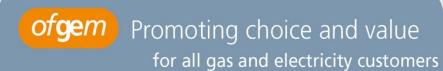
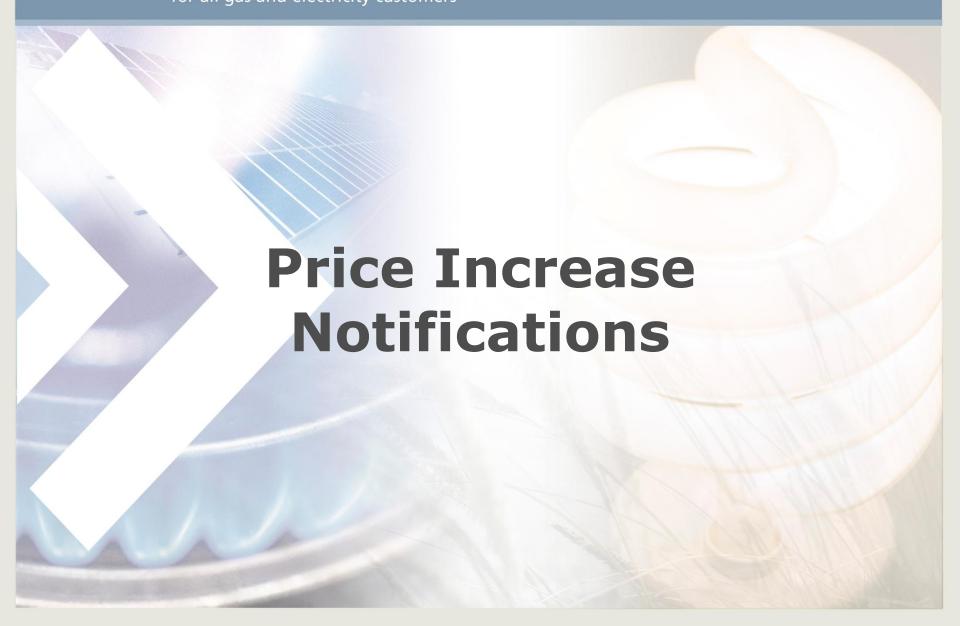


## Domestic Information Proposals

**Consumer Bills and Communications Roundtable** 

22 August 2012





#### **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

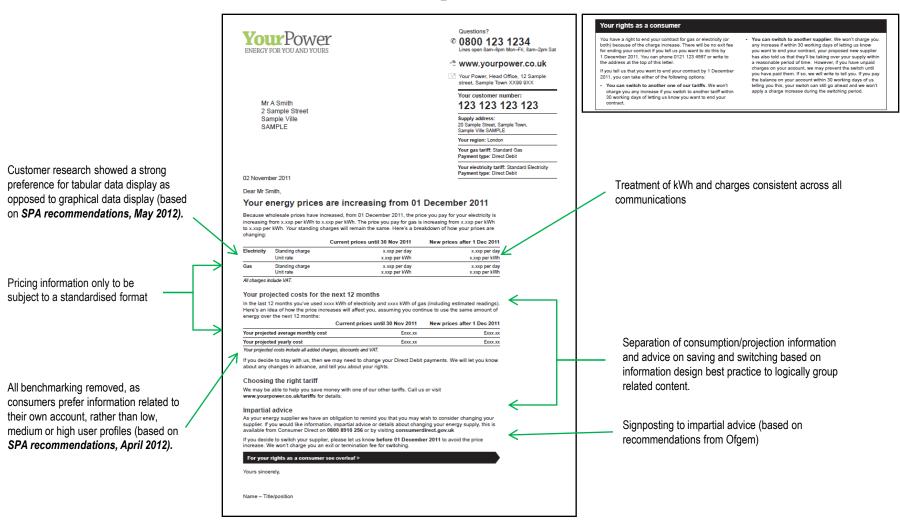


### **Further research since December**

Element	Variations tested	Recommendation
Content	<ul> <li>Nationalised vs personalised information</li> <li>Monthly vs annual price projections</li> <li>No prompts vs prompts to consumer rights and switching</li> </ul>	<ul><li>Personalised information only</li><li>Signposting to switching</li></ul>
Design	<ul> <li>Single-sided vs double-sided</li> <li>With salutation vs no salutation</li> <li>Prose vs bulleted text</li> <li>Table vs no table</li> <li>Tables only vs with visualisation</li> </ul>	<ul> <li>Double-sided</li> <li>Letter style with salutation</li> <li>Tabular format for pricing information on page one of the notice</li> <li>Key information in a position of prominence</li> </ul>
Context	<ul> <li>Language</li> <li>Consumer expectations of information contained within the notice</li> </ul>	No additional information, including marketing material



### **Template**



## 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

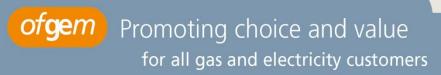
#### **Alternative options**

- 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?





### **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

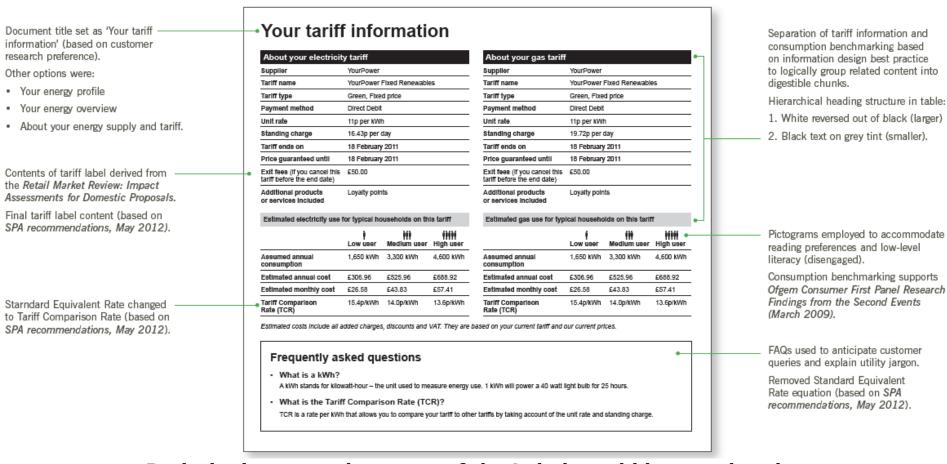
There was support for this proposal in many consultation responses

### 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



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?



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