

Domestic Information Proposals

**Consumer Bills and
Communications Roundtable**

22 August 2012

The background features a large, semi-transparent white 'X' over a collage of images: solar panels on the left, a gas burner on the right, and a close-up of a gas valve or meter at the bottom. The text "Price Increase Notifications" is centered over the 'X'.

Price Increase Notifications

Price Increase Notifications

Purpose

- At least 30 days before any charges are due to increase, suppliers are required (through licence obligations) to notify their consumers

- The **purpose of the price increase notification (PIN)** is to ensure consumers are informed about how their charges are planned to increase, and that they are aware of their rights or responsibilities

- This allows a consumer the opportunity to manage the new charges, provides an element of predictability and enables budgeting decisions

Our Aims

- **We aim** to ensure consumers receive clear and easily-understood information so they have a greater understanding of how price increases impact them and how they can manage them

- Improved clarity of price increase information may trigger consumers to review their tariff options in the market and facilitate more informed switching decisions

Key objective: to facilitate consumer engagement through greater accessibility, simplicity and clarity of key information

- Currently the purpose of supplier's notifications is not clear and key information is overly complex or incomplete, making it difficult for consumers to use notices effectively
- To assist us to identify key improvement areas, we commissioned an expert study to review the language and format of PINs and tested our concepts with the Ofgem Consumer First Panel
- In our December 2011 RMR consultation we then set out our the following key proposals to standardise the format and content of price increase notifications



Our December Proposals

To address our concerns we proposed the following:

- 1. Standardise the format for price increase information:** price increase information (the price increase in unit rate and monthly/annual projections) will be subject to a standardised table format
- 2. Require additional personalised information:** additional information requirements to be clarified and strengthened, including key reasons for the price increase, providing current tariff information and clarifying termination fees cannot be charged. Information contained in the notice must also be personalised to the consumer
- 3. Restrict marketing material:** to ensure the purpose of the communication remains clear no additional information to be contained on the notice, including marketing material
- 4. Extend the notice of transfer window:** the notice of transfer window to be extended from 15 to 30 working days

December consultation responses

Prescribed format and information requirements

- Broad support and understanding of the benefits to consumers of having personalised information
- Suppliers generally agreed these proposals would improve transparency and help rebuild consumer trust in the market, but raised concerns about the costs of this proposal

Restrictions on marketing material

- Supported by consumer bodies and small suppliers
- Some concerns from respondents, suggesting the price increase notifications are active switching prompts and so information on other tariffs would be useful

Period of transfer window

- Wide-ranging support for this proposal from respondents

What's changed since December?

- In light of consultation responses we commissioned communication design experts and a consumer research team to assist us to further develop our standardised price increase information template and address concerns raised by stakeholders
- We have established a working group with Energy UK, Consumer Focus, Which? and Citizens Advice to identify the key objectives of consumer bills and other communications and to work through the detail of how to simplify the information presented to consumers



Our Updated Proposals

Taking into account responses to the consultation and findings from our additional research, our updated proposals for price increase notifications are:

- 1. Standardise the format for price increase information:** since we last consulted we have condensed the formatting of the standardised price increase table and are looking to require it appears on the first page of the notice to ensure it is in a position of prominence
- 2. Require additional personalised information:** policy remains the same as per December's proposals
- 3. Restrict marketing material:** suppliers will be required to advertise an alternative tariff i.e. Government initiatives to provide consumers with details of their 'cheapest tariff', however no additional information can be contained on the notice other than that required by the licence
- 4. Extend the notice of transfer window:** we are now considering an alternative option that could simplify the process for consumers to manage the price increases from their supplier

Further research since December

Element	Variations tested	Recommendation
Content	<ul style="list-style-type: none"> • Nationalised vs personalised information • Monthly vs annual price projections • No prompts vs prompts to consumer rights and switching 	<ul style="list-style-type: none"> • Personalised information only • Signposting to switching
Design	<ul style="list-style-type: none"> • Single-sided vs double-sided • With salutation vs no salutation • Prose vs bulleted text • Table vs no table • Tables only vs with visualisation 	<ul style="list-style-type: none"> • Double-sided • Letter style with salutation • Tabular format for pricing information on page one of the notice • Key information in a position of prominence
Context	<ul style="list-style-type: none"> • Language • Consumer expectations of information contained within the notice 	<ul style="list-style-type: none"> • No additional information, including marketing material

Template

ENERGY FOR YOU AND YOURS

Mr A Smith
2 Sample Street
Sample Ville
SAMPLE

Questions?
☎ **0800 123 1234**
Lines open 8am–8pm Mon–Fri, 8am–2pm Sat

🌐 **www.yourpower.co.uk**

✉ Your Power, Head Office, 12 Sample street, Sample Town XX99 9XX

Your customer number:
123 123 123

Supply address:
20 Sample Street, Sample Town,
Sample Ville SAMPLE

Your region: London

Your gas tariff: Standard Gas
Payment type: Direct Debit

Your electricity tariff: Standard Electricity
Payment type: Direct Debit

02 November 2011

Dear Mr Smith,

Your energy prices are increasing from 01 December 2011

Because wholesale prices have increased, from 01 December 2011, the price you pay for your electricity is increasing from x.xxp per kWh to x.xxp per kWh. The price you pay for gas is increasing from x.xxp per kWh to x.xxp per kWh. Your standing charges will remain the same. Here's a breakdown of how your prices are changing:

		Current prices until 30 Nov 2011	New prices after 1 Dec 2011
Electricity	Standing charge	x.xxp per day	x.xxp per day
	Unit rate	x.xxp per kWh	x.xxp per kWh
Gas	Standing charge	x.xxp per day	x.xxp per day
	Unit rate	x.xxp per kWh	x.xxp per kWh

All charges include VAT.

Your projected costs for the next 12 months

In the last 12 months you've used xxxxx kWh of electricity and xxxxx kWh of gas (including estimated readings). Here's an idea of how the price increases will affect you, assuming you continue to use the same amount of energy over the next 12 months:

	Current prices until 30 Nov 2011	New prices after 1 Dec 2011
Your projected average monthly cost	£xxxx.xx	£xxxx.xx
Your projected yearly cost	£xxxx.xx	£xxxx.xx

Your projected costs include all added charges, discounts and VAT.

If you decide to stay with us, then we may need to change your Direct Debit payments. We will let you know about any changes in advance, and tell you about your rights.

Choosing the right tariff

We may be able to help you save money with one of our other tariffs. Call us or visit www.yourpower.co.uk/tariffs for details.

Impartial advice

As your energy supplier we have an obligation to remind you that you may wish to consider changing your supplier. If you would like information, impartial advice or details about changing your energy supply, this is available from Consumer Direct on 0800 8910 256 or by visiting consumerdirect.gov.uk

If you decide to switch your supplier, please let us know **before 01 December 2011** to avoid the price increase. We won't charge you an exit or termination fee for switching.

For your rights as a consumer see overleaf >

Yours sincerely,

Name – Title/position

Your rights as a consumer

You have a right to end your contract for gas or electricity (or both) because of the change increase. There will be no exit fee for ending your contract if you tell us you want to do this by 1 December 2011. You can phone 0121 123 4567 or write to the address at the top of this letter.

If you tell us that you want to end your contract by 1 December 2011, you can take either of the following options:

- You can switch to another one of our tariffs. We won't charge you any increase if you switch to another tariff within 30 working days of letting us know you want to end your contract.
- You can switch to another supplier. We won't charge you any increase if within 30 working days of letting us know you want to end your contract, your proposed new supplier has also told us that they'll be taking over your supply within a reasonable period of time. However, if you have unpaid charges on your account, we may prevent the switch until you have paid them. If so, we will write to tell you. If you pay the balance on your account within 30 working days of us telling you this, your switch can still go ahead and we won't apply a charge increase during the switching period.

Customer research showed a strong preference for tabular data display as opposed to graphical data display (based on *SPA recommendations, May 2012*).

Pricing information only to be subject to a standardised format

All benchmarking removed, as consumers prefer information related to their own account, rather than low, medium or high user profiles (based on *SPA recommendations, April 2012*).

Treatment of kWh and charges consistent across all communications

Separation of consumption/projection information and advice on saving and switching based on information design best practice to logically group related content.

Signposting to impartial advice (based on recommendations from Ofgem)

Transfer window – background

Purpose of work on transfer window

- The transfer window exists so that after notifying their existing supplier that they plan to switch, consumers can switch without paying the increased prices
- The window must be sufficient to ensure consumers that switch as a result of a price increase do not pay the increased rates

Current Process

- For consumers to avoid price increases from their supplier, SLC 23 requires:
 - The consumer to notify their supplier that they plan to switch to another supplier, by the date the new prices take effect
 - Within 15 working days of the consumer giving notice, the losing supplier must receive notice from the gaining supplier that they are taking over the supply of the consumer

Transfer window – potential way forward

Alternative options

- We are also considering alternative options that simplify the process for consumers to manage price increases
 - One example could be removing the requirement for consumers to notify their supplier that they plan to switch

We would be interested to hear your views on this as well as other suggestions

Summary of Points for discussion

- Do you consider that the template format is appropriate? The content?
- Would the template have significant implementation and ongoing costs?
 - If so, what would be the scale of these costs?
- What would be a reasonable implementation timeline?
- Would the government initiatives for the 'cheapest tariff' be appropriate for PIN's?
- What are your views on alternative approaches for the notice of transfer window?

The background of the slide features a large, semi-transparent white 'X' overlaid on a collage of images. The collage includes solar panels, a gas flame, and a light bulb. The text 'Tariff Information Label' is centered over the 'X' in a bold, black, sans-serif font.

Tariff Information Label

Purpose

- Bring together key information about an energy tariff
 - access on switching sites, through telesales, field sales
- Reduce search costs for consumers that wish to compare tariffs
- Overcome information asymmetries that can lead to poor switching decisions
- Mitigate risk that consumers focus unduly on price when the TCR is introduced
- Simplify presentation of key terms in pre-contract information
- **Not** designed to prompt engagement or appear on regular comms

There was support for this proposal in many consultation responses

Research

Four pieces of consultancy research have informed design of label:

- Pre December 2011 publication:
 - Lawes Consulting academic research into language used in energy markets;
 - Lawes Consulting response to specific questions on Tariff Information Label;
 - Panel research based on internal first draft of Label
- Post December 2011 publication:
 - Professional design input and consumer research
- Energy UK research had similar findings

Final design suggestion

Your tariff information

About your electricity tariff

Supplier	YourPower
Tariff name	YourPower Fixed Renewables
Tariff type	Green, Fixed price
Payment method	Direct Debit
Unit rate	11p per kWh
Standing charge	16.43p per day
Tariff ends on	18 February 2011
Price guaranteed until	18 February 2011

Exit fees (if you cancel this tariff before the end date)	£50.00
Additional products or services included	Loyalty points

Estimated electricity use for typical households on this tariff

	Low user 	Medium user 	High user
Assumed annual consumption	1,650 kWh	3,300 kWh	4,600 kWh
Estimated annual cost	£306.96	£525.96	£688.92
Estimated monthly cost	£26.58	£43.83	£57.41
Tariff Comparison Rate (TCR)	15.4p/kWh	14.0p/kWh	13.6p/kWh

Estimated costs include all added charges, discounts and VAT. They are based on your current tariff and our current prices.

Frequently asked questions

- What is a kWh?
A kWh stands for kilowatt-hour – the unit used to measure energy use. 1 kWh will power a 40 watt light bulb for 25 hours.
- What is the Tariff Comparison Rate (TCR)?
TCR is a rate per kWh that allows you to compare your tariff to other tariffs by taking account of the unit rate and standing charge.

About your gas tariff

Supplier	YourPower
Tariff name	YourPower Fixed Renewables
Tariff type	Green, Fixed price
Payment method	Direct Debit
Unit rate	11p per kWh
Standing charge	19.72p per day
Tariff ends on	18 February 2011
Price guaranteed until	18 February 2011

Exit fees (if you cancel this tariff before the end date)	£50.00
Additional products or services included	Loyalty points

Estimated gas use for typical households on this tariff

	Low user 	Medium user 	High user
Assumed annual consumption	1,650 kWh	3,300 kWh	4,600 kWh
Estimated annual cost	£306.96	£525.96	£688.92
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Separation of tariff information and consumption benchmarking based on information design best practice to logically group related content into digestible chunks.

Hierarchical heading structure in table:

1. White reversed out of black (larger)
2. Black text on grey tint (smaller).

Pictograms employed to accommodate reading preferences and low-level literacy (disengaged).

Consumption benchmarking supports *Ofgem Consumer First Panel Research Findings from the Second Events (March 2009)*.

FAQs used to anticipate customer queries and explain utility jargon.

Removed Standard Equivalent Rate equation (based on *SPA recommendations, May 2012*).

Both the layout and content of the Label would be mandated

Points for discussion

- Do you consider that the Label would be helpful to consumers?
- What are your views on the designs?
 - Is the amount and type of information right?
 - Do you think that the format is appropriate?
- Would the Label have significant implementation and ongoing costs?
 - If so, what would be the scale of these costs?
- What would be a reasonable implementation timeline?



Promoting choice and value
for all gas and electricity customers