Understanding Consumers' Energy Tariff Choices: Summary of Findings

Fieldwork conducted in March – April 2024
Published July 2025

Prepared by BMG and Ofgem

Contents

Executive Summary

Evidence from Ofgem's consumer research indicates that energy tariff switching has been gradually increasing. The availability of tariffs has been growing, and the re-emergence of fixed tariffs has led to increased bill savings from switching, but market engagement remains below levels seen prior to the global gas crisis in 2021. Ofgem want to ensure that consumers are appropriately supported to navigate their energy tariff choices and support the return of healthy competition in the market.

Ofgem commissioned BMG to conduct research to explore the factors that influence consumer behaviour in the energy market, and how this differs among consumer groups. We wanted to find out what factors are most important to consumers in switching decisions and to what extent the presence of exit fees deters switching.

To do this, we recruited over 3,000 GB energy bill payers to take part in a choice experiment and survey. The research was designed to gain insight into consumer understanding and knowledge of tariff types and attributes, as well as which tariff features affect decision making including price/savings, exit fees, and customer service ratings. Using both a survey and experiment allows us to explore and explain the choices consumers make and to verify whether self-reported information concurs with behaviour.

Importance of tariff features in the choice to switch

- Levels of annual savings presented in the experiment are the most important factor in driving tariff choice – but customer service and exit fees are also important drivers. The modelled probability of choosing a deal – keeping all other attributes at the optimum level showed that 58% consumers would switch for a £50 savings per year. Meanwhile, tariff type (fixed or variable) has little impact.

- Deals where annual savings fall below £100 start to become disproportionately less appealing, as do deals where the customer service rating falls to 3.5 stars[1] (out of a range of 1 – 5 stars) or below – although ratings below 3.5 stars are rare in the real world.

- Consumers who highly rate their current suppliers, especially at 5 stars, show greater resistance to switching, particularly to deals with poor customer service. In contrast, those who rate their current supplier 3.5 stars or less are more inclined to switch across all rating levels presented in the experiment. Those who give their current supplier the lowest ratings (1-1.5 stars) are not averse to choosing equally low-rated deals if savings are available. This suggests that while good service encourages loyalty, bad service doesn't deter some consumers from choosing poorly rated deals if savings are attractive.

- Exit fees have a notable impact on the probability of consumers switching. The steepest decline in probability of choosing occurs between no fee and a £50 fee, underscoring how even a minimal exit fee can cause consumers to reconsider the attractiveness of a deal.

[1] This was presented as 'customer service rating (as rated by other customers)'

- Reported household spending on energy has a very limited impact on how consumers evaluate prospective deals. This suggests that respondents were mainly considering absolute savings rather than in proportion to their overall energy spend, especially between £75 and £200 saving per year where no significant relationship exists. However, it does have some effect at the extremes of the savings scale presented in the experiment, where a small but statistically significant correlation exists. Higher fuel spenders are less likely to switch for smaller savings and more likely to switch for savings of £300 per year (the highest savings amount presented).

- Across the choice experiment, there is evidence of an ambiguity aversion effect. This describes how we tend to avoid options that we consider to be ambiguous or missing information.[2] In the case of our experiment, we found that consumers who believe they have exit fees or have a greater understanding of fees place less emphasis on them in their decision-making and are more likely to switch when exit fees are present. Similarly, consumers with a better general understanding of the market say they are more likely to switch.

Consumer understanding and knowledge of energy usage and tariff

- **Knowledge of energy usage details**: Most consumers have incomplete knowledge of the details of their current energy deal. Whilst we wouldn't expect all consumers to have detailed energy knowledge it is interesting that only 23% report that they know their rough usage in kWh, 27% know where to find their Meter Point Administration Number (MPAN), and around half (53%) know how much they spend. Most consumers report that they do not know what information they need to compare deals on comparison sites without having to look, with some reporting that they are not confident they could find it at all (for rough usage this was 12%; energy spend – 5%; MPAN – 20%). More financially vulnerable consumers[3] were also the least confident in finding these details, indicating that the consumers who could benefit the most from savings face additional barriers to accessing them.

- **Tariff understanding:** Understanding of tariff types is variable among consumers, and many consumers show confusion about how different types of tariffs operate, particularly when it comes to the implications of exit fees and standing charges, despite often reporting high confidence. Around 1 in 5 reported that they have no understanding of what fixed or variable tariffs are (15% and 19% for fixed and variable, respectively). This reported lack of understanding stretches to consumers on their own deals, with considerably more claiming to be on fixed tariffs (38%) than the official data suggests (11%) indicating that it is likely that some are incorrect. This is consistent with other Ofgem research.

- **Exit fees:** Many consumers have a relatively poor understanding of exit fees. Of those who report that exit fees applied to their current deal at the time of choosing it, around 1 in 3 (35%) say it made them feel less sure about choosing their deal.

- **Customer service:** Four factors are perceived by research respondents as contributing to high customer service star ratings seen on a comparison site. In order, these are competitive pricing

[2] Frisch, D. and Baron, J. (1988), Ambiguity and rationality. J. Behav. Decis. Making, 1: 149-157. https://doi.org/10.1002/bdm.3960010303

[3] Financial vulnerability is a variable that was originally designed as part of the Consumer Impact of Market Conditions (CIM) survey to measure vulnerability to the cost of living crisis. It is determined by assessing the ability to save in the next 12 months, handle unexpected bills, and recent borrowing habits. These metrics combine to define four financial vulnerability categories

and value for money (51% believed this would be the main factor contributing to a high rating) – the stand-out factor by some distance - followed by: the professionalism, politeness and helpfulness of staff (42%); accuracy and clarity of billing (42%); and prompt responses to inquiries and issues (41%).

- **Ability to make savings:** There is limited confidence that deals where customers would make savings are available on the market. Overall, just 24% of respondents believe it is likely that fairly substantial savings are available, highlighting that many remain sceptical about the opportunity to reduce bills.

This research provides a unique perspective on tariff choices and understanding by combining self-reported and experimental methods. The conjoint experiment provided detailed insights into the trade-offs and priorities individuals consider when making decisions. By combining this with survey data, we achieved a comprehensive analysis that covered general attitudes and behaviours while also offering a deep understanding of specific factors influencing choices.

Policy implications

Ofgem's priority is to ensure robust consumer protection while fostering a competitive market that benefits consumers. This research highlights that levels of energy literacy remain low for many consumers. As the energy market evolves and more complex tariffs, products and services become available in the transition to Net Zero it will be increasingly important to ensure that consumers understand energy tariff components and can make informed choices.

The finding that levels of annual savings were the most important factor in driving tariff choice is consistent with other Ofgem research, but it is interesting that for many consumers, competitive pricing and value for money were perceived as factors that would contribute to a high customer service rating. There are potential implications here for the presentation of customer service ratings, designed to support consumer engagement.

This research indicates that more work may be needed to raise awareness of exit fees, although being cautious not to deter switching given even a minimal exit fee can cause consumers to reconsider the attractiveness of a deal. Ofgem are engaging with consumer groups to consider approaches for enhancing awareness.

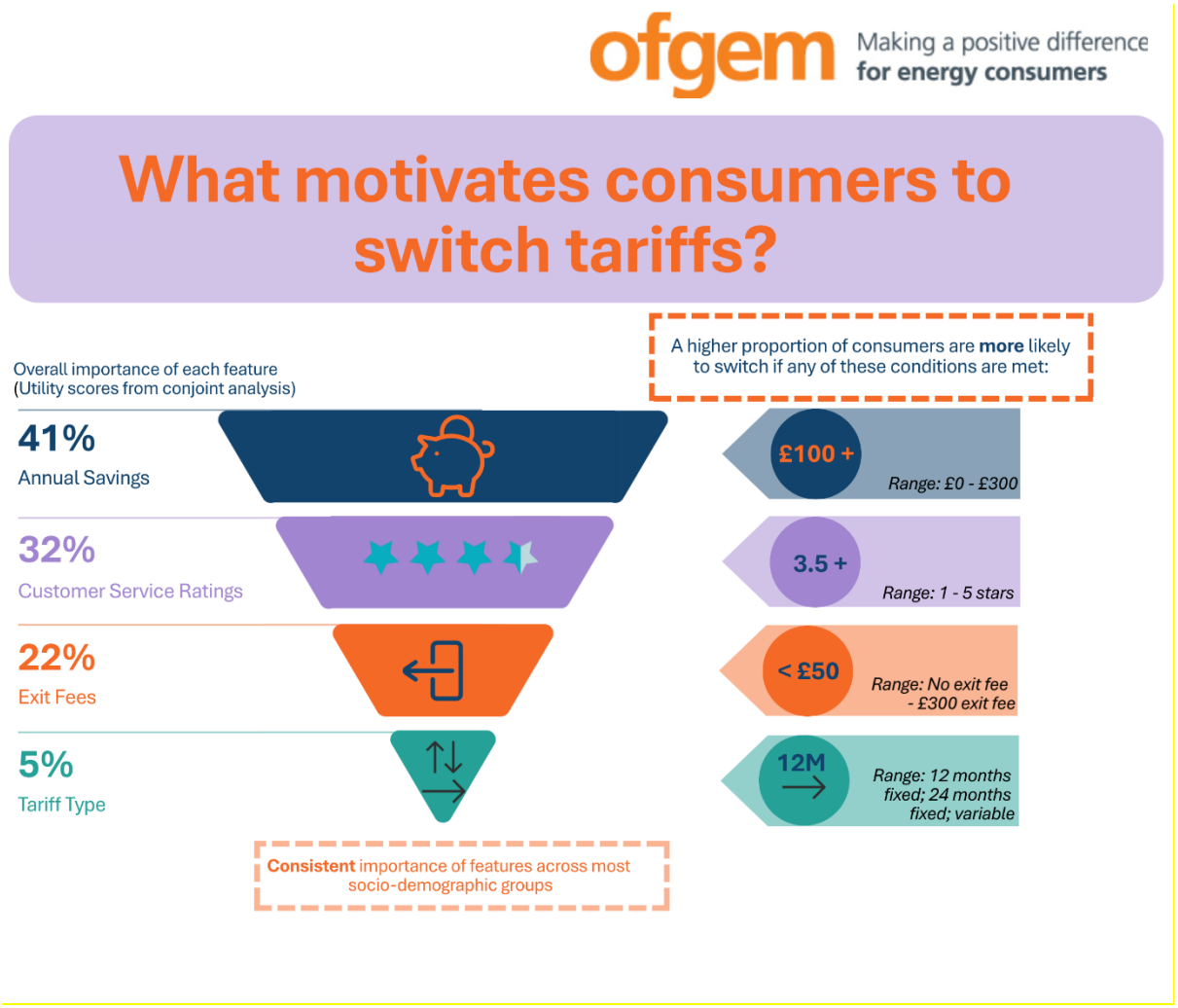


Figure 1: Infographic on what motivates consumers to switch tariff based on the choice experiment

PART 1: Choice experiment

Introduction

This research was designed to investigate how consumers choose between different energy tariffs and how they weigh different factors in the decision to switch. We used a conjoint experiment that tests the impact of annual savings, customer service rating, exit fee level and tariff type on consumer choices of alternative energy deals. This helps us to understand the trade-offs consumers are willing to make and the attributes that most influence their choice.

Method

Sample

BMG interviewed a sample of 3,235 consumers designed to be representative of GB energy bill payers between 29th March and 9th April 2024. All targets are based on proportions from the 2021 census and 2021 mid-year population estimates, except for payment type which is based on data provided by Ofgem and IMD which is based on the ONS release for 2019 in England and 2016 for Scotland. Those not responsible for bills were screened out of the survey.

Procedure

Respondents were first asked to reflect on their current deal – in terms of costs, and any benefits or drawbacks and asked to keep these in mind.

They were then shown a series of product packages and asked to select the most appealing deal they would choose to switch to. If no deal were appealing and they preferred their current deal, they could choose "none – stick with my current deal."

The features under investigation are shown in Table 1.

Table 1: All the tariff features investigated in the choice experiment

Feature	**Range/options**
Annual savings	£0-£300
Customer service rating	1-5 stars
Exit fee	No exit fee-£300 exit fee
Tariff type	12 months fixed term; 24 months fixed term; standard variable

Each time participants were shown deals to choose from, one feature of the products was changed while the others were kept constant, at the best level, to see the effect of the changed feature. For example, when testing how different levels of annual savings affected the choice, star ratings were kept at 5, no exit fees were assumed, and a fixed 12-month tariff was used.

Utility scores were calculated for all attributes, including the "none" option, to determine probabilities. In this context, utility scores represent the perceived value or preference for each attribute level.

Over a series of choices involving different features, we calculated the overall feature importance. This refers to the relative weight or significance each attribute contributes to the decision-making process of respondents, compared to other features.

While conjoint analysis aims to replicate real-world decision-making, it remains a simulation. For instance, exit fees might not be as prominently highlighted in actual marketing scenarios. Conjoint analysis offers valuable insights into consumer preferences and the relative importance of different product attributes but should be interpreted with caution due to the hypothetical nature of the decisions being made. The proportions in the conjoint simulations are estimates meant to gauge trends within the data rather than provide precise measures of market share or selection probability.

More details on the survey methodology, including the survey questions, weighting approach, and the analysis, can be found in the accompanying technical note.

Results

Overall drivers of choice

Annual savings were the most important factor driving tariff choice. The overall feature importance of level of savings was the highest at 41%, some way above the next most important feature. Customer service ratings and exit fees are also significant factors in deal choice, with scores of 32% and 22%, respectively.

Table 2: Feature importance scores

Feature importance scores	%
Annual savings	41%
Customer service rating	32%
Exit fee	22%
Tariff type	5%

Conjoint exercise. Base: All respondents (3,235)

Tariff type is much less important in consumer decision-making, with a feature importance score of 5%. This may be due to low understanding of tariff types (see

PART 2: **Survey**). Of the three tariff types shown - 12-month fixed, 24-month fixed, and standard variable - the 12-month fixed tariff is the option that increases the probability that consumers choose the deal the most. The difference between them is small but significant.

Choices were similar across demographics. While there are some differences, feature importance scores are generally quite stable across different groups.

Differences observed across energy consumer characteristics include:

- **Age:** Younger consumers aged 18-34 are more likely to value customer service (37% feature importance score for customer service, above 35% for savings). Meanwhile, older consumers aged 65+ are more likely to prioritise savings (42% vs 30% for customer service).
- **Tariff type:** Fixed-rate customers place more importance on tariff type (6%) than variable-rate customers (5%). In both instances, consumers tend to prefer their current tariff type.
- **Customer service ratings:** Customers who rate their current customer service higher (i.e. 4+ stars) are more likely to place importance on customer service (33%) compared to those who rated their current provider as poor for customer service (28%). This may indicate that good customer service increases the prominence of customer service for subsequent decisions, or that those who already see customer service as important are more likely to have previously chosen suppliers with good customer service. By contrast, customers who rate their supplier 0-2 stars care particularly about potential savings (44%). In other words, although they perceive that they are getting relatively poor service, they may be willing to tolerate this if the savings they can make are substantial.
- **Exit fees on current contract:** Those who believe exit fees apply to their current deal are slightly less likely (21%) to prioritise them in their decision-making than respondents who do not believe they are subject to them (23%) or those who don't know if they apply (23%). Rather, customers who believe they have fees are more inclined to base their decisions on service ratings (34%) and tariff type (6%). This implies that the more familiar people are with fees, the less significant they become – at least to some extent. Later, we elaborate on how the unknown nature of exit fees contributes to their impact, which the behavioural science concept of ambiguity aversion might explain.
- **Financial vulnerability:** There is little difference in priorities based on financial vulnerability. For example, highly vulnerable consumers have scores that are close to identical (42%) for price savings to those doing well financially (41%).
- **Other factors:** Similarly, there are minimal differences in feature importance scores by current energy spend, current supplier size, and Priority Services Register eligibility.

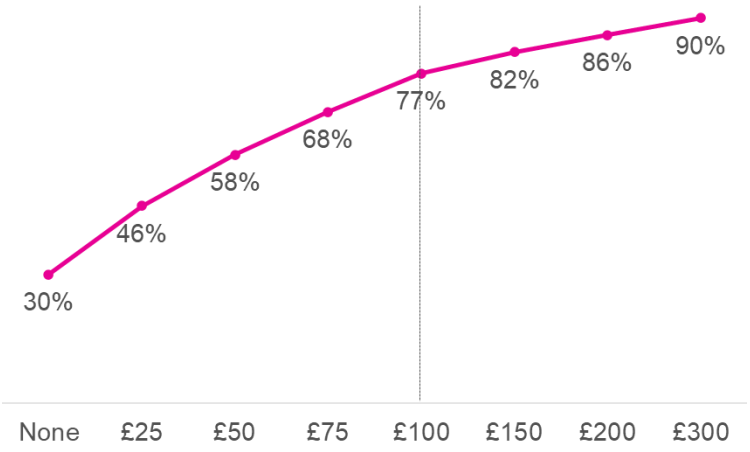
Annual savings

Consumers become less likely to opt for a deal once savings start to fall below £100 per year. Looking at the average probability of choosing a deal with that feature present – holding other factors constant at their optimum level[4] - once savings drop below £100 per year, the probability of opting for that deal relative to their real-life deal or another shown starts to fall (see Figure 2). Meanwhile, the difference in probability beyond a £100 saving is more marginal.

[4] These scores reflect the probability of choosing the model relative to not choosing it, holding all other factors constant at an optimum level. So, for example, by testing the impact on the probability of selecting at different levels of annual savings, it does so by holding a star rating of 5, assuming no exit fee, and with a fixed 12-month tariff.

In fact, results suggest that 58% of customers would hypothetically switch for annual savings of £50.

Figure 2: Likelihood of switching to deal by savings level per year



Conjoint exercise. Base: All respondents (3,235)[5]

Current spending on energy has a very limited impact on how customers evaluate prospective deals. The correlation between fuel spending and propensity to switch is weak. However, those who spend more on fuel are slightly less likely to switch for smaller savings levels and a little more likely when the savings reach £300 (see Table 3).

Table 3: Spearman's rank correlation between the propensity to switch and self-reported spending on fuel at each savings level (as understanding increases)

Savings levels	Spearman's rank correlation
0	**-0.07↓**
25	**-0.06↓**
50	**-0.04↓**
75	-0.03
100	-0.02
150	0.01
200	0.03
300	**0.05↑**

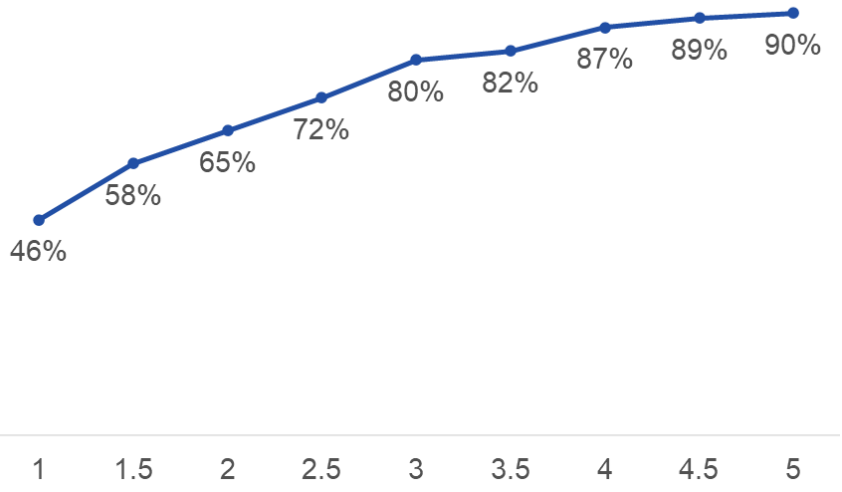
Conjoint exercise. Base: All respondents (3,235)[5]

[5] **Blue** represents a statistically significant positive correlation, while **red** represents a statistically significant negative correlation. Significance testing was conducted at the 95% confidence level.
The correlations are calculated using the underlying probabilities of switching when all other factors held at optimal level.

Customer service ratings

When the deal presented has supplier star ratings that drop to 3.5 or below, the likelihood of choosing it declines more rapidly. In the upper rating range above 3.5 stars, customer service differences influence switching decisions less.

Figure 3: Likelihood of switching to deal by customer service rating



Conjoint exercise. Base: All respondents (3,235)[5]

Across the full scale, a half-star increase in rating equates to an average of £39 in savings in consumer decision-making. However, when we focus on ratings of 3 to 5 stars, more commonly seen in the real world, the same half-star increase corresponds to £26 in savings.

Customers with higher satisfaction ratings for their current supplier are less likely to switch. When other factors are held constant at the optimal level, which includes £300 annual savings, respondents who rate their current supplier between 1 and 3.5 stars are significantly more likely than those with higher current ratings to switch to a deal at every star rating level, including for a deal with the lowest ratings (i.e. 1 to 1.5 stars).

Meanwhile, respondents who rate their supplier more highly, particularly right at the 5-star top end, are less likely to switch – especially when it comes to much lower-rated deals. For example, the probability of switching among consumers who rate their suppliers as 5-star is 39% for a 1-star rated deal, compared to 57% for those who rate their deal between 1 to 1.5 stars. Though they are still less likely to switch, the probability of switching to another highly rated deal 5-star for customers who give their current supplier a 5-star rating is only marginally lower (87% vs 92% who rate their current supplier 1 to 1.5 stars).

Accordingly, at least under experimental conditions, rather than being driven by poor service to find a better-quality alternative, customers who give their suppliers the poorest ratings tend to accept lower service ratings if it comes with significant savings.[6] This could be because even a mid-range

[6] Evidence elsewhere in the survey shows that those with the lowest ratings are more likely than average to want to switch suppliers and, having compared suppliers, are much more likely to cite seeking customer service as a reason. It is possible that in reality, these customers seeking out better deals in this instance would place more emphasis on customer service ratings and reviews than the experiment suggests.

rating could be on par or slightly better than they rate their current deal, so more of the deals are a good deal for them relative to their current deal. Alternatively, it could be a selection bias: those who place more importance on customer service (and show this under experimental conditions) are more likely to have chosen a highly rated supplier; those who place less importance on it may be satisfied with a lower rated supplier.

Table 4: Probability of switching based on customer service rating of current supplier

Start rating for hypothetical switch	Average	1 to 1.5	2 to 2.5	3 to 3.5	4 to 4.5	5
1 Star	46%	**57 %↑**	**61 %↑**	**49 %↑**	**42 %↓**	**39 %↓**
1.5 Stars	58%	**68 %↑**	**71 %↑**	**61 %↑**	**55 %↓**	**51 %↓**
2 Stars	65%	**74 %↑**	**76 %↑**	**68 %↑**	**63 %↓**	**57 %↓**
2.5 Stars	72%	**80 %↑**	**80 %↑**	**75 %↑**	**71 %↓**	**64 %↓**
3 Stars	80%	**86 %↑**	**86 %↑**	**82 %↑**	**80 %↓**	**74 %↓**
3.5 Stars	82%	**86 %↑**	**87 %↑**	**84 %↑**	**82 %↓**	**76 %↓**
4 Stars	87%	**90 %↑**	**90 %↑**	**88 %↑**	87 %	**83 %↓**
4.5 Stars	89%	**91 %↑**	**91 %↑**	**90 %↑**	89 %	**86 %↓**
5 Stars	90%	**92 %↑**	**92 %↑**	**91 %↑**	90 %	**87 %↓**

Conjoint exercise. Base: All respondents (3,235)[7]

The percentages in this table are probabilities of switching when all other factors are optimal. For example, with an optimal saving of £300, no exit fee and a 12-month fixed tariff, we predict that 91% of consumers who gave their current supplier a customer service rating of 1 to 1.5 would switch.

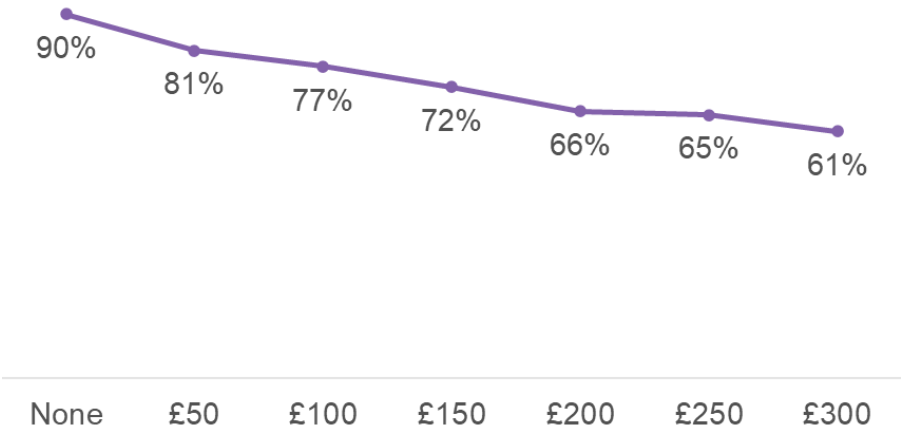
*Please exercise caution due to the lower base size (n=115). Customers giving star ratings of 0-0.5 stars are not shown due to a low sample size.

[7] **Blue** represents significantly higher than average, while **red** represents significantly lower. Significance testing was conducted at the 95% confidence level.

Exit fees

Exit fees have an impact on the probability of consumers switching. When holding everything else constant at the optimum level (so a deal with £300 annual savings with a 5-star rated supplier), the presence of an exit fee reduces the probability of choosing a deal from 90% without one present, to 61% when a £300 fee is present. The most significant drop in probability occurs when transitioning from no exit fee to a minimal £50 fee, highlighting the psychological barrier that even a small fee introduces, leading consumers to question the attractiveness of a deal.

Figure 4: Likelihood of switching to deal by exit fee level



Conjoint exercise. Base: All respondents (3,235)[5]

A £38 reduction in price savings is equivalent to a £50 increase in exit fee. A small but notable share of consumers are particularly sensitive to fees. 17% of consumers disproportionately prioritise exit fees over other factors when deciding to switch. This is calculated by identifying consumers whose individual feature importance scores for exit fees are higher than those for price savings. Younger and more financially vulnerable individuals as well as those who belong to an ethnic minority group, live in more deprived areas and are behind on their bills are particularly sensitive to exit fees. Crucially, this aligns with the profile of consumers who have a lower understanding of exit fees (see Part 2).

Consumers who are aware of exit fees on their current deal are a little more likely to select the option to switch deal in the experiment than those who don't think they have exit fees or are unsure.[8] As Table 5 shows, this effect is evident at all savings levels, even the lower end of the savings scale. Those who report having an exit fee on their current deal may be more likely to understand what an exit fee is and/or be more engaged consumers who are more prepared to consider switching to new deals. It is also possible that, because the question we asked was not framed that clarified if they would switch immediately, may have led them to assume it would be once their contract ended and they no longer had to pay the exit fee.

Table 5: Probability of switching when…

Savings level	Consumers thought they had an exit fee on their current contract	Consumers didn't think they had an exit fee on their current contract	Consumers weren't sure if they had an exit fee on their current contract
£0	**41%↑**	**26%↓**	**26%↓**
£25	**56%↑**	**40%↓**	**42%↓**
£50	**68%↑**	**54%↓**	**56%↓**
£75	**76%↑**	**65%↓**	**66%↓**
£100	**83%↑**	**75%↓**	**75%↓**
£150	**87%↑**	**81%↓**	81%
£200	**90%↑**	**85%↓**	85%
£300	**93%↑**	**89%↓**	89%

Conjoint exercise. Base: All respondents (3,235)[9]. Note that the value of the exit fee for the respondent plan is unknown. However, exit fees are generally lower than the potential savings of £300.
The percentages in this table are probabilities of switching when all other factors are held at optimal level.

Customers with an exit fee on their current deal are more likely to switch to a deal with an exit fee. Those who believe they have exit fees are more likely to switch to other fixed tariffs with exit fees than those who don't or are unaware. This trend holds true across all exit fee levels – see Table 6.

Table 6: Probability of switching when…

Exit fee level	Consumers thought they had an exit fee on their current contract	Consumers didn't think they had an exit fee on their current contract	Consumers weren't sure if they had an exit fee on their current contract
No exit fee	**93%**	**89%**	**89%**
£50 exit fee	**87%**	**78%**	**78%**
£100 exit fee	**84%**	**74%**	**74%**
£150 exit fee	**80%**	**69%**	**69%**
£200 exit fee	**75%**	**62%**	**62%**
£250 exit fee	**74%**	**61%**	**61%**
£300 exit fee	**70%**	**57%**	**57%**

Conjoint exercise. Base: All respondents (3,235)[10]

[9] **Blue** represents significantly higher than average, while **red** represents significantly lower. Significance testing was conducted at the 95% confidence level. This is based on Spearman's Rank Correlation. Significance testing was conducted at the 95% confidence level.

[10] **Blue** represents significantly higher than average, while **red** represents significantly lower. Significance testing was conducted at the 95% confidence level. This is based on Spearman's Rank Correlation. Significance testing was conducted at the 95% confidence level.

The percentages in this table are probabilities of switching when all other factors are held at optimal level.

Exit fee understanding also leads to a greater propensity to switch at every exit fee level. [11] As consumers' understanding of exit fees increases, the propensity to switch suppliers also increases at every exit fee level. In other words, knowledge of exit fees and how they work makes them less of a barrier—there is no evidence that greater knowledge makes customers more resistant to their inclusions. The correlation exists at every level, but it does weaken as fees increase.

Table 7: Correlation understanding of exit fee and propensity to switch at each exit fee level

Exit fee level	Spearman's rank correlation
£0	**0.09↑**
£50	**0.07↑**
£100	**0.06↑**
£150	**0.06↑**
£200	**0.05↑**
£250	**0.04↑**
£300	**0.04↑**

Conjoint exercise. Base: All respondents (3,235)[12]
The correlations are calculated using the underlying probabilities of switching when all other factors held at optimal level.

Market engagement and understanding are associated with a higher propensity to switch at all exit fee levels.[13] As is the case with exit fee understanding, consumers with a better understanding of the market are generally more likely to switch suppliers at all exit fee levels, including those in the higher range (see Table 8). We also see a similar pattern for savings levels (Table 9Table 8) – with engagement and understanding in the market leading to a higher propensity to switch, aside from the lowest amounts of between £0-25. Again, this is another set of data points that point to an ambiguity aversion effect.

[11] Understanding of exit fees was a composite score calculated using responses to four statements: 1. Customers may have to pay an exit fee if leaving a fixed tariff contract before it ends; 2. Customers may have to pay an exit fee when leaving a variable tariff contract; 3. Customers may have to pay an exit fee if they leave a fixed tariff early and move to another tariff with the same supplier; and 4. Exit fees do not vary and are set at a standard rate). Respondents' knowledge of fees was scored based on the accuracy of their answers and their confidence in being correct on each statement, with scores then combined into a composite variable.
[12] **Blue** represents a statistically significant positive correlation, while **red** represents a statistically significant negative correlation. Significance testing was conducted at the 95% confidence level.
[13] The understanding and engagement metric is a composite measure that evaluates accuracy and understanding across multiple survey questions. The questions assess respondents' knowledge of their energy tariff type, their energy usage and spending, and familiarity with key information like the Meter Point Administration Number (MPAN). They also explore whether respondents find it challenging to compare energy deals, their understanding of different tariff types and their associated benefits, and their awareness of exit fees and how they work. Overall, the metric aims to gauge how well consumers understand and navigate their energy options.

Table 8: Correlation between the propensity to switch and our measure of understanding and market engagement at each exit fee level

Exit fee level	Spearman's rank correlation
£0	**0.10↑**
£50	**0.11↑**
£100	**0.11↑**
£150	**0.11↑**
£200	**0.11↑**
£250	**0.11↑**
£300	**0.11↑**

Conjoint exercise. Base: All respondents (3,235)[5]

The correlations are calculated using the underlying probabilities of switching when all other factors held at optimal level.

Table 9: Correlation between the propensity to switch and our measure of understanding and market engagement at each savings level

Savings levels	Spearman's rank correlation
£0	0.01
£25	0.02
£50	**0.04↑**
£75	**0.05↑**
£100	**0.06↑**
£150	**0.08↑**
£200	**0.09↑**
£300	**0.10↑**

Conjoint exercise. Base: All respondents (3,235)[5]

The correlations are calculated using the underlying probabilities of switching when all other factors held at optimal level.

Discussion

This research provides insight into the relative importance of features of tariffs that consumer use to make decisions about switching. Notably, annual savings is likely to be the most important driver of switching followed by customer service and exit fee.

As an online experiment involving hypothetical decisions, there are limitations to these findings. In fact, in the real world, annual savings might be more important than we found, for a number of reasons.

Firstly, the ranges of other features we tested were more variable than seen in the real world. For example, in our model, the customer service rating varied randomly between 1 star and 5 stars – but as our survey (Part 2) shows, a majority of consumers (60%) give their supplier a rating of between 4 and 5 stars; if the ratings for new deals reflect this, the variation customers are likely to see will be more limited.

There is also likely to be interactions between the factors we tested. For example, in Part 2 consumers saw competitive pricing and value for money (51%) as a key factor in contributing to high customer service ratings, so they may have assumed that the two features are correlated or have focused more directly on narrower customer service considerations.

Finally, on comparison sites in the real world, features like exit fees and customer service ratings may be less prominent in the visual hierarchy of information. This may lead consumers to focus disproportionately on price savings.

We found that consumers value savings in absolute terms rather than in proportion to their bill. This means that it may benefit suppliers to frame savings in cash rather than percentage terms, i.e. £150 and not a 3% saving – particularly for customers with higher energy outgoings.

Customer service rating was also an important factor in the experiment, though mainly at ratings of 3.5 stars or lower. Given that most customers already rate their supplier at 3 stars or higher (87%), this could point to a need to differentiate between average and excellent suppliers better.

A £38 reduction in price savings is equivalent to a £50 increase in exit fee. This is arguably disproportionate. While exit fees and savings aren't entirely equivalent, the relatively limited difference underscores the impact exit fees had on respondents' decision-making during the experiment. Given they will only encounter an exit fee if they leave their contract early, exit fees in the experiment may serve as a greater perceived barrier than their actual impact might warrant. From a behavioural science perspective, this may reflect loss aversion bias, where people are more sensitive to perceived losses than gains and, therefore, base their decisions primarily on avoiding losses, even when potential gains may be equal or greater.

Crucially, those who have a lower understanding of exit fees have a similar profile to those who are most deterred by them. The overlap suggests that ambiguity aversion bias is a potential factor contributing to their heightened consideration of exit fees. Uncertainty about what it may mean if a tariff has an exit fee may cause people to quickly reject a deal that includes one, regardless of other potential benefits of selecting the deal.

Attribute levels summary table

Table 10: Attribute levels summary table

Attribute levels	Modelled probability of choosing deal - holding other attributes at the optimum level
Annual savings	
£0 savings per year	30%
£25 saving per year	46%
£50 savings per year	58%
£75 saving per year	68%
£100 savings per year	77%
£150 saving per year	82%
£200 saving per year	86%
£300 saving per year	90%
Customer service rating	
1 star	46%
1.5 stars	58%
2 stars	65%
2.5 stars	72%
3 stars	80%
3.5 stars	82%
4 stars	87%
4.5 stars	89%
5 stars	90%
Exit fee level	
No exit fee	90%
£50 exit fee	81%
£100 exit fee	77%
£150 exit fee	72%
£200 exit fee	66%
£250 exit fee	65%
£300 exit fee	61%
Tariff type	
Fixed – 12-month	90%
Fixed – 24-month	87%
Standard Variable	89%

Conjoint exercise. Base: All respondents (3,235)[5]

PART 2: Survey

Introduction

In addition to the choice experiment we used a survey to gather broad quantitative data on energy consumers' preferences, attitudes, and behaviours in relation to multiple features of the energy market, including consumer awareness and understanding of tariff features. These questions build on topics covered in Ofgem's Consumer Impacts of Market Conditions survey.[14]

Method

Sample

The sample was the same as in Part 1.

Results

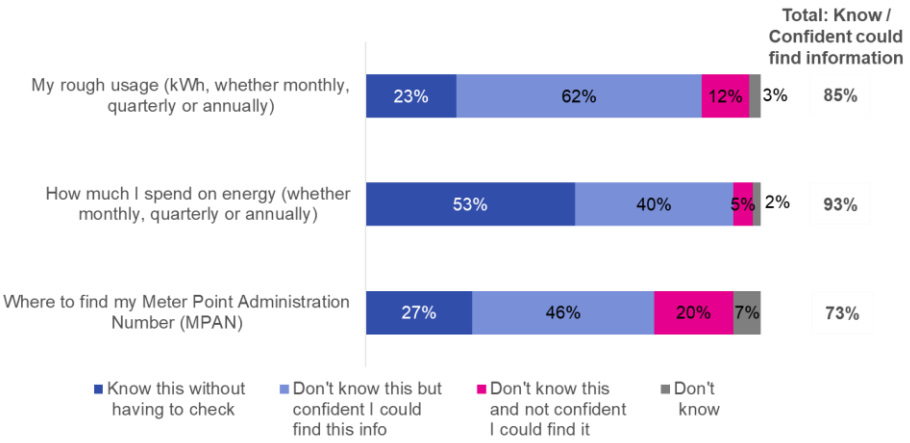
Energy literacy: Many consumers do not know the details of their current energy deal

Many consumers do not know some of the information needed to compare deals on comparison sites without having to look.[15] Whilst we wouldn't expect all consumers to have expert energy knowledge, just 23% of consumers say they know their *rough* usage in kWh (whether monthly, quarterly, or annually) without having to check. A similar share (27%) say they know where to find their MPAN[16] without having to look. Even when it comes to how much they spend (whether monthly, quarterly, or annually), only around half (53%) say they know this information without checking.

However, many consumers say that while they don't know the information, they are confident they could find it. 62% say this with respect to their rough usage in kWh, 40% for how much they spend, and 46% for their MPAN.

Therefore, the totals of those who say they know or are confident they can find their rough usage, spending, and MPAN are high (85%, 93% and 73%, respectively).

Figure 5: Knowledge of aspects relating to their current energy deal



[14] Consumer impacts of market conditions survey: wave 5 (January to February 2024) | Ofgem

[15] The details tested were typically information that you are asked to provide to compare deals on price comparison websites including rough usage in kWh, current spending on energy, and MPAN.

[16] An **MPAN** (**Meter Point Administration Number**) is a unique reference number for each electricity supply point.

C6: Considering your current energy deal, how well do you feel you know the following details? Base: All respondents (3,235)[5]

Financially vulnerable consumers are most likely to lack confidence they could find these details. 7% of consumers classified as doing well financially say they don't know their rough kWh usage and are not confident they could find it, compared to 19% of consumers who are vulnerable and 24% who are highly vulnerable.[17] Accordingly, those who could potentially benefit most from making savings are arguably least likely to have the information to make an informed decision. A similar relationship exists with age: younger consumers are less confident that they could find the information, while older consumers are more confident they could. As these are self-reported measures, it is unknown whether confidence levels are justified.

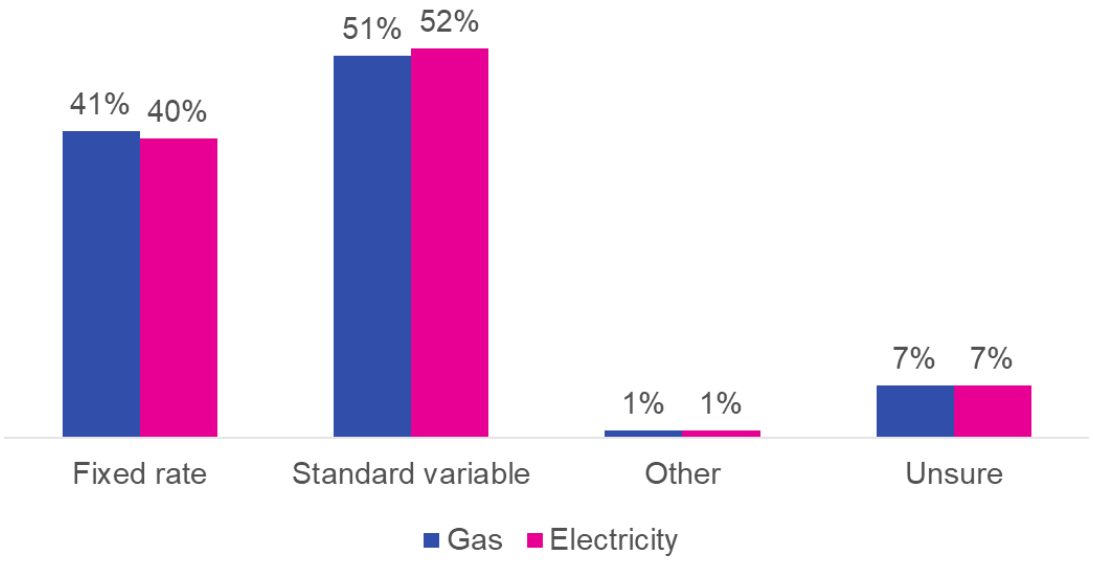
Tariff understanding: Understanding of tariffs is inconsistent– particularly when it comes to the implications for exit fees and standing charges

Many incorrectly attribute their tariff type. While self-reported knowledge of usage and spending is patchy, knowledge about tariff type is even lower. Reflecting a pattern seen in other Ofgem surveys, considerably more consumers claim to be on fixed tariffs (41% gas, 40% electricity) than the official data suggests (11%), indicating it's likely that some are incorrect.[18] Despite this, just over half of those reporting that they are on a fixed or a variable tariff report being very confident in their tariff type. For example, 55% of consumers who say they are on a fixed tariff for electricity report being 'very confident' this is the case, while 38% say they are 'somewhat' confident. It is possible that misreporting is because:

- Some consumers may mistakenly confuse the price cap with a fixed tariff.
- Consumers might be unaware that their fixed tariff has lapsed and transitioned to a variable rate.

[17] Results analysed by our cost of living classification. See details above.
[18] See Ofgem's Data Portal - Retail market indicators | Ofgem

Figure 6: Current tariff by energy type

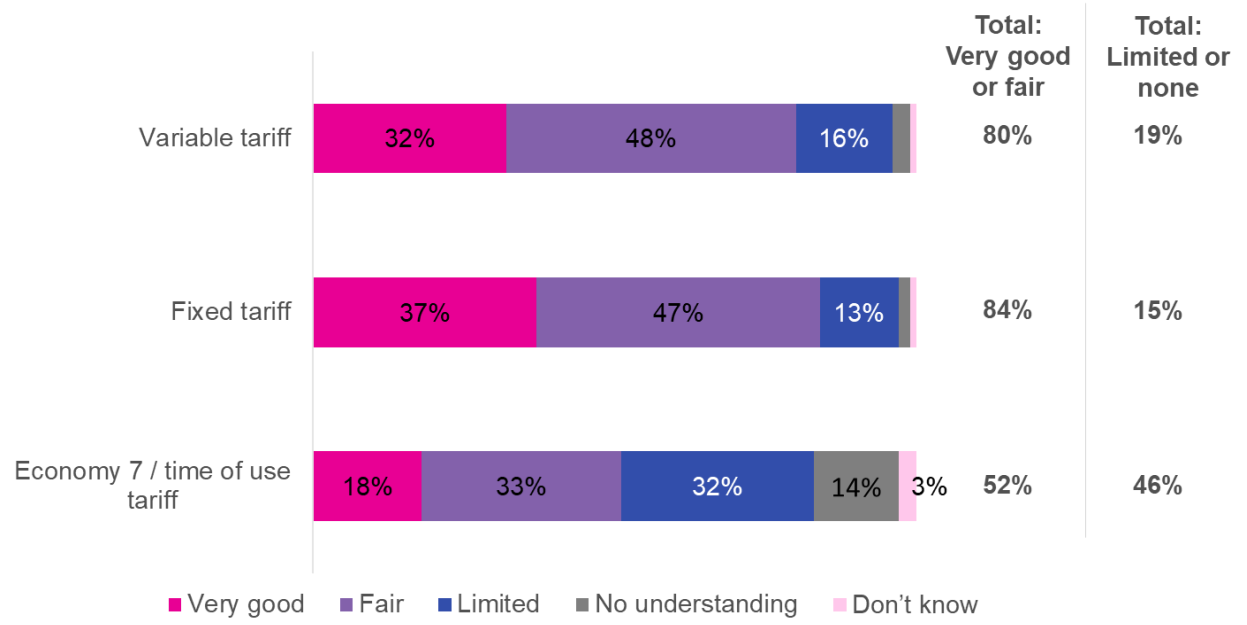


B1: What kind of tariff are you on for…? Base: Gas consumers (2,806); Electricity consumers (3,201)

A significant minority have a limited or non-existent understanding of tariffs. Around 1 in 5 reported that their understanding was limited or that they had no understanding.[19] A large share rate their understanding of fixed and variable tariffs as "fair" (47% for fixed and 48% for variable), with around a third saying they have a "very good" understanding (37% for fixed and 32% for variable).[20]

[19] Survey questions that probe understanding or knowledge are often susceptible to what's known as "overclaiming". This phenomenon occurs when respondents assert more familiarity or expertise with a subject than they possess. This can often be driven by a desire to conform to perceived social norms or simply the psychological inclination to view oneself in a more favourable light.

Figure 7: Self-reported understanding of tariff types



E3: How would you rate your understanding of the following energy tariff types? Base: All respondents (3,235)[5]. Labels under 3% not shown.

Most consumers understand the broader benefits of fixed and variable tariffs. Most correctly identify that budgeting is easier for fixed tariffs (80%) and that you could end up paying less if prices drop when on a variable tariff (76%). Similarly, when presented with hypothetical scenarios where prices are predicted to both rise and fall, about 3 in 4 can correctly identify which is a better tariff type in the circumstances.[21]

However, fewer are clear about what tariffs mean for exit fees. Only half of consumers correctly identify that switching deals without being charged an exit fee is a benefit of a variable tariff (54%). This may, in part, be due to the absence of exit fees in the market when the research was conducted, particularly after the gas crisis. During this period, many supplier tariff offerings were limited to standard variable tariffs due to reduced competition, resulting in consumers having limited exposure to exit fees. It could also be linked to inconsistencies in supplier practices in providing information about exit fees to consumers.

Table 11: Understanding of tariff type benefits

Benefit	A variable tariff	A fixed tariff	Of both (fixed and variable)	Of neither	Don't know
Easier to budget as you know how much energy will cost per unit for the contract period.	10%	**80%**	7%	1%	2%

[21] Response to questions: Please indicate whether each of the following is a feature of fixed tariffs, variable tariffs, or both? Base: All respondents (3,235)

No need to monitor the market for price changes.	17%	**64%**	9%	7%	3%
Can usually switch deals without being charged an exit fee.[22]	**54%**	13%	20%	9%	4%
If prices drop, you could pay less per unit used.	**76%**	11%	8%	2%	2%
Often no long-term commitment is required.	**59%**	15%	15%	7%	3%

*E4: Please indicate whether each of the following is a feature of fixed tariffs, variable tariffs, or both. Base: All respondents (3,235) The percentages highlighted in **green** were the correct answers.*

Understanding of time-of-use tariffs is lower. A combined total of 46% of consumers describe their understanding of time-of-use tariffs as limited (32%) or say they have no understanding (14%)—much higher than those who say they have limited or no understanding of variable (19% combined) and fixed tariffs (15% combined). This is unsurprising, given the relatively low prevalence of time-of-use tariffs.

Understanding of tariff types varies across demographic groups. Understanding is generally lower among younger respondents aged 18-34, prepayment and standard credit consumers, those on lower incomes, consumers behind on their bills, and those more financially vulnerable. For example, those most likely to describe themselves as having limited or no understanding of variable tariffs are disproportionately younger (23% of 35-49s vs 15% of those over 65s), on prepayment meters (35% vs 23% for standard credit and 15% for direct debit), and/or vulnerable/highly vulnerable to the cost-of-living crisis (33% and 32% vs 14% getting by and 9% doing well).

Similarly, those least likely to be able to identify that a fixed tariff is best in a scenario where energy prices are predicted to rise over the next year are typically younger (64% of 18-34s vs. 79% of over 65s), on lower incomes (67% of those whose household income is below £20K vs 76% of those whose income is higher than this); and struggling to pay energy bills (64% amongst those struggling vs. 79% amongst those having no difficulties).

Exit fees: Consumers lack a clear understanding of exit fees – and there is evidence to suggest they can affect consumer decision making

Most know exit fees can apply to some contracts, but many don't know if they apply to their own. Around 3 in 4 consumers say they are aware that exit fees can sometimes apply (77%). However, as many as three in ten say they don't know whether one applies to their tariff (31%). Consumers who believe they are on fixed deals are more likely to think they apply to their contract (52%), unsurprisingly – but many of these consumers are still unsure (26%), with around 1 in 5 reporting that they don't or don't think they do (22%).[23] Equally, a notable minority of consumers who say

[22] Some fixed tariffs do not have an exit fee

[23] Not all fixed deals come with exit fees. Since we depend on respondents' knowledge and memory, we can't determine the accuracy of their answers, but the figures point toward high levels of both inaccuracy uncertainty.

they are on variable contracts believe they apply (15%) or are unsure (30%), when it is likely they do not.

Most know exit fees apply to fixed contracts but fewer know how or when exactly they apply. Most know exit fees may apply to fixed contracts (88%). However, the share that can identify that they may still apply to a fixed contract even when moving to another deal with the same supplier is much lower (57%). It is important to note that some suppliers do not charge exit fees in this scenario. Moreover, around half (45%) incorrectly say they can apply to variable tariffs, and as many as 35% mistakenly believe the fees are applied at a standard rate.[24]

Table 12: Understanding of exit fees / how they work

Statement about exit fees	Definitely true	Probably true	Probably false	Definitely false	Don't know	Net: True	Net: False
Customers may have to pay an exit fee if leaving a fixed tariff contract before it ends	45%	43%	5%	1%	6%	88%	6%
Customers may have to pay an exit fee when leaving a variable tariff contract	12%	33%	24%	17%	14%	45%	41%
Customers may have to pay an exit fee if they leave a fixed tariff early and move to another tariff with the same supplier	20%	37%	21%	6%	16%	57%	27%
Exit fees do not vary and are set at a standard rate	12%	24%	23%	28%	13%	35%	51%

D14: Do you think the following statements about exit fees for energy contracts are true or false? Base: All respondents (3,235)

A small proportion were unaware of fees when they chose their current deal. Almost one in ten (8%) of the 30% of consumers who believe they have an exit fee say they did not know about the fee when they chose their deal. Most say they were aware (91%) – but this includes a substantial minority who say they "think they knew" (34%) as opposed to "definitely knew" (57%). Note that some of those who believe they are on variable tariffs also say they were unaware that their current deal had an exit fee when they chose it (14%). This suggests some level of confusion because if they are correct that they are on a variable tariff, then exit fees are unlikely to apply.

Exit fees may make people more cautious about selecting deals. For those who knew at the time, as many as 35% say it made them feel less sure about choosing their current deal. For the smaller

[24] We cannot say exactly how respondents interpreted the question, there are potentially interpretations of the question which may be correct.

share who say they were unaware they applied, 55 of 68 respondents said knowing would have made them less likely to opt for their current deal (interpret with caution due to low base size).

Customer service: Four key factors reported as contributing to high customer service star ratings

To better understand respondents' perceptions of what might lead to a good customer service rating, we asked them if they saw an energy supplier with a customer service rating of 4.5 or 5 stars out of 5 on a comparison site what might contribute to that rating. We randomly assigned half of the survey respondents to receive a closed-ended question with a multiple-choice response list. The remaining respondents were given an open-ended question, allowing them to provide their own answers. Responses to the closed question suggest the following factors are associated with a high supplier rating (see *Figure 8*).[25]

1. Competitive pricing and value for money (51%)
2. Professionalism, politeness and helpfulness of staff (42%)
3. Accuracy and clarity of billing (42%)
4. Prompt responses to inquiries and issues (41%)

Responses to the open question were similar and price and value for money emerged as a strong theme. When asked to answer in their own words, good tariff pricing/value for money (31%), ease of fixing issues (16%) and good communication (11%) emerged as the top responses behind generic references to "good customer service" (46%).

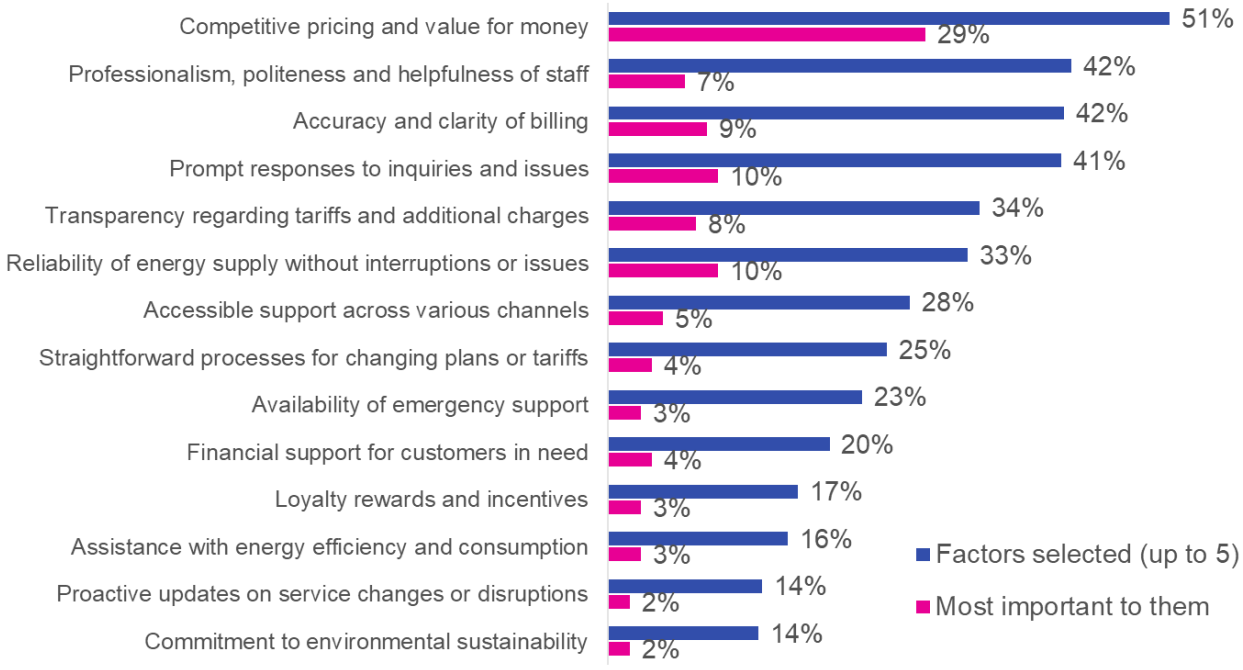
Older consumers (50+) were more likely than average to select most of the top four factors associated with higher supplier ratings. Meanwhile, younger consumers (18-34) disproportionately selected other elements, such as 'financial support for customers in need' (31%), 'loyalty rewards and incentives' (24%), 'assistance with energy efficiency and consumption' (21%), and 'proactive updates on service changes or disruptions' (20%). Those classified as doing well financially were slightly less likely than financially vulnerable consumers to prioritise competitive pricing/value for money (46% vs. 51%). Meanwhile, highly vulnerable consumers were less likely to select professionalism/politeness and helpfulness of staff compared to those doing well (34% vs. 47%).

Competitive pricing matters most to consumers. When asked which factor from the list was the most important *to them* (as opposed to what they perceive to contribute to a high star rating more generally), competitive pricing and value for money was, by some distance, the most important single factor (29%). This is irrespective of the extent to which consumers were financially vulnerable (28% selected this for the doing well group, as do 26% for consumers who are financially highly vulnerable).

[25] The full list presented to respondents was as follows: Competitive pricing and value for money; Professionalism, politeness and helpfulness of staff; Accuracy and clarity of billing; Prompt responses to inquiries and issues; Transparency regarding tariffs and additional charges; Reliability of energy supply without interruptions or issues; Accessible support across various channels; Straightforward processes for changing plans or tariffs; Availability of emergency support; Financial support for customers in need; Loyalty rewards and incentives; Assistance with energy efficiency and consumption; Proactive updates on service changes or disruptions; and Commitment to environmental sustainability.

Perceptions are consistent irrespective of how consumers rate their suppliers. Those rating their supplier with a low rating (i.e. 2 stars or less) within the research study have similar perceptions and priorities as those rating their supplier highly (i.e. 4 or 5 stars).[26]

Figure 8: Factors seen as most important in a high customer service rating



G1: If you saw an energy supplier with a customer service rating of 4.5 or 5 stars out of 5 on a comparison site, which of the following would you think would be the main factors that would have led to a high rating? G2: And out of the options you selected, which is the most important factor in customer service to you? Base G1: Half of all respondents, i.e. those that were shown the closed multi-code question (1,604). Participants were able to select more than 1 answer; Base G2: Respondents that selected more than 1 answer at G1 (1,412).

Market engagement: Most consumers say they are open to comparing/switching

More than half (62%) report having compared or switched energy deals in the last 6 months (i.e. Oct 2023 – March 2024). 39% compared but haven't switched, 13% switched tariffs with the same supplier, and 6% actively switched to a new supplier. A small share passively switched to a new supplier, e.g., by moving house or a supplier changing hands (4%).

Consumers who have not compared or switched in the past 3 months are more likely to be older, on a variable tariff, or have a prepayment meter. For example, 22% of 18-34s haven't compared or switched vs 46% of over 65s; 41% of those on exclusively variable tariffs vs 28% of those on exclusively fixed,[27] and 45% of consumers on a prepayment meter[28] vs 37% on standard credit and 35% paying by direct debit.

[26] Differences are small and occasionally statistically significant, but no more than 3 percentage points across the various items listed.
[27] Some customers have different tariff types for their energy supply, such as one for gas and another for electricity. 'Exclusive' refers to customers who only have either fixed or variable tariffs.
[28] Some PPM consumers may not be able to switch where the debt is large.

The main reason for comparing/switching was to get a cheaper deal. 63% of those who compared and 47% of those who switched cited wanting a cheaper tariff or deal as their top motivation. While this reason is the top factor by a significant margin for both of these groups, other reasons tend to play more of a role for those who had switched. Seeking a specific tariff type, better customer service, or loyalty rewards and incentives were more frequently reported by those who had switched than those who had compared and not switched.

Many respondents say they are likely to compare energy deals in the next three months but are less sure about their likelihood of switching. 60% say they will definitely or probably compare tariffs in the next three months, while 26% say the same about switching to a new tariff with their current supplier and 22% about switching to a new supplier.[29]

Ability to make savings: There is limited confidence that deals where customers would make substantial savings are available on the market

Around half of respondents think that potential savings might be available. Fifty-one percent say that it is fairly or very likely that there are energy deals that offer better value for money than their current deal. Just over a third (36%) think this is not very likely or not likely at all.

Few think savings on offer in the market are substantial. When you then ask those consumers who think saving is likely, around half (46%) think the saving offered would be at least fairly substantial.[30] In total, 24% of customers believe it is likely that at least *fairly* substantial savings are available.

Recent market engagement marginally improves confidence about the ability to make savings in the current market. 40% of consumers who have not switched or compared in the last 6 months think that there are unlikely to be better value deals available. This figure is very similar among those who have switched suppliers or tariffs (37%) and slightly lower for those who compared but did not switch (32%).

Discussion

The survey shows limited understanding of tariff types, particularly among certain groups of consumers, even while levels of confidence about knowledge and ability to find information are high. This illustrates the overconfidence often seen in self-reported data, potentially caused by social desirability bias – the drive to appear knowledgeable to researchers.

Consumers report that price and value for money are key components of customer service ratings, which makes it harder to separate these factors in our conjoint study. It also offers some evidence as to one possible contributing factor to why when prices rose sharply from 2021, customer service satisfaction also declined.[31]

[29] Respondents were presented with a grid and asked to indicate how likely they or someone in their household would be to engage in each activity over the next three months. Respondents selected their likelihood on a scale from "definitely will" to "definitely will not." Respondents could indicate their likelihood for each option, so overlap between responses is expected.

[30] The term "substantial" was not defined for respondents, leaving it open to their interpretation. The conjoint experiment (see below) suggests that for most consumers, the probability of switching starts. to decrease significantly once annual savings drop below £100. This could serve as a rough estimate of the threshold for perceived substantial savings.

[31] See ESAT customer service satisfaction figures available here: Energy Consumer Satisfaction Survey: January to February 2024 | Ofgem

While some consumers report that they are likely to switch in the next 3 months, many remain sceptical about the potential to substantially reduce their bills by shopping around.[32] We also see a potential intention-action gap in that 32% consumers say they are likely to switch in the next three months but only 23% actually did switch in the previous 6 months.

[32] This is supported by data from the latest wave of Consumer Impact of Market Conditions Study (CIM) conducted in January of this year. Findings show that a lack of perceived savings is the top barrier to switching and the share of consumers telling us they believed cheaper deals on offer has declined.

Overall discussion

This research presents two complementary methods to investigate questions about consumer choice, understanding and weighting of factors relating to energy tariffs. In line with substantial research[33][34] into consumer choice, both the survey and experiment indicate that financial considerations are most important to consumers in switching decisions. In both cases, customer service ratings, while difficult to separate from value for money, may also be important to consumers, as well as exit fees.

Survey responses also help to elucidate why we see particular patterns in the conjoint experiment. For example, those with a lower understanding of exit fees are also more likely to be deterred by them.

In the conjoint experiment, a majority of consumers hypothetically switched when savings were above £50, yet we see reported and actual switching rates remain relatively low. This research follows a period of instability in the energy market but it will be important to consider monitoring how effectively consumers are able to engage with their tariff choices and whether they have the confidence to make informed decisions.

This research indicates that more work may be needed to raise awareness of exit fees, although being cautious not to deter switching given even a minimal exit fee can cause consumers to reconsider the attractiveness of a deal. Ofgem are engaging with consumer groups to consider approaches for enhancing awareness.

[33] Insights from Ofgem's consumer engagement trials, Ofgem, 2019

[34] He, X., & Reiner, D. (2015). *Why do more British consumers not switch energy suppliers? The role of individual attitudes* (EPRG Working Paper 1515). Energy Policy Research Group, Judge Business School, University of Cambridge.