



Ofgem Consumer First Panel Year 3

Report from the second set of workshops

March 2011



Contents

1. Background and objectives	3
2. Executive Summary	5
3. Analysis of the Issues	9
4. Methodology.....	13
4.1 Overall Panel 3 methodology	13
4.2 Sample and recruitment.....	13
4.3 Ensuring attendance and engagement	16
5. Engagement with the energy market	18
5.1 Awareness of changes within the energy industry.....	18
5.2 Awareness and understanding of competition	18
6. Information on the energy market and switching	22
6.1 General attitudes to information about the energy market	22
6.2 Information on switching tariffs and suppliers.....	23
7. Choosing and switching suppliers and tariffs.....	25
7.1 Choosing current suppliers and tariffs	25
7.2 Awareness and understanding of tariffs.....	26
7.3 Switching suppliers and tariffs	26
7.4 Using comparison and switching websites.....	28
7.5 Reactions to Ofgem providing a comparison service.....	29
8. Information changes over the past year	32
8.1 Changes in supplier communication with customers	32
8.2 Awareness and reactions to the Annual Statement.....	33
9. Attitudes to the current tariff structure.....	35
10. Reactions to potential models 1a, b and c	37
10.1 Overall reactions to Model 1	37
10.2 Model 1a	38
10.3 Model 1b.....	40
10.4 Model 1c	42
10.5 Comparing Models 1a, 1b and 1c.....	43
11. Reactions to potential Models 2a, b and c	45
11.1 Overall reactions to Model 2	45
11.2 Model 2a	46
11.3 Model 2b	48
11.4 Model 2c	50
11.5 Comparing Models 2a, 2b and 2c.....	51
12. Considerations for the potential models	53
13. Comparing the potential models and the current tariff structure	54
14. Appendices	56

1. Background and objectives

The Office of Gas and Electricity Markets (Ofgem) is the economic regulator for the electricity and downstream natural gas markets in Great Britain. It has the key objective of protecting the interests of all current and future consumers. Ofgem's 'Consumer First' initiative is a programme that includes a range of primary market and social research to help the organisation ensure that policy development is consumer focused and that consultations are aligned with the abilities of consumers to respond effectively. As part of this programme, Ofgem has set up the 'Consumer First Panel', a diverse group of approximately 100 domestic energy consumers recruited to take part in a series of research events and surveys, to be 'the voice of the consumer' and a unique resource for Ofgem. Each year, Panellists are refreshed and locations changed. The Panel is now in its third year.

The Panel was designed to enable members to discuss issues from a consumer perspective with the advantage of a rounded view of how the industry works and knowledge of the business models involved. Participants are called upon regularly to feed back their views and opinions on key energy topics and regulatory issues.

As with the previous two years of the Consumer First Panel, the second workshop was set up as a three hour deliberative evening event in each of the locations.

The following is a report based on the findings from the second set of events for the third year of the Ofgem Consumer First Panel, which were held in January and February 2011 with reconvened Panellists.

A total of six deliberative workshops, each lasting 3 hours, were held around Great Britain, structured to cover two main topic areas:

Consumers' views and / or experiences of the home energy sector including:

- Engagement with the energy market in Great Britain
- Experience of choosing and switching suppliers and tariffs
- Changes in the provision of information from suppliers over the past year

Tariffs

- Understanding consumers' views on the current structure of tariffs

- Gauging initial reactions and understanding of consumers' views on potential models for a new tariff structure¹
- Comparing the different models and gauging consumers' preferences

The full agenda and all content used at this year's second workshop can be found in the appendices.

¹ The underlying principle of the models remained the same throughout the workshops but the presentation and descriptions of Models 1c, 2a and 2b changed slightly over the course of the fieldwork. Any differences between these Model presentations are highlighted in this report. For a further explanation, see relevant Model footnotes in the sections below

2. Executive Summary

Engagement with the energy market

- The Panel's predominant concern is increasingly expensive energy prices. This concern was compounded by the state of the economy and lower real-term incomes
- Interest in the energy market was generally low and many Panellists reported a lack of time or inclination to engage in the market as well as a perceived complexity of engaging in it. Other reasons for disengagement included a perception of a lack of differentiation between suppliers and apparent satisfaction with their current supplier
- Some Panellists noted that the effect of competition 'in theory' was greater choice for consumers when shopping around for the best deal or tariff
- Other less proactive Panellists felt that the number of suppliers and choices led to a sense of confusion, which prevented people engaging in the market.
- Some Panellists spontaneously mentioned increased general sales activity from suppliers, including more offers and deals
- There were mixed views on price competition but many Panellists thought that while energy prices and suppliers' deals fluctuated in the short-term, there was little to differentiate suppliers on price in the long-term

Information on the energy market and switching

- A number of Panellists spontaneously emphasised the importance of impartiality in the provision of information on the energy market and switching
- Panellists noted receiving information on the energy market from a wide range of sources. The sources were often described in terms of their prevalence (and visibility) in Panellists' lives and credibility (and trustworthiness)
- The most prevalent and least credible sources were perceived to be the ones emanating from suppliers, including their websites, advertising, sales calls and literature
- Sources that were perceived to be the more credible included expert advice websites, consumer organisations and family and friends. These independent sources were deemed particularly useful for making switching decisions
- In terms of the information and support available for choosing suppliers and tariffs, there was variable feedback from Panellists. Some thought there was not enough whilst others felt that there was an abundance if you knew where to look for it. The internet was commonly cited as a source of information and support

Current suppliers and tariffs

- Relatively few Panellists claimed to have proactively chosen their current supplier.

- Current suppliers were often chosen by default with Panellists staying with the incumbent supplier when they moved into a new home. Others had remained with a previous supplier of whom they had experience
- Barriers preventing Panellists from proactively choosing their supplier included a disengagement with and apathy towards the market; the perceived hassle of investigating the market; a perceived lack of differentiation between suppliers; and a perceived lack of savings resulting from switching
- Those who did proactively choose their supplier did so primarily on cost, although payment method, incentives and customer service were highly valued by a few
- Panellists' knowledge and understanding of tariffs was low, with few knowing what tariff they were on or the specific benefits or details on their tariff. More generally, some confusion also existed as to what a tariff is and many were surprised at how many tariffs are available
- Panellists mainly spoke about switching supplier rather than tariff

Switching suppliers and tariffs

- A small number of Panellists actively and regularly considered switching tariff and / or supplier in the effort to save money
- Others reported considering switching, but not necessarily doing so, when prompted by price hikes, poor customer service, higher than expected energy bills or sales calls or visits
- Difficulties in making comparisons due to the large number of variables across tariffs and suppliers, the time and effort involved in comparing and switching, satisfaction with their current supplier and the lack of awareness of the choices available to them all played a role in Panellists' inactivity
- Some Panellists spoke of successfully switching to cheaper suppliers or tariffs and then subsequently feeling let down by prices rising shortly after or offers and deals expiring
- Switching sites were often used by those who were looking to switch tariff or supplier, although there was some doubt as to their impartiality, accuracy and reliability of results as well as difficulties making comparisons with so many non-standardised formats and elements within tariffs
- Overall, there was a distinct appetite for an impartial service, with many feeling that it was not a necessity for Ofgem to be its provider as long as it had the integral quality of independence
- Panellists liked the idea of having a single, independent and trusted resource which they could use to compare, and hopefully switch, suppliers and tariffs

- Panellists noted the following key desirable features of the resource: impartial, simple, standardised comparison system, accurate, reliable, up-to-date, helps to predict future prices and bills, saves consumers time and money, accessible to all
- When asked about the appropriateness of Ofgem providing this comparison service, Panellists' reactions were very positive, with Ofgem perceived as a 'good fit' – it was a logical and natural area for the regulator to be involved with. Furthermore, Panellists expected Ofgem to be trustworthy, independent, impartial and fair, in that it would take into consideration consumers' needs. This may, however, be a reflection of the Panel effect

Information changes over the past year

- Awareness of changes focused on the shift to paperless, online billing. Panellists also mentioned increased levels of correspondence both generally and on specific topics such as energy savings
- Panellists mostly used their bills to only check the amount owed
- Few Panellists had received or were aware that they had received their Annual Statement. Energy use information in an Annual Statement was deemed helpful as an overview of the year's spend and, for a few, in making comparing tariffs via comparison websites
- Suggested improvements for the Annual Statement centred on creating a more usable benchmark for comparing tariffs and for predicting the next year's usage and spend. Further improvements were around having a clear explanation of Panellists' tariffs and having tips on how to save energy in the home
- Some Panellists desired more information from supplier regarding price increases

Thoughts on current tariff structure

- Panellists thought the current tariff system was overly-complicated with too many tariffs and non-standardised elements to compare across tariffs and suppliers. This made it almost impossible to making meaningful comparisons between tariffs and suppliers
- The idea to reform the system was welcomed by Panellists, with standardisation and simplification of tariff formats identified as most critical

Reactions to the potential Models

- Overall, Panellists were unanimous that the potential models represented an improvement over the current system. Above all, it was felt that, between them, the potential Models offered a number of desirable characteristics: greater simplicity, reassurance, comparability and predictability, as well as retain elements of choice and competition in the energy market

- When comparing the models against each other, there was a distinct preference for the format of Model 1 versus the Model 2 tariffs. Most importantly, format standardisation was perceived to increase consumers' ability to and confidence in understanding, comparing and switching tariffs and suppliers²
- Some more passive and disengaged Panellists pointed out that a standardised format would provide them, and others like them, with the reassurance, confidence and encouragement to engage more often in the market and think more about comparing and switching suppliers or tariffs. It was also noted that it could offer greater savings to some, perhaps more proactive, consumers who would be able to benefit from the system by shopping around for better deals offered by suppliers as a result of greater competition in the market
- The majority of Panellists also preferred and were keen to emphasise the importance of competition amongst suppliers and consumer choice in the energy market. This was felt to be more evident in Models 1b and 1c as well as 2b
- It was felt that a more open and flexible system would provide greater reassurance for suppliers and encourage greater buy-in in to the system from them, thus passing on saving to consumers
- Overall, Panellists were more likely to opt for Models 1b and 1c given the perception that there should be less, rather than more, intervention by Ofgem in the energy market
- A minority of Panellists, however, felt more reassured by the three-tariff and limited choice of Models of 1a and 2a. These consumers tended to be more passive, disengaged, risk-averse and cynical of the energy industry. They felt that a more restrictive system would serve the interests of consumers by making the system more secure (especially for vulnerable and disengaged consumers), fairer and curtailing the profits of energy companies

² The underlying principle of **Model 1c** remained consistent over the course of the fieldwork. However, in the first two workshops (Norwich and Swansea), the Model did not include an example of a second comparable supplier and the unit rate was presented as being the same for all tariff types

The underlying principles of the **Model 2a and 2b** have remained constant over the course of the fieldwork. However, in the first three workshops (Norwich, Reading and Swansea) it was presented without a standardised format in the standard tariffs, whereas in the last three workshops (Kendal, London and Inverness) it was presented with a standardised format in the standard tariffs

3. Analysis of the Issues

The following commentary is based on observations made by the research team over the course of the fieldwork, and provides a holistic analysis of what we see as the key messages and implications of the detailed findings that follow in this report. The commentary follows the flow of the discussion guide, which we feel is the best approach to outlining how Panellist reactions have informed our thinking.

In the third year of the Ofgem Consumer First Panel we are now beginning to see a shift in consumer confidence. In the past we have seen confident consumers arguing their corner against an energy industry that many feel offers them little innovation or reason to engage; we are now in many cases seeing a more resigned attitude. Prices are going up, not just in the case of domestic energy but in all areas. At a time when many Panellists are seeing a drop in real term incomes and their assets losing value, the things that offer the most basic comforts and fulfil functional needs (food, clothing, gas, electricity, petrol) are all rising in price. Their ire is directed less at the energy companies or specific brands and industries that are raising their prices and more at the system they believe has allowed this situation to arise.

“My wage means less these days, especially as my husband has had to take early retirement.”

In explicitly exploring the topic of competition in the energy market, the opportunity to potentially save money is drowned out for many by the fact that prices seem to be on an upward trend in any case. These views, in combination with an increase in the number of Panellists bemoaning the fact that they have been hit by unexpected price hikes shortly after switching suppliers, seems to be having a demoralising effect on many.

While it is clear that there are Panellists that understand and embrace competition (both as an economic concept and as a possible opportunity to save money), there are still many who do not or can not think in terms of market forces and economic concepts, or see no benefits to them in ways that are clear, predictable or accessible.

“They all compete against each other and I assume that this lowers prices.”

“I’m not sure what the point is of having so many suppliers. They don’t lower prices anyway, so there’s no point in having so many.”

Further exploration of competition (*‘What does competition in the energy market mean to you?’*) shows that many understand the word competition as meaning suppliers ‘competing for consumer attention’ rather than as a system that actually offers genuine benefits (i.e. lower prices). At this stage of the conversation, it becomes increasingly clear that, for many, the efforts required to make comparisons between suppliers and actually uncover potential benefits outweigh the benefits themselves (either through a lack of understanding about how the supplier/tariff marketplace operates or due to the perceived effort required for what they believe may return very little). Many Panellists are simply not able to gauge the level of competition in the industry because of the difficulties in making clean comparisons between suppliers in what is seen as an overwhelmingly complex marketplace. There is also a clear subtext that choosing one supplier over another does little to create a sense of financial stability (predictable and fixed price terms), which for many in the current economic climate is something that is very much valued.

Exploring in more detail the sources of information that can be used by people to form their opinions on the market highlights the fact that the greatest ‘noise’ is generated by suppliers themselves, a source that is not viewed as explicitly trustworthy. Mass media is seen as more credible, and similarly visible, but it is word of mouth and ‘independent’ sources that are seen as the most credible and trustworthy – but at the same time not necessarily visible to everyone as they are often less prevalent. Over the past three years we have seen savvy Panellists sharing trusted sources of information with one another – often rushing to scribble down the names of websites or consumer experts. But while these sources exist, there are still many who cannot get past the fact that supplier comparisons are not accessible.

Few Panellists are aware that they have received annual statements from their supplier. While some have noticed information being presented in slightly more user friendly ways (i.e. the use of charts to denote energy usage), there are very few who see this as an innovation that may help them to more easily seek out better deals. A very small number of proactive Panellists have noted the new statement, and some even go as far as to making the connection that it provides information that could be more easily used on a comparison site. It is, however, early days for the annual statement, and many may not have received or noticed them. As they become more prevalent, and proactive users of them begin to socialise the benefits, this may begin to change. But it is no clear solution to the problem of complexity in the current tariff system.

More detailed probing on price comparison sites highlights the fact that a subset of proactive switchers are tuned in to the amount of information available if they wish to look for deals or switch. For some, concerns remain about the credibility of some of these sites. A very small minority question whether there is real independence behind these sites. For many that are happy to take them at face value however, there are still concerns about the lack of a simple, instantly meaningful comparable measure, to compare tariffs and supplier prices. In combination with the fact that there can be inconsistency between sites, there are still few good reasons to actively and frequently engage with them.

The prospect of a supplier comparison site run by Ofgem is an attractive one for many; it is a logical activity for an organisation that is tasked with protecting consumers. Independence and impartiality are clearly valued, although it is suspected that the endorsement of Ofgem in this role is a Panel effect – they would not necessarily have made this suggestion spontaneously in a research programme that was not run by Ofgem. Indeed, many mention other consumer bodies as being potentially suited to running such a site. Whichever body runs such a site however must be both visible *and* credible. But the issue of complexity in the tariff system still remains unsolved.

At this stage in the discussion, we introduced a session devoted to more of the detail surrounding the current tariff system. What was clear is that varying levels of knowledge about tariffs and competition cannot hide the fact that overall, Panellists clearly feel that the system is not delivering them clear and competitive choices. The fact that only a very small minority are actually aware of the name of the tariff that they are on, and that most speak about switching supplier rather than switching tariffs only serves to reinforce this.

Those that acknowledge the potential benefits of competition and have an understanding of the underlying principles of competition are aware that certain tariffs can benefit those with specific lifestyles, but we have certainly not seen a wholehearted endorsement of this. There is an overwhelming clamour for simplicity, the most common of which is now an explicit call to allow for simpler unit comparisons – *“Why isn’t it simpler?”*

Detailed responses to a variety of possible tariff models can be found in the main body of this report, but there was a clear narrative running through the discussions that an overhaul of the system is most definitely required to enable consumers to have the opportunity to make better choices.

It should be acknowledged (and is evident from discussions) that however the system is overhauled, there are three principles that need to underlie this going forward:

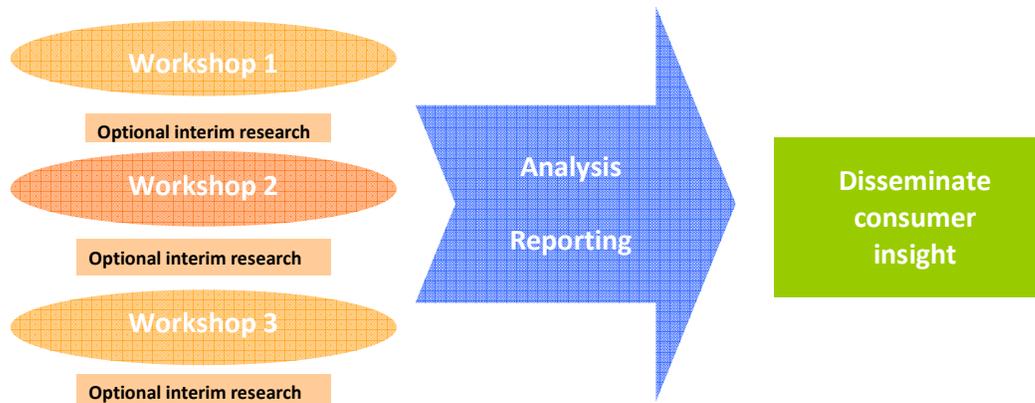
- Tariffs need to be more immediately accessible, ideally by offering directly comparable unit prices
- There is a need for greater predictability and reliability of prices and offers; a 'fair' system would give consumers greater confidence in difficult economic times
- 'Choice' is not a bad thing, rather that there needs to be transparency in the choices available such that the power of choice can be harnessed by consumers with different levels of sophistication and knowledge

With a fairer and more transparent system, consumers will be able to make the choice between simplicity (clarity of offers and tariffs), or complexity (the opportunity to play the market for those are prepared to 'lock horns' with it).

4. Methodology

4.1 Overall Panel 3 methodology

The illustration below shows the overall structure of the third year of the Consumer First Panel:



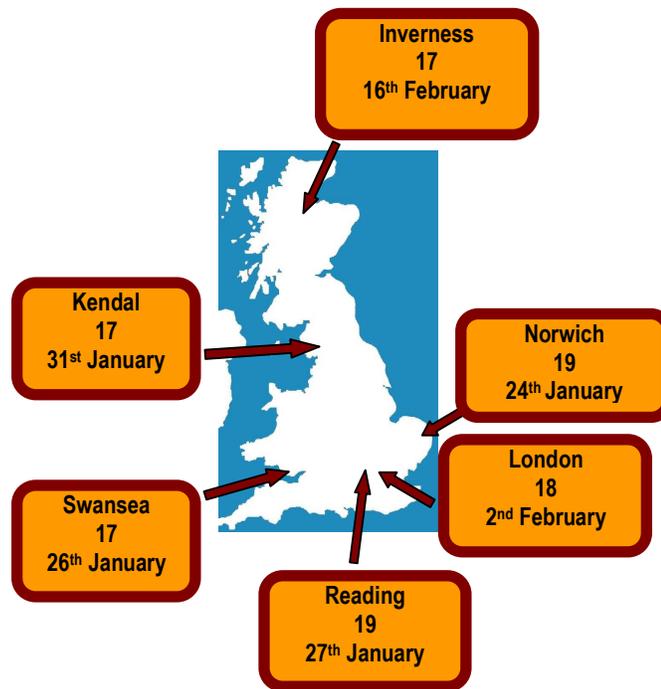
Workshop events can be used to explore topics in depth, and optional interim surveys are able to quickly and cost effectively get feedback on specific issues.

4.2 Sample and recruitment

In order to ensure a representative sample of consumers in Great Britain, and also to avoid many of the frequently researched population centres, Panellists are drawn from six locations to ensure everyday consumer views are captured.

The members of the Panel change each year and this year involved new consumers from different locations. This year the Panel was held in six different locations in Great Britain. This was to give a fresh perspective and reflect the views of both rural and urban consumers.

This report details the findings from the second meeting of the third year of the Ofgem Consumer First Panel which consisted of a representative sample of 98 consumers across 6 locations in Great Britain.



Participants were recruited purposively. This meant using approaches of door-to-door, on-street and ‘snowballing’ (i.e. developing contacts from those already recruited). They were all given information about the purpose of the Panel and of the commitment required at this stage – i.e. they would be taking part in up to 3 workshops over the year, with the potential of being asked to take part in other research in between. They were also told that an Opinion Leader member of staff would contact them for a short discussion prior to the first event (this was to ensure that they were committed to attending and is outlined in the next section). The groups were recruited using a specification based on National Statistic census data for Great Britain (2001) including the following criteria:

- Gender
- Age
- Ethnicity
- Socio-Economic Group (SEG)
- Tenure
- Fuel poverty
- Rural vs. Urban
- Supplier
- Electricity only vs. Gas and electricity
- Payment type
- Employment status
- Family status

While the Panel was represented to be as nationally representative as possible, in each location certain demographics were raised or lowered according to the surrounding region. Demographics were up-weighted to ensure certain groups were represented:

- **Black and Minority Ethnic (BME)** – overall, these areas are not wholly reflective of the ethnic mix of Great Britain. To compensate for this we up-weighted the representation

of BMEs in London and Reading to ensure that the overall sample broadly reflects the ethnic profile of Great Britain.

- **Age** – due to higher levels of drop out in this demographic, we up-weighted the proportion of younger Panellists.
- **Rural** – we up-weighted those living in rural areas, including those living off the gas networks, predominantly from locations around Kendal and Inverness, but also from in and around Norwich.

The Panel was over recruited to cover a potential drop out rate of 10%, which is common in research. The table below shows the overall target sample for recruitment along with those who were recruited and those that actually attended the first workshop:

Sample	Target	Achieved	Attended
Gender			
Male	52	52	48
Female	56	62	59
Total	108	114	107
Age			
18-24	20	17	17
25-44	37	45	42
45-64	30	31	28
65+	21	21	20
Total	108	114	107
Ethnicity			
White British	80	94	88
White Other	3	2	2
Black or Minority Ethnic	25	17	16
Total	108	113*	106*
SEG			
AB	23	25	22
C1	34	39	39
C2	24	28	26
DE	27	22	20
Total	108	114	107
Rural vs Urban			
Urban	93	96	91
Rural	15	18	16
Total	108	114	107
Electricity Only			
Electricity Only	17	15	14
Electricity and gas	91	99	93
Total	108	114	107
Tenure			

Owner Occupied	63	66	62
Social Rented	27	25	23
Private Rented	18	23	22
Total	108	114	107
Fuel Poverty			
Yes	19	14	14
No	89	100	93
Total	108	114	107
Employment status			
Employed	61	77	72
Unemployed	6	11	10
Student	8	5	5
Retired	26	18	17
Looking after home / family	7	3	3
Total	108	114	107
Long term condition or disability			
Yes	22	15	13
No	86	99	94
Total	108	114	107

** one participant refused to state their ethnicity*

4.3 Ensuring attendance and engagement

Following the first workshop, Panellists received a telephone call thanking them for their contribution and informing them of some of the key findings from the workshop – it was important to remind Panellists that their participation had meant something, and that the team were working towards delivering a report to Ofgem.

As soon as the possibility of a workshop at the end of January was raised, all participants were immediately contacted to give them advance notice, either via email, telephone, or text message. When the dates of the second workshop were confirmed, Panellists were informed that the reason for bringing the workshop forward was to discuss with them a topical issue on which Ofgem was very keen to hear their feedback.

A number of ‘top-up’ Panellists (18 in total) had to be recruited to replace a small number who were seen to be unsuitable, or had failed to attend the first workshop and were not adequately engaged.

All of these replacements Panellists received a letter welcoming them to the Panel, as well as a revised participant contract. This was then followed up by an informal interview carried out by a member of the team to gauge their level of involvement and interest and to make sure that they were willing to commit their time to the workshops.

To ensure continued attendance and engagement, Panellists were pro-actively asked for feedback following the workshop and, more reactively, they were offered the chance to give feedback at any time they felt necessary. We were also careful to reminding Panellists, and particularly those who had been 'topped up', that Ofgem were keen for them to act as 'Citizen Researchers' and to interact with each other. This was important in giving them a sense of control and ownership, thereby keeping them engaged.

5. Engagement with the energy market

5.1 Awareness of changes within the energy industry

The primary and most pressing concern voiced by Panellists regarding the energy market was the price of energy, which was considered to be too expensive and perceived to be constantly on the rise. More specifically, Panellists noted price increases by specific suppliers, with some cynically suggesting that it was in the interests of a supplier for its competitors to raise their prices, so that it could justifiably do the same.

“All companies are likely to say that other prices are going up...It’s in their interests for their competitors to raise prices so that they can too”

“You would think that with the industry being more competitive the prices would go down, but they don’t”

A few noted that price increases had become an unfortunate yet expected feature of receiving a new bill. Some Panellists, who had accepted the price rises, noted that the current winter period had been especially cold and had meant that they were forced to use more energy to heat their homes.

“You’re just waiting with baited breath for the bill to see just how much it has gone up by”

A significant number of Panellists contextualised these energy price increases by commenting on other non-energy related price increases, including oil (petrol and diesel), food and drink and general living costs. Moreover, Panellists reported that the economy and lower real-term incomes had increased their sensitivity to high energy prices.

“Costs are going up – with the economy as it is you’re more aware and more sensitive to it”

“In general terms our pay has gone down, but all prices have gone up for everything, even with petrol and diesel”

5.2 Awareness and understanding of competition

There was a mixed reaction as to whether suppliers were sufficiently competitive on price. Many Panellists thought that prices were generally on an upward trend whilst others felt that there was little to really differentiate suppliers on price. As in Panel 3.1, held in November 2010, many Panellists who had switched referred to the short-term nature of price decreases upon switching tariff or supplier. Panellists spoke of experiencing price hikes shortly after switching and a frustrating disappointment when suppliers' offers or deals expired. Some Panellists recounted experiences of switching to a cheaper supplier or tariff only to find that their bill had returned to pre-switching levels after only a few months or that a new, cheaper tariff had become available. For some, this had led them to dismiss the prospect of engaging more actively with the market through comparing and switching suppliers or tariffs.

"You can go on the 'net and look at the competition, but once you switch they are marginally cheaper for a few months, but then they go back to the standard price"

"It would be good if they could show you a tariff that suits you better, done by supplier, like for phones when you use a lot of texts or minutes"

Additionally, it was thought that prices fluctuated so frequently that, while one supplier might be the cheapest at one point in time, over the long-term, there was little to differentiate suppliers on price.

"You have to wait a year to get a comparison and by that time it's gone up – you have to do it all yourself and after a while you give up"

However, a few Panellists stressed that further problems existed in suppliers communicating more competitive tariffs to customers. One or two noted their frustration at not having been proactively informed by their supplier of new offers which had the potential to save them money. This was consistent with Panellists' comments in the first set of workshops held in November 2010.

"They don't tell you when there is a lower rate or that the rate has gone down...They are after just profit"

There was no consistent view amongst Panellists as to whether there were too few or too many suppliers in the market. This is consistent with Panellists' mixed views with regards to supplier competitiveness, noted above. Some spontaneously said that the market could be simplified by having fewer suppliers, by providing consumers with a more constricted and

user-friendly level of choice. Others felt that reducing the number of suppliers may adversely impact on competition by suppliers, the choices offered to consumers and tariff rates.

“It’s a minefield... There are too many. It’s too confusing – you don’t understand which ones provide energy, which provide gas, you have to research that – sometimes they offer both. There should be much less of them”

One misconception held by a few of Panellists in each group assumed that there were different numbers of suppliers available to choose from depending on where you are in Great Britain.

“But I think that everyone doing everything would be a bad thing...Outside London there are more local suppliers...Suppliers should be competitive with each other”

Although the majority do not currently engage in the energy market, some Panellists noted that the effect of competition ‘in theory’ was greater choice for consumers when shopping around for the best deal or tariff. A few more proactive and engaged Panellists said that a choice of tariff enabled some consumers to pick the tariff that best suited their individual life circumstances and energy behaviour (i.e. single versus large person families).

“Yes, for me, different prices – healthy competition. If someone does a good price or bundle, everyone else tries to compete”

Other less proactive Panellists felt that the number of suppliers and choices led to sense of confusion, which prevented people engaging in the market.

“Competition in principal is good but because it is so complicated you don’t know how to interpret it...the way they tier the structure, it’s very hard to compare prices”

Some Panellists spontaneously mentioned an increase in general sales activity from suppliers in the market, including more offers and deals. The types of activities highlighted included salesmen at the door and at supermarkets, supplier literature through the door (e.g. leaflets) and advertising on television and radio. The mention of sales activity rather than price competition suggests that the word competition is incorrectly understood by some

Panellists, and does not clearly point to opportunities for taking advantage of significantly better deals on energy.

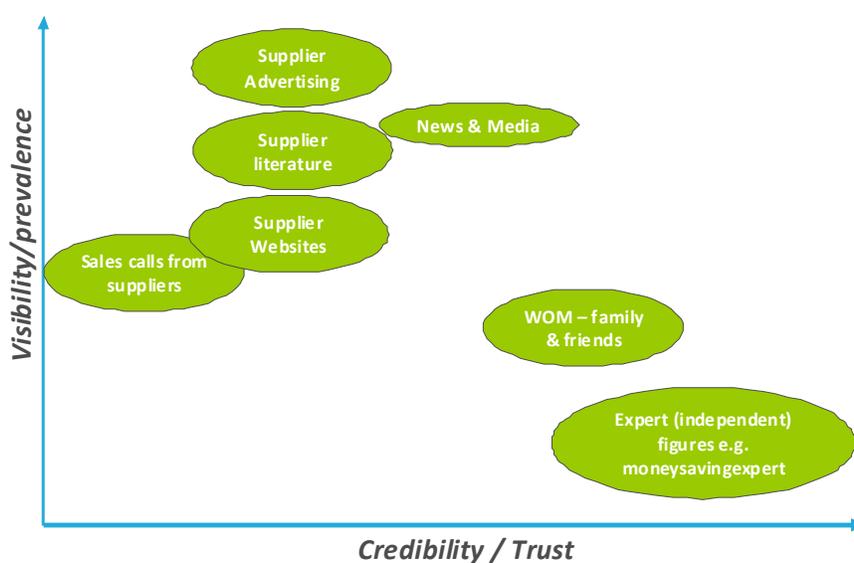
“All suppliers are trying to be competitive – phone calls, websites, switching sites”

6. Information on the energy market and switching

6.1 General attitudes to information about the energy market

Panellists noted receiving information on the energy market from a wide range of sources. The sources were often described in terms of their prevalence (and visibility) in Panellists' lives and credibility (and trustworthiness) – see **Figure 1** below.

Figure 1 – Panellists' current sources of information about the energy industry



The most prevalent and least credible sources were perceived to be the ones emanating from suppliers, including their websites, advertising and literature. Supplier sales calls were also perceived to be less credible but not as visible as other supplier related activity. Overall, supplier leaflets and reading materials were said to be generally left unread and considered superfluous to what they already received or required, whilst sales calls or visits were often perceived to be a nuisance and overly-pressurised. Generally, there was a distrust of supplier communications.

Panellists also mentioned the news, other media and switching websites as being highly prevalent, with comments suggesting that Panellists evoked a slightly higher level of trust in them as opposed to suppliers. Although, Panellists also noted that switching websites were not as reliable given the perception that they receive commission from suppliers.

Sources that were perceived to be the more credible included expert advice websites, consumer representative groups and family and friends, with the latter mainly via word-of-mouth. These independent sources were deemed particularly useful for making switching decisions. More generally, a number of Panellists spontaneously emphasised the importance of impartiality in the provision of such information.

“You trust friends who have had their own experiences”

6.2 Information on switching tariffs and suppliers

In terms of the information and support available for choosing suppliers and tariffs, there was variable feedback from Panellists. Some thought there was not enough whilst others, who tended to be the proactive and reactive Panellists, felt that there was an abundance if you knew where to look for it.

“I wouldn’t have a clue – don’t read that bit in the newspapers because I don’t understand it...I don’t know where the information comes from”

“There is enough information if you want to look. But you can’t go and talk to someone, which would be useful from a supplier or go to see a broker who could give you independent advice”

The internet was commonly cited as a source of information and support with specific mention of switching sites, which are discussed in greater detail in the section below. Online resources were preferred by most Panellists who were comfortable using the internet. Although few passive and disengaged consumers said that they sought information about the energy industry, some said that if they were to do so, they would be more likely to use the online medium to avoid the ‘hard sell’. A small number gave the example of the mobile telephone industry and providers, in that they are able to have face-to-face discussions with sales people about their needs.

“Maybe they [suppliers] could advertise a bit more, to make you aware of what is available, so you know what’s there. In local papers, we’ll be here if you need, we’ll have a centre, come in and have a chat about what we can do for you”

Many Panellists also agreed that some of the information available was not helpful. This meant that the information does not allow them to sign up to reliable fixed term prices or make easy comparison between suppliers and tariffs.

“The only way to compare is to have an industry standard unit instead of tiered prices, so you can compare units...It’s difficult to know what unit rate you are paying before you sign up to a supplier”

Many Panellists reported not having the time or the inclination to take an interest in the market by finding out more about it. Once more, Panellists expressed a sense of apathy gained from the perceived complexity of the market and effort required to switch tariffs or suppliers.

This was coupled with a perceived lack of derived value or benefit from comparing and switching suppliers or tariffs. At this stage, some repeated their perception that there was little to differentiate suppliers. Others spoke of a satisfaction with their current supplier and deal and thus did not feel the need to seek or absorb information about new deals.

“I did a comparison two years ago and [a supplier] had the lowest tariff and I haven’t checked since then – I got bored looking at the information”

“Every company says they will make it easier and cheaper”

7. Choosing and switching suppliers and tariffs

7.1 Choosing current suppliers and tariffs

Relatively few Panellists claimed to have proactively chosen their current supplier. Many of the more passive and disengaged Panellists noted that they had stayed with the incumbent supplier on moving into a new property or remained with a supplier with whom they had a previous experience, which was not felt to be negative.

“I moved into the home and just stayed with the one that was already there – staying with them with easiest”

Often, these same Panellists said that they did not ‘have the time’ to proactively select a supplier, or admitted to being ‘lazy’ or not wanting ‘the hassle’.

“I’ve heard that if someone comes to your house and you swap supplier then you often end up paying your old bill as well as your new one – it is just too much of a muddle”

The more proactive and engaged Panellists that did actively select their current supplier were primarily motivated by cost and chose on the basis of that which was cheapest. Other factors that influenced their decisions included the ability to choose different payment methods that suited them, suppliers offering incentives such as vouchers, cash-back or loyalty points and a supplier’s perceived level of customer service. Although these factors were secondary in importance to price, some Panellists took these factors into consideration when judging a supplier or tariff, and in a few cases were the most compelling reasons for switching.

“How much does it cost? That’s my real concern...this is all that matters to me above all else”

Most Panellists were not aware of the name or specific details of their current tariff. When asked, some Panellists at the workshops spontaneously looked at their recent bill to identify their tariff, but even then were not sure what it meant.

There was also a lack of understanding in how consumers came to be on their tariff. Some Panellists spoke of an assumption that their supplier would automatically put them on the best tariff available to them or else proactively discuss it with them. When discussing the

'best tariff for them', a minority of more economically savvy Panellists acknowledged the importance of having a wider choice of different tariffs that take into consideration consumers' distinct life circumstances and energy behaviours (though this is an endorsement of competition rather than the energy sector).

"They should actively ask you what tariff you want to be on when you switch – they need to show some responsibility"

7.2 Awareness and understanding of tariffs

Overall, the majority of non-proactive Panellists across the workshops had a low awareness and understanding of tariffs. This is largely due to a lack of interest in engaging with what is perceived to be a complex market. Few Panellists knew what tariff they were on and, more generally, many were surprised at how many tariffs are available.

"I would have thought when you switched supplier they would give you the best tariff"

The majority were also unaware of the specific benefits, details or practicalities of their tariff. At a more fundamental level, further confusion was evident amongst the minority of more disengaged Panellists, particularly in Swansea and Kendal, who did not know what 'tariff' or 'plan' actually means. When explaining the tariffs to Panellists, there was a tendency for those more engaged to relate the tariffs to the mobile phone industry and, more specifically, the tariffs and service levels that mobile phone operators provide.

"Mobile phone bills are easy to understand as it is standardised and you can compare price per minute...I haven't had any information from consumer organisations"

7.3 Switching suppliers and tariffs

A small proportion of proactive Panellists in each location considered switching supplier or tariff. Many of these felt compelled to do so due to financial pressures within their household, whilst a few wanted to ensure that they were getting the best deal possible. The majority of Panellists, however, either didn't think about switching (passive and disengaged consumers) or only considered switching when prompted by, for example, door-to-door salesmen (reactive consumers).

“I sit down with my husband every six months and figure out if we can get better deals on everything: water, energy, telephone...”

“You only think about it when they come to the house – when they show that they can give a better deal”

“Have never switched and try and to not think about it...it’s not part of my daily life”

Other common motivations and prompts for switching that Panellists mentioned included noticing price increases. The more reactive Panellists tended to switch as a result of a sales approach on the doorstep or in the supermarket.

“Met a man who offered me the equivalent of 10 pounds in Nectar points and I switched – done deal, no hassle”

Other, Panellists had decided to switch as a result of experiencing a problem with their incumbent supplier, usually due to poor customer service. A number of the more passive and disengaged Panellists admitted that, even when prompted to consider switching, they did not necessarily act upon it. Again Panellists talked about the system being seen as overly complex and impenetrable and, for many, the possibility of lower bills was seen to be a leap of faith.

“First and foremost, you need to understand it in layman terms. When you are looking at it, it looks like a maths exam”

“It’s a jump from the frying pan into the fire. Ultimately they are all pretty much the same sooner or later.”

Further feedback centred on Panellists’ limited awareness of the range of tariffs and choices available to them, with some surprised at the number of tariffs on offer. The general mood was that such a large number of choices was overwhelming rather than beneficial for consumers (especially given that they find tariffs difficult to understand and compare in the first place).

“I didn’t know there were so many...It’s so difficult to make comparisons between them, they’d need a market stall each!”

Some Panellists noted their satisfaction with their current supplier. Comments primarily related to the satisfactory level of service (i.e. no issues experienced) and/or their current energy bills being within budget. Meanwhile, others (some of whom had experienced switching suppliers) believed that their supplier was no better or worse than others in the market and there was, therefore, no reason to switch again.

“I’m pretty happy with [my supplier], have never really had major problems”

“If you speak to them and say that you’ve been thinking of changing, it’s amazing how much they can drop it (your price) – annoying that you have to go through these methods to get a cheaper rate”

7.4 Using comparison and switching websites

Those Panellists that claimed to be more engaged in the market and had previously attempted to compare or switch (proactive and passive consumers) spontaneously mentioned the use of comparison and switching websites. Many other more reactive, passive and disengaged Panellists had visited a website of this nature at least once before. Panellists spontaneously mentioned a number of different price comparison companies.

Further discussions revealed the value and benefits that some more engaged and proactive Panellists derived from them. These Panellists perceived the websites as useful, with some noting that the websites allowed them to compare tariffs or suppliers in their own time and convenience, with no sales pressure, whilst provided an often quick and easy point of reference.

“Supplier sellers can be very pushy whereas with comparison sites you can do things in your own time and you can be sure in your decision”

Some Panellists reported seeing out of date or conflicting results when using comparison sites. There was also some debate amongst Panellists as to the impartiality of switching websites. Some assumed that they were regulated and were required to give fair and accurate information whilst others were unsure whether they were sponsored by different suppliers and might, therefore, be biased towards one supplier over another.

“[A price comparison website] is pointless as they work out what the rate is at that time, but they stagger it and, by the time you move to a different supplier, it has already gone up...”

“I wonder where [the price comparison companies] get their information from?”

“The figures online are out of date and the cheapest is not always the cheapest....There is no place that is reliable to go to”

“If had to find out, I would go to the internet but comparison websites are biased. If you go to 2 or 3, they come up with different prices, so they are skewed”

Some commented on the need to enter extensive bill data, which is not generally accessible to many (largely due to limited engagement with bills).

“You have to enter so many things to make reliable comparisons...it’s too much!”

7.5 Reactions to Ofgem providing a comparison service

Overall, there was a distinct appetite for an impartial service, with many feeling that it was not a necessity for Ofgem to be its provider as long as it had the integral quality of independence (**see Figure 2**). Panellists liked the idea of having a single, independent and trusted resource which they could use to compare, and hopefully switch, suppliers and tariffs. Some Panellists had spontaneously mentioned this in previous discussions.

“It would be great to have a single place to go and a place that you can switch as well...”

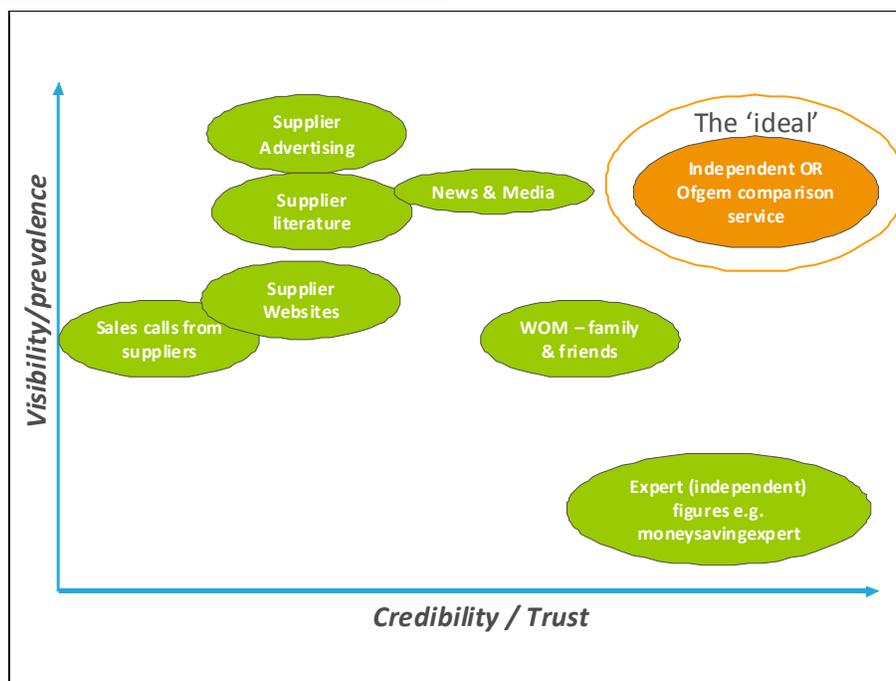
When asked about the appropriateness of Ofgem providing this comparison service, Panellists’ reactions were very positive, with Ofgem perceived as a ‘good fit’. Panellists noted that it was a logical and natural area for the regulator to be involved with. Some went further to suggest that it was a regulator’s duty to so. Furthermore, Panellists expected Ofgem to be trustworthy, independent, impartial and fair, in that it would take into consideration consumers’ needs.

“It would be a useful resource as I wouldn’t know otherwise, would recommend other people to use it”

“They are the Kings of Energy!”

Some also assumed that Ofgem had access to up-to-date information and rates that would allow for greater comparability of tariffs and suppliers, which could also, in turn, lead to an increased predictability of consumers' bills. Panellists' positivity about Ofgem providing this service could however be indicative of a Panel effect, i.e. their being on the Panel means that they are aware of Ofgem's role of protecting consumers, and therefore more likely to agree that this is a good idea.

Figure 2 – Panellists' desire for a new service



A number of Panellists spontaneously mentioned alternatives to an Ofgem-run service, including the ability for Ofgem to monitor and regulate the independence of 'other' comparison sites, or by other consumer organisations taking up the baton and setting up visibly independent and trustworthy sites.

Overall, Panellists wanted to see tangible benefits as a result of using the service, including providing consumers with real opportunities to save time and money. The main anticipated benefit of such a service, and thus refinement to the current system, would be a simple and standardised comparison system that could be used across all applicable suppliers and tariffs.

“You could just see this is what they’re offering for using this many units, and this one for the same number of units. Some do units, some do kWh. All of

them would need to do it in same simple format, same layout, same understanding”

“You could choose what type of person you are – stay at home all day, worker, etc. I’m never usually at home – so you could group certain people”

Another desirable characteristic of a new comparison service would be the ability to predict future prices and bills more accurately and reliably. Panellists’ comments centred on the need for a reliable and up-to-date website that would ensure that rates and tariffs are accurate and would allow consumers to better predict their bills. A few Panellists noted that the format must incorporate timely and regular updates to tariffs and prices where necessary.

“If they show the prices of each company, it should say how long that price is guaranteed for, because it goes up and down”

Panellists felt that the service would need to be accessible and be provided in a variety of formats to suit individual needs. In addition to the need for an online service, Panellists noted their desire for a freephone facility as well as the ability to access written materials (though it was not specified where Panellists expected where this literature would come from). Some also felt that providing advice on how to save energy would be beneficial.

“Older people can’t use the internet so there has to be alternative...be able give them a call or get sent some information”

A small number of Panellists felt that even with such a service, relatively low levels of engagement would endure; suggesting the fact that publicity surrounding the new resource would need to be extensive and engaging.

“How might you use it? I don’t think I’d even look at it...You’d need to build bit of a reputation around it, advertise so people know its value”

8. Information changes over the past year

8.1 Changes in supplier communication with customers

A small number of Panellists described changes in the way their supplier communicates with them. Awareness was largely restricted to the increasing use of paperless billing.

This format was not always preferred by Panellists; some said that they were more likely to ignore or delete an email than they were to leave a paper bill unread (largely due to the volume of emails received). There was also significant mention of energy use bar charts appearing on bills, which they thought were a useful addition for comparing usage.

“I prefer to have post – I will look at it but I don’t when I get an email.”

“I remember the chart, it’s better than this long text – it’s a lot easier to access”

Irrespective of the medium (post or online), the main primary piece of billing information that all Panellists said they focussed on was the amount owed. Some more proactive Panellists noted how they would then check the readings and ensure that it was accurate, whilst a few would compare with previous bills, check to see whether it was estimated or look for the supplier’s contact details.

“The bottom line is how much you have to pay”

“I look to see if it’s estimated or accurate and then ring I up if it is estimated”

Other changes mentioned included an increased level of correspondence generally and, more specifically, information on ways to make energy savings. There were also some mixed spontaneous comments regarding electricity meter readers. Some noted a reduction in the frequency of visits, whilst others thought that the frequency had increased.

“I’ve received lots of correspondence on insulating your home and energy saving...”

When specifically asked about communication from suppliers in relation to price increases, there was a mixed response. It was noted that in some instances Panellists had been told via

a letter, a phone call or both, whilst in other instances, Panellists' only source of information had been the media. It was felt that communicating this kind of information was imperative for consumers to be able to expect and adapt to any price increases.

"In the media they were saying that they were going to put prices up, but if they hadn't said it I wouldn't have noticed"

8.2 Awareness and reactions to the Annual Statement

Only a very small number of Panellists in each location had noticed that they had received an Annual Statement or noticed a real difference in supplier communications. The rest said that they had either not received it or were unaware that they had. A few Panellists noticed the Annual Statement for the first time on the back of their recent energy bill that they had brought with them to the workshop.

"I've just spotted this on the back of my monthly bill – my usage over 12 months"

On viewing a mock-up of an Annual Statement, there was no initial, overwhelming response from Panellists. Some felt that it was not hugely innovative or ground-breaking.

"This information is not going to change anything – it won't make me throw my washing machine away or put more jumpers on"

"How might you use it? I don't think I'd even look at it – I've probably got it somewhere"

However, some more proactive switchers ended up seeing the benefits of an Annual Statement. Mainly, they felt that it provides a good overview of the year's usage and spend. Others mentioned that the information might be useful for comparison purposes and to predict prices for the following year. Several Panellists also spoke about it in even more practical terms – using it to input into comparison websites to see if they could make savings with another tariff or supplier. Many also specifically commented on the benefits for comparability of having a chart showing comparative usage over time.

"If you are made more aware of what you are using then your consumption may go down"

“It gives you the information so you can go and compare, log on to comparison sites so you can see what others would charge you for that amount of consumption”

There were a number of areas identified for improvement or where information was considered lacking. Primarily, Panellists (especially the proactive ones) sought a usable benchmark that they could use to know whether the predicted cost represented good value for money compared to other tariffs or suppliers on the market. Additionally, some more passive and disengaged Panellists wanted their supplier to proactively provide them with comparative information (including a standardised unit price, with the assumption that this could be easily compared against the unit price of other suppliers) and/or advice as to the availability of cheaper tariffs better suited to their energy usage.

“You can’t use it unless you have been with the company for at least 2 years, then you can properly compare usage and price”

“It would be better if they told you what the significance might be if you switched tariff, as in saying ‘based on what you’ve used you could have saved money”

“The bar chart doesn’t make much of a difference – if they showed what the bar chart would look like if the tariff would be different, that would be more helpful”

Another desirable feature is the ability to reliably predict the cost of the following year’s energy use. It was, however, generally understood that this would heavily depend on a number of factors including the weather, the fluctuation of prices and the specific details and terms and conditions of the tariff.

“Because December this year was a much worse month, obviously consumption would be higher...It would be better if it was worked out over the previous 12 months rather than 3 months”

Although less of a priority, some did feel that the addition of tips on how to save energy would be of use.

“It would be good if they could give you tips for saving energy and what kWh this would save”

9. Attitudes to the current tariff structure

Overall, when discussing the tariff structure specifically, the message endures that the current tariff structure is far too complex.

“I suppose the problem is the fact that there are so many. Every single supplier is free to launch a number of different tariffs with any combination. It’s a minefield for the consumer”

“There are almost too many choices – that leads to confusion, unless you’re an expert on the subject”

Above all, Panellists noted the large choice of suppliers and tariffs available to them in the current system. There was a mixed reaction as to the extent to which they thought that the level of choice available was beneficial to consumers.

Panellists felt that although choice is in theory favourable, in reality it is difficult for consumers to take advantage of it given the confusion and lack of transparency or a simple mechanism for comparison in the marketplace.

“What other advantages would other tariffs have? Wouldn’t you always go for the cheapest tariff?”

“It’s complex, and underhanded...You feel like someone is pulling the wool over your eyes”

More specifically, Panellists thought that the current system was characterised by too many tariffs, ever-changing tariffs and too many variables in terms of tariff format, unit pricing and names. A few more cynical Panellists also felt that the market currently favours suppliers.

“Who comes up with my tariff? Nobody ever asks me who I am and how many kids I have and so on and nobody has asked what my lifestyle is and dictate what tariff I should be on”

“Tariffs don’t seem very regulated... there’s no limit on the types offered. They can dress them up to make them look attractive but actually they’re the same as another”

Spontaneous suggestions to improve the current system focused on simplification and standardisation of tariff descriptions, presentation and unit and pricing formats. It was felt that such changes would help to facilitate comparisons between suppliers and tariffs.

“Everyone is on a tariff but no one knows what that means – they should simplify it so that there’s a fixed amount per supplier and people would understand what they are”

Panellists generally reacted positively to the idea of reforming the current tariff structure. Spontaneously, some Panellists explicitly mentioned retaining a level of choice in the market to suit different consumers’ needs, specifically depending on their family status, lifestyle and energy use. A few Panellists went further to suggest that this information should be used by a comparison service or supplier to offer advice to consumers on the best tariff for that individual or family.

“They should name the tariff according to what it’s applicable to – like a ‘student tariff’... they should be suitable for different life-stages and styles”

A few other more passive, reactive and disengaged Panellists spontaneously noted that having a basic tariff would be useful, particularly for those unengaged with the market. A small number of Panellists also felt that having as few tariffs as possible was better so as to simplify the system and enable easier comparisons.

“There should be a standardised tariff across all suppliers so it wouldn’t matter which supplier you were with”

“A basic tariff would be good for people like me who can’t be bothered”

10. Reactions to potential models 1a, b and c

10.1 Overall reactions to Model 1

Overall, a standardised format of pricing, which was introduced to Panellists in Models 1a, b and c, was regarded by the majority of Panellists as a useful and welcome development that would simplify the market and facilitate comparisons between tariffs and suppliers. It was felt that it resolved the main issue with the current system, in that it would increase consumers' ability to and confidence in comparing and understanding tariffs.

"If there was a standard format I then would look to switch more... It would be easy to compare companies and more competitive because it's just going by the rate"

Alongside this, for those Panellists to whom choice was important (more proactive consumers), Models 1b and 1c were still perceived to provide consumers with the benefits of openness and flexibility of the current system alongside a much needed improvement in terms of clarity and comparability. It was also felt that these models would be more realistically implemented. Some expressed the concern however, that suppliers may be unwilling to comply with such structured intervention.

"A standardised format would mean that you could just see this is what they're offering for spending this many units, and this one for the same number of units. Some do units, some do kWh. All of them need to do it in same simple format"

"If you simplify things, it's easier to compare as you have a common ground to compare on – it's working for the consumer"

Most Panellists considered the fixed charge component to be clear and transparent and seen to aid the comparison of suppliers and tariffs. Questions arose about exactly what the charge comprised of and whether it would be different across payment methods. Regarding the latter, many Panellists thought that the fixed charge should be the same for all payment methods to simplify comparison even further. Others felt that it would make the system fairer by not penalising those on pre-payment meters, who tended to be on lower incomes.

“The fixed charge is an impartial charge and is set by them [Ofgem], it’s easy to understand”

“I think it’s good – the fixed charge – at least we know what we’re paying unlike at the moment”

“It’s wrong that those who pre-pay are being charged more – it’s not fair”

In the main, displaying unit price in kWh was deemed appropriate. Some Panellists however reiterated their lack of confidence in interpreting kWh and sought an explanation to understand what it meant in practical terms as well as how to use this information.

“Instead of kWh – when it comes to pricing they should convert that to a unit. If it were 4 kWh is 1 unit, and you’re paying for 250 units...I’d like to push that and understand that 4 units will heat my house for a day”

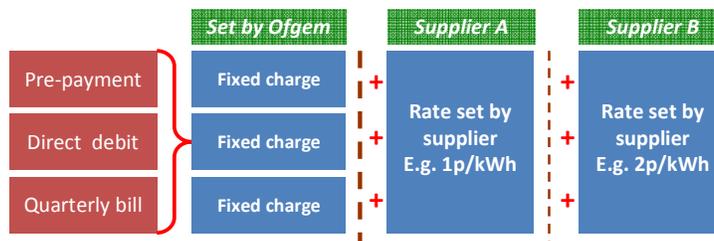
In the sections below, more detailed Panellist feedback is provided for each of the Models, 1a, 1b and 1c.

10.2 Model 1a

Figure 3 – Potential Model 1a

Option 1a

Suppliers can only offer 3 tariffs and they have a standard format



Overall, Model 1a (see **Figure 3**) was viewed as the simplest Model and one which would allow for the easiest comparison between tariffs and suppliers. With only three tariffs per supplier and a standardised format, Panellists were confident consumers would easily identify the cheapest supplier or tariff. Those who preferred this Model tended to be the more risk-averse and disengaged Panellists who sought greater certainty and predictability in their bills.

“It’s simple because it measures your usage – if you use a lot, you pay a lot”

“I think you would save on this as you can’t fail to see which is the cheapest”

Many thought the model would encourage comparison, which may or may not lead to switching (to the cheapest tariff). Others thought that it would protect the consumers who did not want to engage in the market. Others, however, felt that with the system being so simple, the choice being so limited and the perceived rewards for switching smaller, it would not encourage as many consumers to look to switch.

“It cuts off personal choice”

“Who would go for supplier B? You’d always go for the cheapest”

As part of this, there was some confusion as to how suppliers could realistically compete if, as anticipated, all consumers would simply choose the cheapest option. Some more engaged Panellists viewed having a smaller choice of tariffs as too restrictive, stifling creativity and potentially pushing rates up. Conversely, some Panellists did point out that suppliers might instead compete on other aspects, such as offering incentives, rewards or improved customer service.

“It is going too far in terms of simplicity – it kills competition”

“But suppliers might be encouraged to offer better customer service and incentives and rewards”

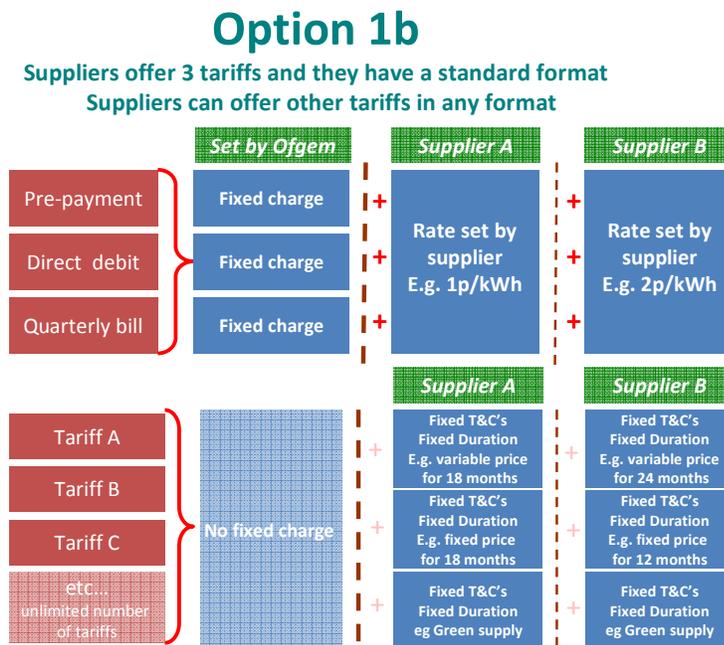
Further questions were raised in relation to the changeability of unit rates and the danger that they could be increased by a supplier at any time or perhaps in tandem with competitors. For some, there was a danger that this could stifle consumer choice.

A few others were concerned that the three tariffs on offer did not match their current tariff (e.g. Economy 7) or payment method and, therefore, does not fully take into consideration their distinct life circumstances and energy behaviours. They felt that this would adversely impact the size of their bill or how they managed its payment.

“What if all suppliers put their charges up? Then you wouldn’t be able to switch – there’d be no competition”

10.3 Model 1b

Figure 4 – Potential Model 1b



For those who thought Model 1a was too restrictive, **Model 1b** (see Figure 4) offered a potential solution and, on balance, many Panellists valued the reassurance of the three standard tariffs with the flexibility and choice of the select tariffs.

“It gives you the options in 1a alongside tariff options that might be cheaper for you... I’d be more encouraged to switch because it gives me more choice”

“It gives you the best of both worlds – you have the option to go for standard or look further and go for other tariffs if you want to”

They felt that this model also allowed for greater competition and creativity amongst suppliers. Moreover, it was felt that the openness and flexibility of the select tariffs could lead to suppliers offering better deals.

“This is a benefit as it offers more options and suppliers have more to offer you...it will attract more people”

“As long as there is a simple tariff you can have as many tariffs as you want – like as long as you have cheap cars, you can have a Rolls-Royce”

It was also felt that consumers, especially those who did not interact with the energy market and vulnerable consumers, could be reassured by the standard tariffs and use it as a ‘backstop’ and then shop around for a select tariff if they wished.

“If your understanding isn’t so good then you could be put onto the standard tariff first and then given the options – it’s somewhere to start from”

However, some were unconvinced, viewing the select tariffs as confusing and adding a layer of unwanted complexity to the system, much like in the current system. A number of Panellists expressed concern at the lack of standardisation in the format of the select tariffs and the impact this would have on consumers’ ability to compare and switch suppliers or tariffs.

“I want to know what it costs... I don’t know the p/kWh, which I find easy to compare – I still need to know what they would charge p/kWh to be able to make a decision”

“It has the illusion of giving you options that you might not actually need, like a fixed term”

“No fixed charge sounds dodgy – companies have to pay this but if there is no fixed charge then they would add it on in other places”

There was a mixed reaction to the fixed terms and conditions. Some Panellists preferred to know what they would be paying for a fixed duration and felt reassured by the continuity of price. There was also an assumption expressed that it may confer cheaper prices as a result of restricting consumers from moving to other suppliers. Others were averse to being tied

into a contract, particularly if their individual circumstances were to change and it became necessary to change their tariff.

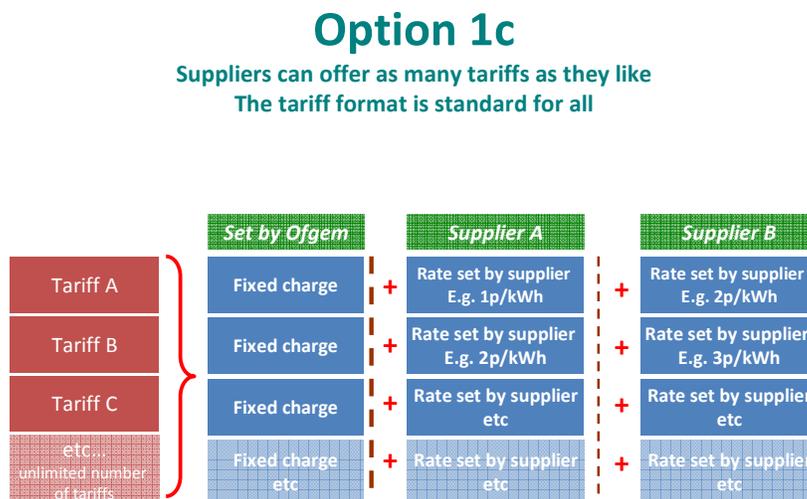
“If it was fixed for 18 months and £30 per month, that would be okay. But it works both ways, if the price went down you would still be paying more”

“I’d choose a top tariff because a fixed contract is scary – you don’t know what is happening and your situation might change”

Overall, Panellists acknowledged that it offered both the simplicity to those that are not engaged and the choice to engage for those that wish to.

10.4 Model 1c³

Figure 5 – Potential Model 1c



Model 1c (see Figure 5) received mixed responses. As with Models 1a and 1b, the majority of Panellists valued the standardised format and felt that it would allow them to engage in the market by providing a simpler framework for comparing suppliers and tariffs. Some also highlighted the benefits of having a mix of a standardised format for comparability and an

³ The underlying principle of Model 1c remained consistent over the course of the fieldwork. However, In the first two workshops (Norwich and Swansea), the Model did not include an example of a second comparable supplier and the unit rate was presented as being the same for all tariff types. The diagram above shows the Model presented in the last four workshops (Reading, Kendal, London and Inverness)

unlimited number of tariffs, in that it would continue to promote choice for the consumer and competition in the market. The main benefit of increased competition was felt to be suppliers offering cheaper rates and better deals.

“The fixed charge for all suppliers does make it easier to compare, because you can just compare on the p/kWh”

However, some Panellists thought it left the market too open to an overwhelming and confusing array of tariffs, similar to the current system. With regards to this, a few noted that they don't currently engage with the market so would be unlikely to do so with this model, despite the standardised format.

“It's more complicated than the others... it's not clear that the tariffs could have different durations and rules”

“There are more tariffs available, but how many tariffs do you need?”

“Will there be a cap on the number of tariffs that a supplier can create? Otherwise we are back to where we were”

There were a few other general concerns raised, such as the possibility for a tariff's rates to change frequently. Some also felt that the model mainly catered for and benefited those who already engaged in the market, with no backstop for those who did not want to compare or switch tariffs or suppliers.

“You'll only cater for people who want to find out the information themselves”

10.5 Comparing Models 1a, 1b and 1c

There was not a clear consensus in terms of Panellists' preference for one particular model, with stated benefits and drawbacks for each of the Models (1a, 1b and 1c). The overarching benefit of all of the Models was the standardised format, which Panellists felt would both encourage and allow them to compare tariffs and suppliers easier.

However, Panellists across the workshops were more likely to opt for options 1b and 1c. Those who preferred Model 1b valued the additional choice and flexibility that it offered on Model 1a, whilst retaining the reassurance of the standard tariffs. Those who did prefer Model 1c felt that it offered more choice to the consumer than 1a and did not enforce any

restrictions as the Terms and Conditions in Model 1b, whilst still keeping a standardised format for comparing the tariffs available.

Model 1a was preferred by a small number of Panellists. Those who preferred Model 1a tended to do so for its simplicity. These tended to be the more risk-averse and disengaged Panellists who sought greater certainty and predictability in their bills. A few were also concerned when reviewing the Models, especially Model 1c, that allowing fixed charges to vary between tariffs offered by one supplier would reduce the ease of comparison across tariffs offered by the supplier.

11. Reactions to potential Models 2a, b and c

11.1 Overall reactions to Model 2

Overall, many Panellists thought they would be reassured by having tariff prices agreed by Ofgem. Moreover, Ofgem was said to be trusted to consider the needs of consumers such as themselves.

“You would feel reassured to a degree that Ofgem were agreeing the prices... But how can you justify to consumers that a supplier would charge something different?”

For some, this meant an increased ability by consumers to confidently and reassuringly compare and understand tariffs. For them, it was acceptable for Ofgem agreed or controlled prices to be slightly more expensive than non-price agreed/controlled tariffs because there would be a level of reassurance that the prices were fair.

“It depends on how much trust you put in Ofgem to be fair to the consumer”

However, over intervention by Ofgem in the running of the energy market was perceived by some Panellists to be counter-productive. For these more proactive Panellists, competition amongst suppliers and choice for consumers was important. They, therefore, felt that suppliers ‘agreeing’ or ‘controlling’ rates would discourage innovation and creativity by suppliers and thus potentially drive prices up.

“No – it’s big brother, it’s stifling competition.... we would lose out”

“You are saying that anybody can be with anybody and you don’t need companies – you might as well have the Government as one company providing the service”

Panellists preferred the standard element of Models 2a and 2b when presented with this feature in the last three workshops (Kendal, London and Inverness). They felt that the tariff structure of Model 2 presented in the first three workshops, without the easily comparable formats, would not encourage as many consumers to interact with the market. In these workshops, they pointed out that Model 2 did not achieve the same level of simplification and predictability of rates as Model 1.

“I wouldn’t go shopping and change supplier if it was all like that”

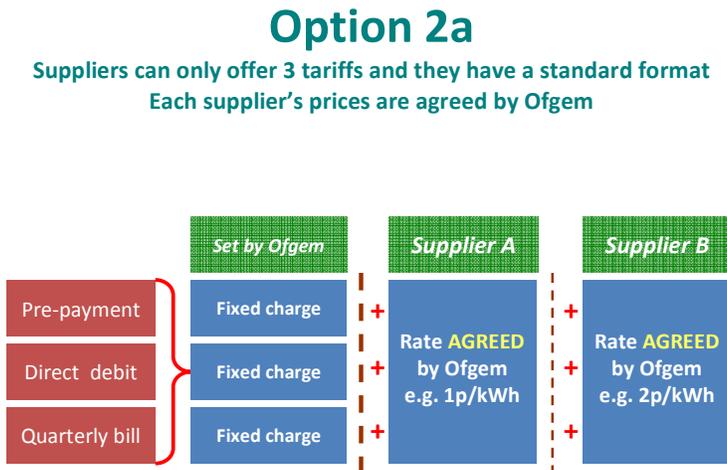
Other desired points of clarification included how long prices would be agreed or controlled for and how these prices would be agreed.

“It’s difficult to understand why prices might be different. We would need transparency about what prices might be different across all the different suppliers”

In the sections below, more detailed Panellist feedback is provided for each of the Models, 2a, 2b and 2c.

11.2 Model 2a ⁴

Figure 6 – Potential Model 2a



Model 2a (see Figure 6) was largely thought to be too restrictive and likely to stifle competition and creativity by forcing suppliers to ‘agree’ rates with Ofgem. A few comments

⁴ The underlying principle of the Model 2a has remained constant over the course of the fieldwork. However, in the first three workshops (Norwich, Reading and Swansea) it was presented without a standardised format in the standard tariffs, whereas in the last three workshops (Kendal, London and Inverness) it were presented with a standardised format in the standard tariffs

focused on this Model representing a paternalistic and overly-controlling approach to the energy market by Ofgem, which suppliers would be less likely to accept.

“You’re losing an element of free-market...You wouldn’t expect this model to bring down current prices, so there’s no benefit”

“There’s too much power for Ofgem... suppliers won’t buy into it”

“It goes back to nationalisation”

However, some Panellists, many of whom tended to be disengaged and passive, appreciated the level of reassurance that three price-agreed tariffs would afford and, given this reassurance, thought that they would be less likely to need or look to switching tariffs or suppliers. Those more cynical of the energy industry felt that a more restrictive system would serve the interests of consumers by curtailing the profits of energy companies.

“The prices should be controlled. This is a good idea. There’s some level of trust – it’s a comfort to feel that someone is doing this”

When the Model was initially presented in the first three workshops (Norwich, Reading and Swansea) it did not have a standardised format. Many Panellists in these workshops felt that this tariff structure would not encourage them to engage in the market as it would not provide the standardised format elements that they sought and appreciated in Model 1.

“The format isn’t standard... I feel like this would create problems again”

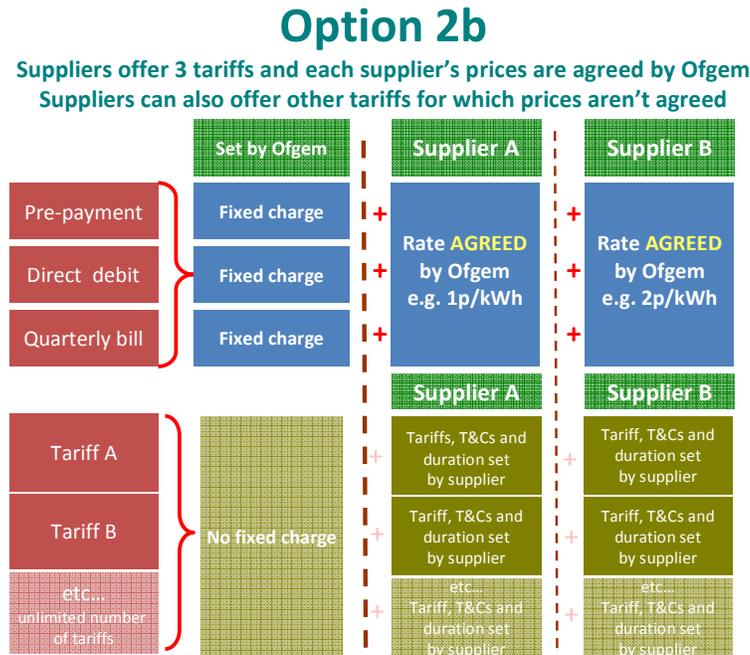
For this Model, alongside 2b, an explanation of why the agreed prices could differ between suppliers was considered necessary. Further questions were raised as to how long the prices would be agreed for and what process would take place for prices to be agreed. A few Panellists also spontaneously noted the importance of the format being simple to allow for comparisons, more like the tariffs in Model 1.

“Where is the control if prices go up?”

“How would Ofgem be able to set the prices if a foreign company is supplying us with energy?”

11.3 Model 2b ⁵

Figure 7 – Potential Model 2b



Model 2b (see Figure 7) was often considered an improvement on Model 2a. For those who felt that 2a was overly-prescriptive (the more proactive and engaged consumers), 2b's non-price agreed tariffs offered a level of flexibility and choice for consumers. They also felt that this Model would be more likely to encourage the more proactive consumers to engage in the market than Model 2a.

“There is competition for the bottom tariffs to be cheaper than the top ones. They can offer a better price because tie in for longer so that benefits the consumer”

“This opens up competition – suppliers would have to tempt you away from the standard products”

⁵ The underlying principle of the Model 2b has remained constant over the course of the fieldwork. However, in the first three workshops (Norwich, Reading and Swansea) it was presented without a standardised format in the standard tariffs and with set Terms and Conditions in the select tariffs, whereas in the last three workshops (Kendal, London and Inverness) it were presented with a standardised format in the standard tariffs and with set Terms and Conditions in the select tariffs

As in responses to 2a, Panellists noted the importance for simplicity and format standardisation in comparing tariffs and suppliers. In the first three workshops, when the Model was initially presented without a standardised format, Panellists felt that it would not necessarily provide them with the mechanism for simple tariff and supplier comparison, as was evident in Model 1.

“I am an advocate of the free market, but am also against over complication, which we have today, I think that’s what this introduces”

“There are no set criteria to compare; I liked the format in the first Model”

Moreover, some Panellists highlighted that it would also encourage competition on prices and creativity from suppliers. For those that felt reassured by the price-agreed tariffs in 2a felt that the price-agreed tariffs in 2b continued to provide ‘peace of mind’ for those not wanting to switch.

“If you have doubts and you are not sure you can go for the safer option of controlled tariffs, but then you have options for the more savvy”

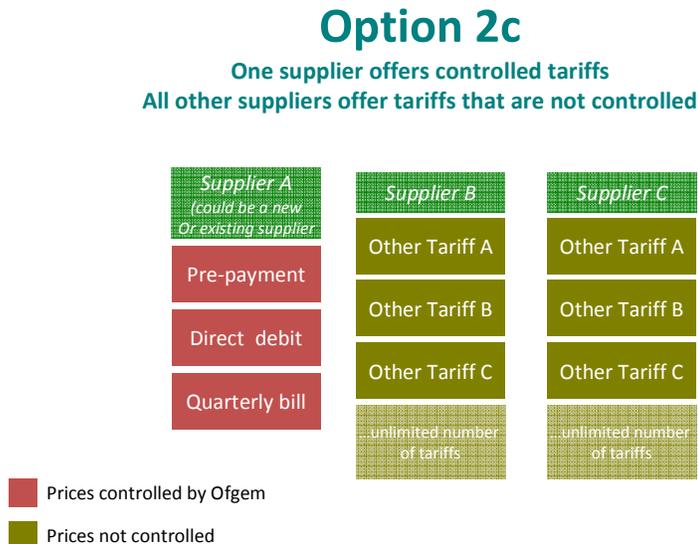
Some Panellists expected the non-price agreed tariffs to be cheaper than the agreed tariffs to attract consumers. It was felt that the trade-off between a slightly higher price and reassurance for the consumer would be justified.

“Because it’s regulated you don’t mind that a standard tariff is a bit more expensive”

However, concerns remained with this Model. Much like Model 1b, 1c and 2c, there was some apprehension that an unlimited number of non-price agreed tariffs would complicate the system and might adversely impact consumers’ ability to compare and switch tariffs and suppliers by providing too much choice.

“I don’t see the point in having tariffs non-agreed. There must be a need to agree prices so why should suppliers be allowed to offer others?”

Figure 8 – Potential Model 2c



Model 2c (see Figure 8) received a more negative reaction than Models 2a and 2b. A large proportion of Panellists expressed confusion as to the benefits of a single price-controlled supplier. For consumers, the main anticipated benefit was the presence of one ‘safe’ supplier in the market, offering controlled, benchmark tariffs that all other suppliers would compete against.

“They would get a loyal customer base of people that don’t want to change... suppliers would be fighting for the contract”

“If you’re comparing it to the steady price, you could always switch and take the safe option”

There were, however, a number of anticipated concerns, the most common of which was regarding the difficulties in making comparisons between price-controlled and non-price controlled tariffs.

“Unless you have actual figures you can’t compare. And you wouldn’t have like for like. How could you compare?”

Panellists also spoke of the perceived effort in changing to the price-controlled tariff and the concern that the price-controlled supplier would become the most expensive. Some felt that this could happen as a result of other suppliers competing against the controlled supplier and thus being able to offer better deals. This had the potential of leaving more disengaged consumers, who would be more likely to opt for the controlled supplier, on worse deals.

“It’s a waste of time – everyone will offer cheaper prices than the controlled tariffs to get your business”

There were further questions about who the chosen supplier would be. They were particularly concerned that the chosen supplier may not be the consumers’ choice. In reference to this, a few Panellists emphasised the importance of having a trusted brand that consumers would expect to be impartial and put the needs of the consumer first. Some also felt that the process of choosing this supplier should be as transparent as possible.

“I would trust Ofgem....But I would want to know what the deal was with supplier A and who they are”

11.5 Comparing Models 2a, 2b and 2c

On balance, all of the Models (2a, 2b and 2c) were perceived to be overly prescriptive. Panellists were concerned that these Models would interfere too much in the energy market.

Reactions to the Models in the first three workshops, when a non-standardised format was presented to Panellists, showed the importance of a standardised format. In these workshops, it was felt that none of the Models would provide a suitable solution to what they saw as the main issue with the current structure, in that it remained difficult to compare tariffs and suppliers. As such, a standardised format, as represented in Model 1, was emphasised as key to any new tariff format.

With respect to Models 2a and 2b, many Panellists did not think that forcing suppliers to ‘agree’ rates with Ofgem was the appropriate step in reforming the energy market. There was least preference for Model 2 as few could see the benefits of having an Ofgem controlled supplier, which was felt to complicate the system and make comparisons between price-controlled and non-price controlled tariffs difficult.

When asked to choose one Model out of the three options, Model 2b was most frequently selected but not unanimously preferred by Panellists. This was because it offered reassuring

price-agreed tariffs with the additional choice of select tariffs for those that wanted to engage more in the energy market. It was felt that out of the three Models, 2b would offer the greatest flexibility for the greatest number of people.

12. Considerations for the potential models

Whilst discussing the Models, a number of other considerations came up. The most notable amongst them was the idea that all standard tariffs should be open to all consumers. However, it was acknowledged that the vulnerable, elderly and disengaged were considered most likely to benefit from the availability of standard tariffs and controlled tariffs and suppliers.

“It’s fair, everyone has same choice because each supplier offers the same thing and it’s all controlled”

“The elderly benefit most from controlled options. It’s regulated for them, so they shouldn’t have to take risks”

Another common consideration was regarding the defaulting of consumers onto a standard tariff or supplier. This was generally considered appropriate by Panellists, but only if they had been given prior warning and an explanation of the options was clearly available to them. An opportunity to opt out of the default within a sufficient time period was also expected.

“Everyone should be consulted before being actively switched”

“I would feel disgusted if somebody new came on the market and provided a cheaper service and I couldn’t give do anything about it because I am stuck with that supplier”

Generally Panellists thought consumers should be given the option to opt out when their current deal expired, or some thought they should be given the option when a new system of tariffs was introduced. Consumers should then be able to switch off a standard tariff to another standard tariff or a select tariff (if available) at any time.

“You should be at least given the chance to opt-out. It’s acceptable because it is controlled, but you should be able to switch off at any time”

13. Comparing the potential models and the current tariff structure

Overall, Panellists were unanimous that the potential models represented an improvement over the current system. Discussions revealed a number of desirable characteristics in any future Model. These were emphasised and used throughout table discussions to evaluate the Models in absolute and relative terms. Above all, it was felt that, between them, the potential Models offered greater simplicity, reassurance, comparability and predictability. In addition, many Panellists also emphasised the need to retain elements of choice and competition in the energy market.

When comparing the models against each other, there was a distinct preference for the format of Model 1 versus the Model 2 tariffs. Most importantly, format standardisation was perceived to increase consumers' ability to and confidence in understanding, comparing and switching tariffs and suppliers.

As such, some Panellists noted that having a standardised format, as presented in Model 1 (a, b and c) and Models 2a and 2b (but only in the last three workshops) resolved the main issue that they had with the current system, in that it was too complicated to understand and compare tariffs and suppliers as well as predict future rates. The main reason behind these difficulties was the large number of changeable variables (**see Section 7.3**).

In comparison, for many of these Panellists, Model 2 (as presented in the first three workshops) did not address the real problem with the current system, in that it lacked the standardised elements across tariffs and suppliers that allowed for simpler and more confident comparisons and switching by consumers.

Some more passive and disengaged Panellists pointed out that a standardised format would provide consumers like them the reassurance, confidence and encouragement to engage more often in the market and think more about comparing and switching suppliers or tariffs. In addition, it was noted that it could offer greater savings to some, perhaps more proactive, consumers who would be able to benefit from the system by shopping around for better deals offered by suppliers as a result of greater competition in the market.

The majority of Panellists also preferred and were keen to emphasise the importance of competition amongst suppliers and consumer choice in the energy market. This was felt to be more evident in Models 1b and 1c as well as 2b.

Some noted that allowing suppliers to set their own rates and offer an unlimited number of select tariffs, perhaps alongside some set standard tariffs, would be beneficial to consumers. There was a feeling that these Models provided consumers with the benefits of openness and flexibility of the current system.

Moreover, it was felt that a more open and flexible system would provide greater reassurance for suppliers and encourage greater buy-in in to the system from them. As such, it was felt by some to be more practical and workable, especially with regards to getting suppliers to agree and comply with it and thus pass on saving to consumers. In turn, a number of Panellists thought that the price-agreed/controlled tariffs and suppliers in Model 2 would lead to higher prices for consumers.

Panellists were more likely to opt for Models 1b and 1c given the perception that there should be less, rather than more, interference by Ofgem in the energy market. There were numerous comments about the overly prescriptive nature of Model 2 and a stated preference for the 'lighter regulatory touch' (not Panellists words) of Model 1. Others spoke about Model 2 overly-interfering with and stifling the market, with some noting that Ofgem, whilst mostly seen to be trustworthy and fair by Panellists, could provide a barrier to market competition and thus lower prices and better deals to consumers.

A minority of Panellists, however, felt more reassured by the three-tariff and limited choice of Models of 1a and 2a. These consumers tended to be more passive, disengaged and more cynical of the energy industry. As such, they felt that a more restrictive system would serve the interests of consumers by making it fairer and curtailing the profits of energy companies.

For similar reasons, others were comforted by the price-agreed and controlled tariffs of Model 2, which were felt to provide consumers with a secure and fair system. Some noted that they had the potential to provide greater 'peace of mind' and protection for vulnerable and disengaged consumers.

14. Appendices

Appendix 1: Workshop Agenda



Ofgem Consumer Panel

Workshop 2 Agenda

Panellists to bring in their most recent energy bill

17.30-18.00 **Arrival and Registration**

General introductions

18.00-18.10 **IN PLENARY: Welcome and housekeeping (Opinion Leader lead facilitator)**

Welcome and thanks for attending

Explain the role of OL & facilitators and their independence

Details of refreshments

Toilets, health and safety regulations

Mobiles off

Introduction of Ofgem staff

NOTE: tariff may also be called a plan

18.10-18.30 **BREAKOUT GROUPS: Engagement with the energy market** (20 mins)

What are your thoughts on the current energy market in GB?

Do you have any particular points of view or concerns? Why?

Have you heard of any recent changes in the energy market? What?

[Probe but keep discussion brief] What about the price of energy? Do you think suppliers are sufficiently competitive on price? Why / why not?

What does 'competitive' mean to you? **PROBE FULLY**

Are there enough suppliers at the moment? Why (not)?

Where do you find out about what is happening in the energy market? What are your sources of information? Which are your most trusted sources? Why?

To what extent are you interested in information about what is happening in the energy market? Why / why not?

MORE QUESTIONS BELOW...

In the first workshop, we briefly discussed your experiences of switching suppliers and whether you found the process easy or difficult. We would like to understand your views on suppliers and tariffs and how you chose your supplier and tariff

Current supplier and tariff

Which supplier are you currently with?

How did you choose your current supplier? Please talk me through the process

Reactive (default, sales calls / visits, recommendations) or proactive (use of switching sites, contacting suppliers)

[If proactive] where do you look for / get information from

Factors taken into account e.g. price, specific tariffs, customer service, brand, media coverage etc.

Do you know what tariff are you currently on?

Name and description

Payment method, restrictions, conditions, fixed term etc

Benefits / drawbacks of tariff

[If don't know tariff] Why don't you know? What do you see as the main differences, if any, between the tariffs available?

How did you choose your current tariff? Please talk me through process

Reactive (default, sales calls / visits, recommendations) or proactive (use of switching sites, contacting suppliers)

[If proactive] where do you look for / get information from

Factors taken into account e.g. simplicity, unit pricing, suitability to your energy use etc

Is there any information and / or support currently available for choosing suppliers or tariffs?

What form does it come in?

Where can you find it?

- What do you think about it?

[Probe on quality] How useful do you find the information / support?

[Probe on quantity] What do you think about the volume of information /support available? Too much / too little? [If too much] what information is redundant or unhelpful? [If too little] What information / support would be helpful?

18.30-19.00 BREAKOUT GROUPS: Switching supplier and tariff (30 mins)

How often do you think about switching supplier?

- What motivates you to think about switching?
- [For those who have switched more than once] When you switched the second or subsequent times, did you return to your original supplier or switch to a new supplier? Why / why not?
- [For those who don't think about it] Why don't you think about switching supplier? What might motivate you to think about switching?

How often do you think about switching tariff?

- What motivates you to think about switching?
- [For those who don't think about it] Why don't you think about switching tariff? What might motivate you to think about switching?
- When you think about switching, what are you primarily considering – the supplier or tariff? Why?

How do you go about investigating switching supplier or tariff? Where do you look / who do you contact etc?

- Important factors for comparing suppliers / tariffs?
- How easy is it to compare suppliers / tariffs? Why? What makes it difficult?
- How easy is it to decide which supplier / tariff is best for you?
- Areas of confusion – PROBE complexity of tariffs, number of tariffs, variable units, payment methods, why and how tariffs vary?

[devote at least 15 mins of session to following questions]

FLIPCHART – What would make it easier to compare suppliers / tariffs and switch?

- Think about what resources you would like to have available
- Think about who should provide the information and why [probe to understand value of e.g. an independent source] and in what format e.g. written, telephone, internet
- Think about what information you would like to compare
- Think about how you would like this information presented
- How should tariffs vary, what do you want to them to compete on?

Reaction to Ofgem setting up a comparison service for consumers to compare energy suppliers

What would be benefits / drawbacks? Compare to existing switching sites, probe on trust

What would you expect from such a service?

Probe on format of service e.g. website, phone, written; type of information; usability of service etc.

Do you see this as the role of a regulator? Why / why not?

Who else would you trust to provide this type of service? PROBE Consumer organisation – how should they be involved?

[If not seen as role of regulator and not already covered] What could Ofgem do to improve the information available to support consumers thinking about switching or making a switching decision?

19.00-19.15 BREAKOUT GROUPS: Information changes (15 mins)

Have you noticed any changes over the past year to how your supplier communicates with you?

- Spontaneous, then probe on: frequency, format, content of information. Was the information relevant or helpful? How/did you respond to it?
 - Probe on: the communication of price changes / increases
- Considering your most recent energy bill that we asked you to bring along:

- How do you use your energy bill?

What information on the bill do you look at on a bill-by-bill basis? Why? What do you do with this information?

Have you noticed any changes to the type of information – or how it's presented - in the last year or so?

- Spontaneous, then probe on: graphs comparing consumption, name of tariffs, yearly cost

[Show mock-up of annual statement] Have any of you seen anything like this? [Note that some are sent out with bills, but most sent out separately] **SHOW OF HANDS – NOTE HOW MANY HAVE SEEN/RECEIVED ONE**

What do you think of the information contained in this example of an annual statement?

[If received an annual statement]

- How do you use your annual statement?
 - Describe the type of information it contains?
- What is most useful to you? What do you do with this information?
- Did the information prompt you to take any action? Why / why not?

[If not received an annual statement]

- How might you use an annual statement like the one shown here?
- What would be most useful to you? What might you do with this information?
- How likely would the information be to prompt you to take any action? Why?

19.15-19.25 BREAK (10mins)

19.25-19.30 PLENARY: Pre-introduction of models (5 mins)

Presentation explaining:

Current situation with regards to tariffs

How the role of regulation can involve constructive changes to energy market as well as penalising suppliers

19.30-20.55 BREAKOUT GROUPS: Reviewing the models (85 mins)

We have already discussed which tariffs you are on and whether and how you switch between tariffs. I'd like to quickly recap what you think about the current tariff structure.

What do you think about the system and type of tariffs currently available? What is good / what is not so good? [Prompt – how do you know you are on the best tariff for you?]

Do you think there are too few or too many tariffs? Why / why not?

Do you think there are too few or too many suppliers? Why / why not?

How do you react to having a variety of tariffs in the market? PROBE on behaviour

Do you currently have an electricity bundle package? E.g. having a maintenance service contract (fixing boiler) + tariff/plan

Consider whether and how the following might increase your likelihood to switch supplier or change tariff:

Fewer tariffs to compare? Why / why not?

Current tariffs presented in a more standardised format? Why / why not?

Ofgem introducing a standard tariff format to enable comparison of tariffs – even if this means reducing number of tariffs available? Why / why not?

What expectations would you have for a new tariff format suggested by Ofgem? What characteristics or benefits should it have for consumers? [Spontaneous then probe on:]

Better/easier comparison between tariffs, competitive price, simplicity, better customer service?

Any other benefits or requirements?

Now we would like to explore a set of potential tariff models with you one by one.

Models 1a, b and c – limiting number of tariffs and/or tariff format.

Option 1a – Review and explain model 1 hand-out

How would you react to this situation?

Anticipated benefits / drawbacks of model?

PROBE ON limiting the choice to 3 tariffs per supplier

PROBE ON p/KWh price format [ASK ONCE IN EITHER 1A, B OR C]

How easy is it to understand?

What impact would this model have on your likelihood to compare and / or switch supplier or tariff? Why?

How do you feel about having only 3 tariffs?

Restricting choice may push prices up a little because there would be less competition; to what extent would you find this trade-off acceptable?

To what extent would you feel reassured because there is a fixed element to the price of the tariffs i.e. the fixed charge?

To what extent would you prefer more tariffs to encourage prices to stay down?

Information needs – level of communication required about standard product being put onto, type of information required to understand new model, source of information

How do you feel about having a fixed standing charge? Does this make it easier to compare tariffs?

Option 1b – Review and explain model 1b hand-out

How would you react to this situation?

Anticipated benefits / drawbacks of model?

PROBE ON greater choice of tariffs than Option 1a, some tariffs have no set format

PROBE ON p/KWh price format [ASK ONCE IN EITHER 1A, B OR C]

PROBE ON What do you think about the fixed term element? Would you like this model more if they weren't fixed terms and conditions? Should this model be cheaper because of the fixed terms and conditions?

How easy is it to understand?

What impact would this model have on your likelihood to compare and / or switch supplier or tariff? Why?

Would it provide you with the feeling of comfort not to switch or confidence to switch?

How likely are you to stick to the standard tariff or look at selected tariffs?

Why? PROBE balance between simplicity and finding the best deal

How do you feel about the format-controlled tariffs not necessarily being the cheapest?

How would you react to being automatically put onto a regulated product by your supplier until you decide to switch?

- What information would you need if you were automatically put onto a regulated product? From whom?

Option 1c Review and explain model 1c hand-out

How would you react to this situation?

Anticipated benefits / drawbacks of model?

PROBE ON greater choice of tariffs than Option 1a, all tariff have a set format

PROBE ON p/KWh price format [ASK ONCE IN EITHER 1A, B OR C]

How easy is it to understand?

What impact would this model have on your likelihood to compare and / or switch supplier or tariff? Why?

Would it provide you with the feeling of comfort not to switch or confidence to switch? Why? PROBE balance between simplicity and finding the best deal

Compare model 1a, 1b and 1c

Which do you think best serves your needs and the needs of consumers unwilling or unable to engage in the competitive energy market? Why?

Which option do you think would most help you compare and switch tariffs? Why?

What advantages does your preferred model have over the other model?

Is it the set format that you like about 1a, b and c?

Models 2a, b and c – limiting number of tariffs and/or Ofgem agreeing prices.

Option 2a – Review and explain model 2a hand-out

[NOTE that where is says agreed by Ofgem, this means taking into considerations both parties (supplier and consumer)]

How would you react to this situation?

Anticipated benefits / drawbacks of model?

How easy is it to understand?

What impact would this model have on your likelihood to compare and / or switch supplier or tariff? Why?

How would you feel about having only 3 price-agreed tariffs?

Restricting choice may push prices up a little because there would be less competition; to what extent would you find this trade-off acceptable?

To what extent would you feel reassured because the prices would be agreed by Ofgem?

To what extent would you prefer more tariffs to encourage prices to stay down?

How do you feel about this option compared to option 1a? Why do you prefer? Why?

Would you accept this model if it wasn't in a standard format (like 1a) but the prices were still agreed? Would you understand it as well? PROBE FULLY

Which type of customers would be likely to benefit most from this model?

Would you be confident that a price-agreed tariff introduced by Ofgem considered the interests and needs of consumers such as yourselves? Why?

Option 2b – Review and explain model 2b hand-out

How would you react to this situation?

Anticipated benefits / drawbacks of model?

How easy is it to understand?

What impact would this model have on your likelihood to compare and / or switch supplier or tariff? Why?

How do you feel about the price-agreed tariff not necessarily being the cheapest?

How likely are you to stick to the standard tariff or look at selected tariffs?

When should current non-price agreed tariff customers have the choice to switch? When their current deal expires?

- Should certain customers be automatically transferred to a price agreed tariff? Why / why not?

Probe on vulnerable consumers

Probe on consumers who have not switched for, say, 5 years

Would you be willing to be automatically switched?

Would they / you want an opt-in or opt-out approach?

Or would you / they want to choose? (They would still be able to change tariff at any time)

Information needs – level of communication required about controlled tariffs being put onto, type of information required to understand new model, source of information

Which type of customers would be likely to benefit most from this model

Should the Ofgem regulated supplier be available to all? Certain customers?

Option 2c – Review and explain model 2c hand-out

How would you react to this situation?

Anticipated benefits / drawbacks of model?

How easy is it to understand?

How likely are you to switch to the price controlled supplier?

Why? PROBE balance between simplicity and finding the best deal

How willing would you be to be automatically switched to a price controlled tariff that may be provided by a supplier other than your current one? Why / why not?

To what extent is your willingness to switch affected by who the supplier is? Probe: one of the big six; a new and unknown supplier; an new entrant to the market e.g. Tesco

When should current customers have the choice to switch to the price controlled tariff? When their current deal expires?

- Should the price controlled supplier be available to all? Certain customers?

Should certain customers be automatically transferred to the price-controlled supplier's tariff? Why / why not?

Probe on vulnerable consumers

Probe on consumers who have not switched for, say, 5 years

Would you be willing to be automatically switched?

Would they / you want an opt-in or opt-out approach?

Or would you / they want to choose? (They would still be able to change tariff at any time)

How do you feel about the price-controlled tariff offered by one supplier not necessarily being the cheapest?

Information needs – level of communication required about a controlled supplier being placed with, type of information required to understand new model, source of information

Which type of customers would be likely to benefit most from this model?

Is it ok for price-controlled supplier to offer competitive tariffs? Why / why not?

To what extent would you trust an Ofgem-controlled supplier? Why?

Compare model 2a, 2b and 2c

Which model do you think best serves your needs and the needs of consumers unwilling or unable to engage in the competitive energy market? Why?

Which option do you think would most help you compare and switch tariffs? Why?

What advantages does your preferred model have over the other model?

Is it the agreed prices that you like about 1a, b and c?

Consumer all models

Out of all the options we have looked at (1a-2c), which do you prefer? Why?

Which is most important to you, a set format or agreed prices? Why?

Consumer choice

Would the existence of price controlled tariffs give you more confidence to compare tariffs and consider switching? Why / why not?

Or, would the existence of price controlled tariffs make you more reassured staying on such a tariff and not needing to switch? Why / why not?

Comparison to the current model

How do the models we have discussed compare to the current model? Are some or all better / worse? Which and why?

20.55 – 21.00 IN PLENARY (5mins)

Thanks and close

Ofgem Consumer Panel

Session 2



Welcome back and introduction



What will happen this evening

- **Discussions on:**
 - Thoughts on the current energy market in the UK
 - Changes in availability and nature of information
 - Current tariff model vs. potential new models
- **Mix of:**
 - Table discussions
 - Information giving
 - Feedback sessions



Guidelines

- Make time for everyone to contribute
- Respect the opinions of others
- Let everyone speak
- No right or wrong answers
- Mobiles off please
- Take a break when you need one
- Contracts



Table introductions



Discussion session

Engagement with the energy market



Discussion session

Current supplier and tariff



Discussion session

Switching supplier and tariff



Discussion session

Information changes



BREAK

Please be back by 19.30



Introduction to the models



Current tariff model

- No current limit on number or types of tariffs on offer
- There is a large number of tariffs currently available
 - For example, basic rate, off peak or green tariffs
- Customers are free to switch suppliers and tariffs
- Ofgem do not currently control the format or prices of tariffs



Potential Models 1a, 1b and 1c



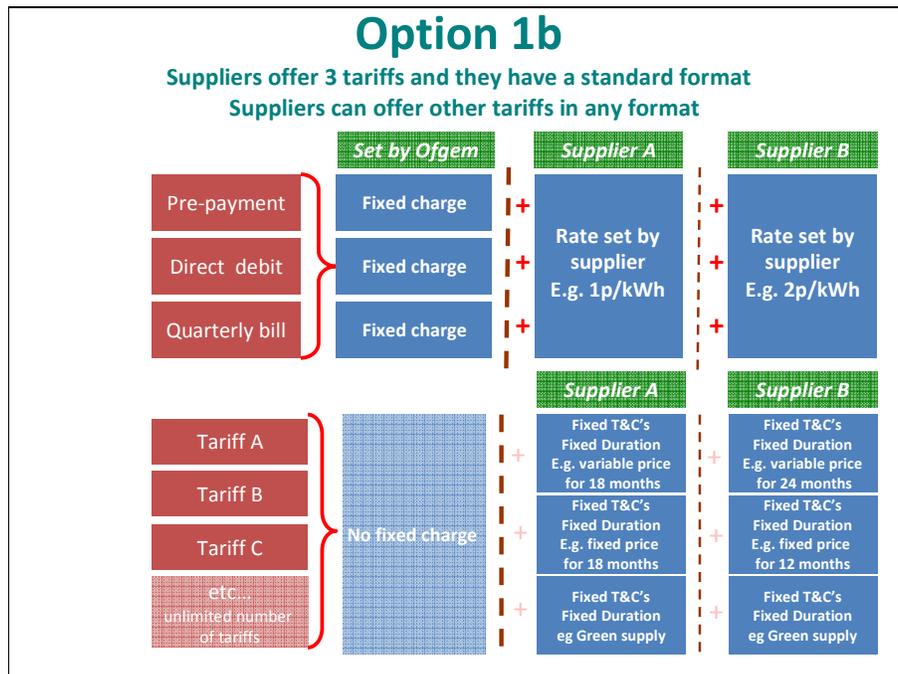
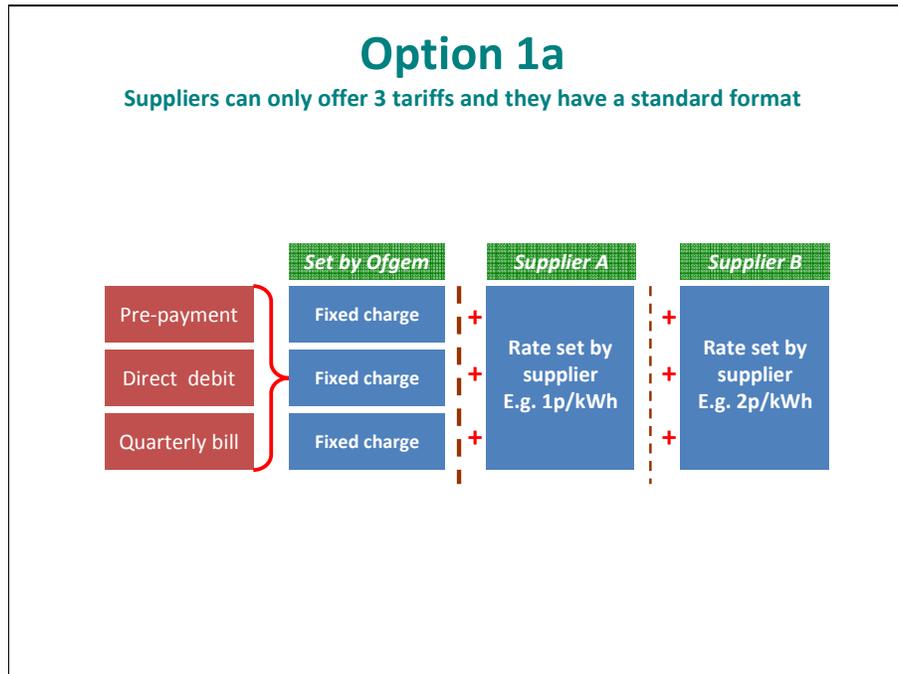
Potential Models 2a, 2b and 2c



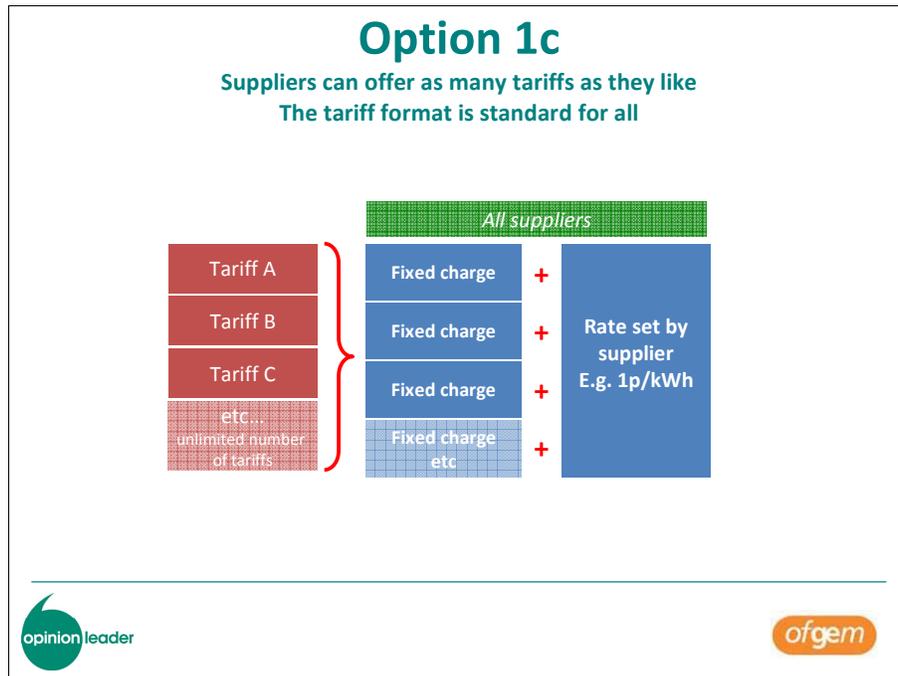
Thanks and next steps



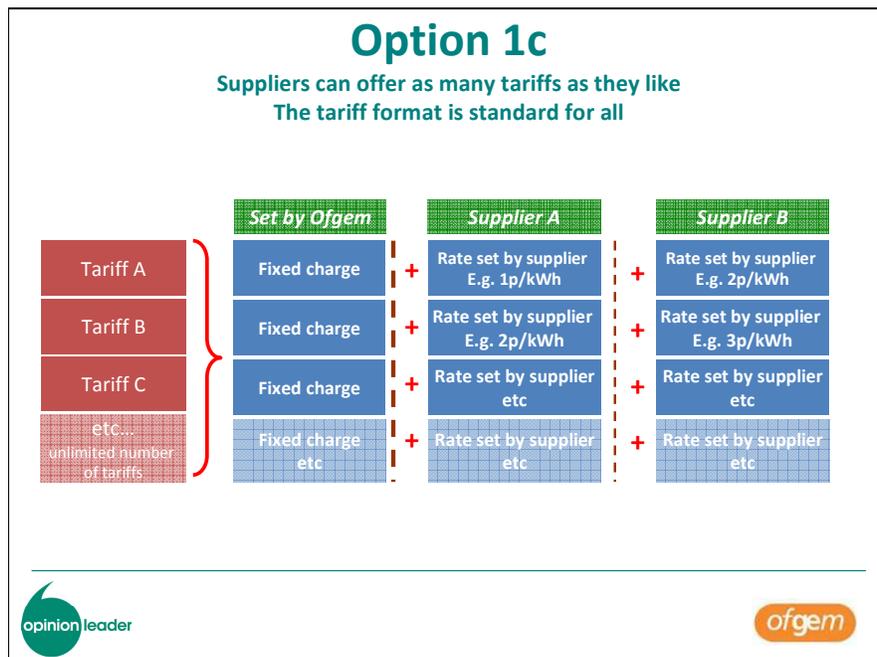
Appendix 3: Tariff Models



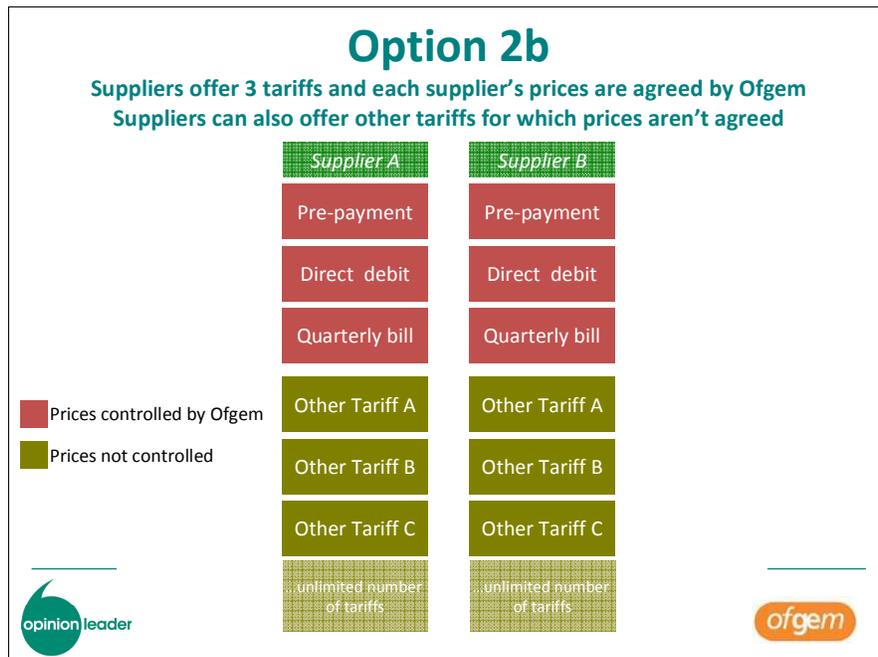
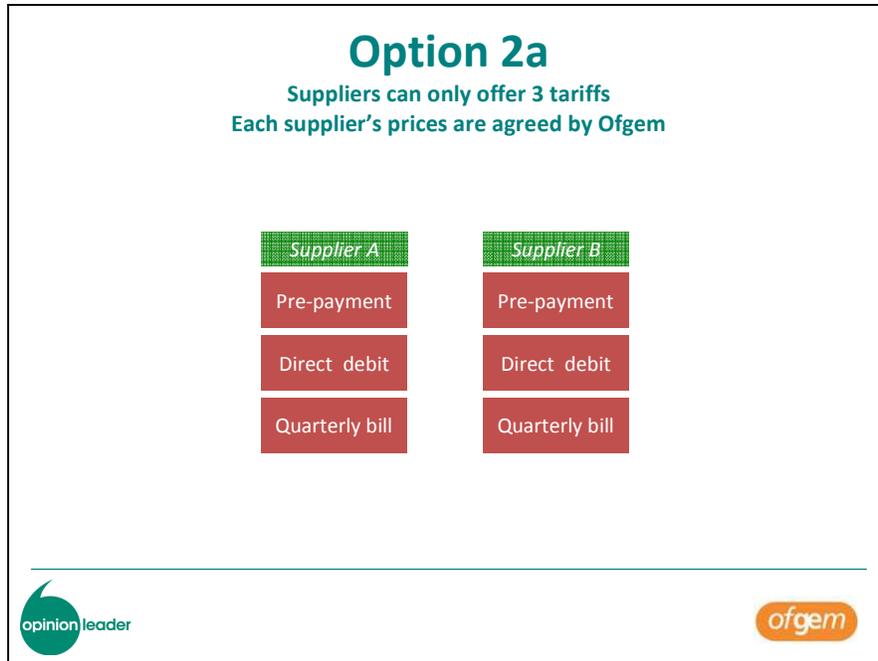
The underlying principle of **Model 1c** remained consistent over the course of the fieldwork. However, in the first two workshops (Norwich and Swansea), the Model did not include an example of a second comparable supplier and the unit rate was presented as being the same for all tariff types:



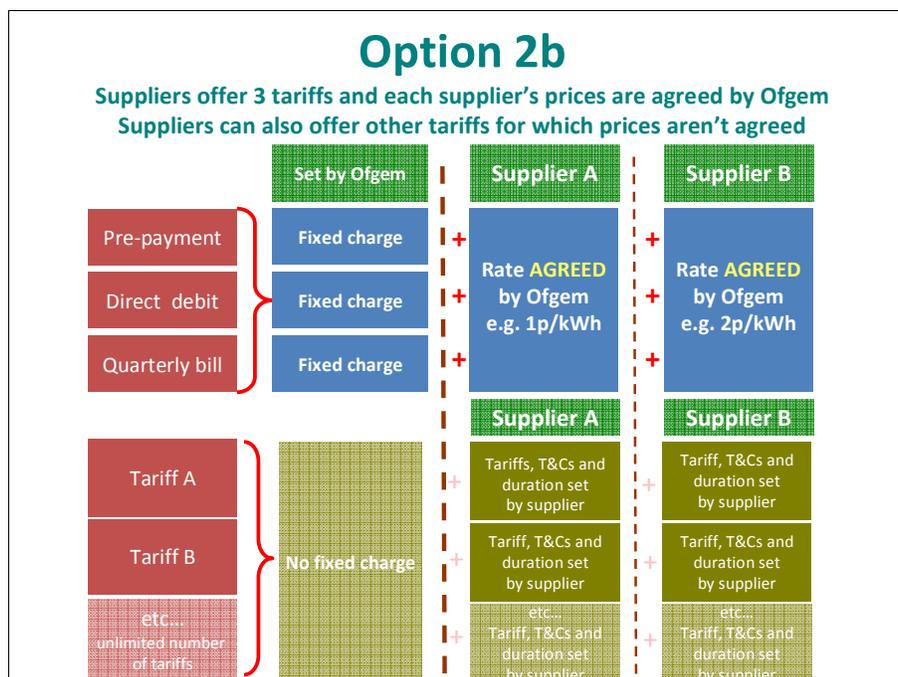
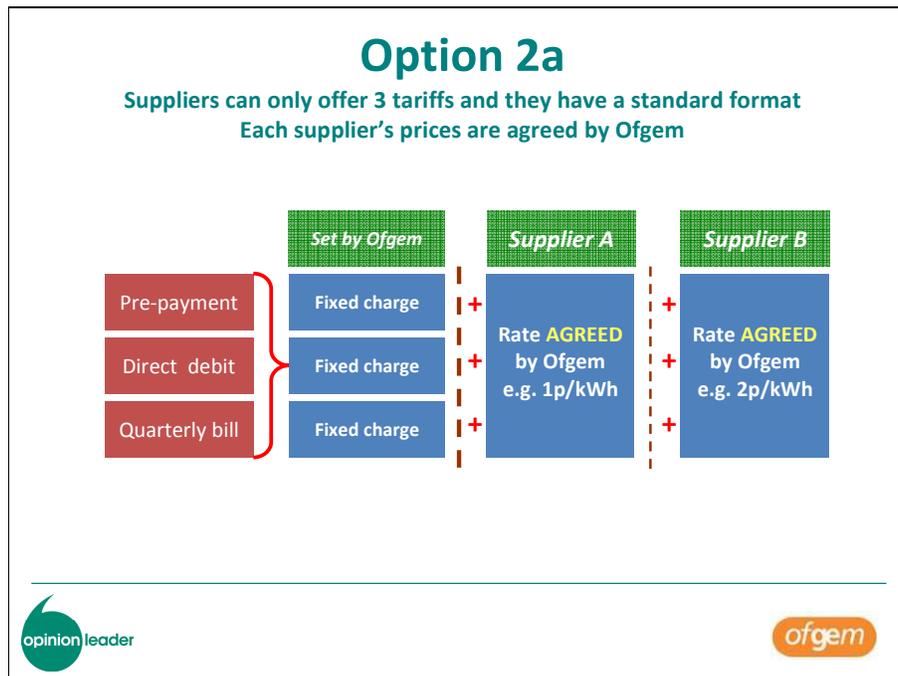
The diagram below shows the Model presented in the last four workshops (Reading, Kendal, London and Inverness):



The underlying principles of the **Model 2a and 2b** remained constant over the course of the fieldwork. However, in the first three workshops (Norwich, Reading and Swansea) it was presented without a standardised format in the standard tariffs:

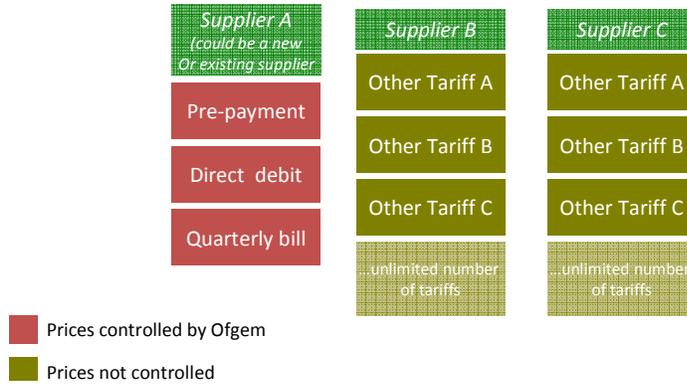


In the last three workshops (Kendal, London and Inverness) these models were presented with a standardised format in the standard tariffs:



Option 2c

One supplier offers controlled tariffs
All other suppliers offer tariffs that are not controlled



Appendix 4: Draft Annual Statement



Your Energy Company

MR JOHN SMITH
1 DRAFT STREET
SAMPLETOWN
BC14 4JS

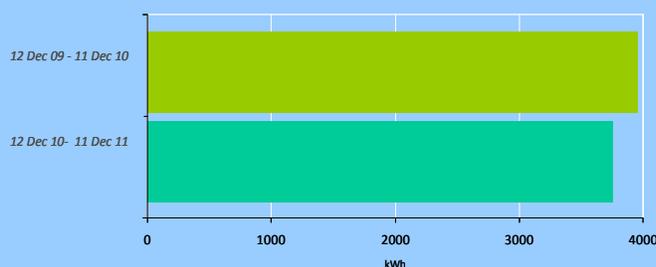
Your annual electricity statement

Dear Mr Smith,

Welcome to your annual statement which summarises your electricity account and aims to give you useful information on managing your energy more effectively.

We've tried to make it as clear and easy to understand as possible. There is no need to contact us about this statement. Please continue to top up your pay as you go meter as you normally would – you are not required to make any additional payment.

Your usage – 12 December 2010 to 11 December 2011
You used **4,238 kWh** of electricity



If you continue to use energy at the same rate over the next 12 months, we predict your cost will be £312.17*

Please note that this is based on the following bill tariff breakdown and including any estimated readings

Period	Your tariff	Forecast
12 Dec 11 – 11 Dec 12	Basic Customer Tariff	£312.17

Contact us

Visit us online at:
yourenergycompany.co.uk/prepayment

Call us on:

Statement reference number:
1386795 1236879

Date of statement:
12 December 2010

Supply address:
1 Draft Street, Sampletown, BC14 4JS

Your tariff:
Basic Customer tariff

Statement period:
12 December 2009 – 12 December 2010

Please note that there is no need to contact us about this statement – it is purely for your information

*If you would like more information regarding your annual statement please go to:
yourenergycompany.co.uk/payasyougohelp*

Looking for ways to save energy?

Talk to our online expert Lucy at your energycompany.co.uk/customerhelp.lucy