a useful tool to really ingrain fairer pricing principles into the sector. For energy, something similar could be introduced to ensure suppliers can innovate (for example by creating tariffs that are specific to EV drivers) but also uphold the high-level principle that customers should be offered the same fair rates at renewal as they would be offered as a new customer.

---

[27] FCA “General insurance pricing practices final report”, paragraph 5.4, p22
[28] FCA “General insurance pricing practices final report”, paragraph 3.24, p15
[29] FCA “General insurance pricing practices final report”, paragraph 3.24, p15
[30] FCA “General insurance pricing practices final report”, paragraph 1.21, p7
[31] FCA “General insurance pricing practices final report”, paragraph 5.7, p22

Section 6: Our recommendation to Ofgem

Ofgem's role is "to protect consumers now and in the future by working to deliver a greener, fairer energy system".[32] We therefore believe that Ofgem should take action on this issue for the following reasons:

1. Consumers are not currently protected by the prevalence of the loyalty penalty
2. The system is intrinsically unfair as penalises those that can least afford to pay
3. The damage in trust will impact our ability to deliver a greener energy system

Ofgem is an independent authority and has a responsibility to review the current market issues in an independent manner. As this paper outlines, the growth in exclusive tariff pricing, and omission of these tariffs from CTM rules, was triggered by CMA recommendations and implemented by Ofgem.

As an independent authority, Ofgem (and indeed the CMA) should be taking action to review the consumer failings that have resulted from these changes when they have been shown to cause customer harm. Since the CMA's Energy Market Investigation in 2016, the CMA has taken action in five other sectors to tackle the loyalty penalty, but energy not subject to the same scrutiny on account of the original energy market investigation.[33] Unfortunately, as this report shows, the energy sector has moved backwards over the last three years when looking at the existence of loyalty penalties, and transparent pricing, and it is only through the price cap that further serious harm to consumers is being curtailed.

We also note that Ofgem should be taking action independent of the current BEIS 2020 Energy White Paper proposals which we believe will not address the specific issues identified in this report.

Our recommendations are outlined below:

1. Existing customers should be able to access the same tariffs as new customers, so PCW exclusives should be banned
2. CTM rules should be tightened so that it explicitly includes tariffs available to new customers, whether they are switching through PCWs or elsewhere
3. Like the FCA, and in order to mitigate against concerns that not all tariffs are comparable (e.g. where an EV may be required), a rule should be introduced to require regular confirmation from a "Senior Manager" that the firm's pricing models comply with some defined general principles of fairness, as well as the Standard Licence Conditions themselves.[34]

We look forward to engaging with stakeholders on this issue.

For more information please contact soenergy@fieldconsulting.co.uk

[32] Ofgem "Who we are" webpage
[33] CMA "Loyalty penalty super complaint" webpage
[34] FCA "General insurance pricing practices final report", paragraph 5.7, p22