

# Supplementary appendix to: The Retail Market Review – Updated domestic proposals consultation

## Consultation - supplementary appendices

**Reference:** 135a/12  
**Publication date:** 26 October 2012  
**Response deadline:** 21 December 2012

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### Overview:

The aim of the Retail Market Review (RMR) is to encourage and equip consumers to get the best deal from the energy market. We are looking to rebuild trust and confidence in the market so that more people are inclined to engage, and to put in place measures so that consumers are better able to choose the deal that suits them. A combination of the competitive pressure this creates and additional consumer protection we introduce should mean that the market better serves the interests of consumers.

The Retail Market Review – Updated domestic proposals consultation document sets out our updated RMR proposals for the domestic market, following our consultation in December 2011. This is a supplementary appendix to that document.

We have looked to make best use of our statutory powers to address the concerns we have about the domestic market. If, following consultation, we consider that our proposals do not have a realistic chance of addressing the concerns identified due to industry opposition or otherwise, we retain the option that we have flagged in our previous consultations of referring the market to the Competition Commission for a Market Investigation Reference.

These proposals represent an important development in the functioning of the retail market and it is important to allow stakeholders adequate time to present their views. Our deadline for responses to this consultation is 21 December 2012.

## Context

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Ofgem’s principal objective is to protect the interests of both existing and future energy consumers. The RMR aims to make the market better at serving the interests of consumers and enable individuals to get a better deal from energy companies.

The proposals presented in this document cover seven policy areas, as well as a number of interrelated issues. We summarise their key elements below. Proposals for the non-domestic market are published in a separate consultation document.

In conjunction with this consultation document we also publish a further draft Impact Assessment on the proposals and the draft legal text for new and amended licence conditions. We have also published our latest consumer research undertaken to inform our findings.

The RMR has links with our Consumer Vulnerability Strategy<sup>1</sup>, Smarter Markets Strategy<sup>2</sup> and our work on liquidity<sup>3</sup>. We are working to ensure our RMR proposals work in a complementary manner to these initiatives.

Alongside this document we are publishing our decision not to re-insert the undue discrimination licence condition (SLC 25A)<sup>4</sup>.

## Associated documents

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All documents are available at [www.ofgem.gov.uk](http://www.ofgem.gov.uk)

- The Retail Market Review – Updated domestic proposals, Reference: 135/12, October 2012.
- The Retail Market Review – Draft Impact Assessment for the updated domestic proposals, Reference: 135b/12, October 2012.
- Draft licence conditions for the Retail Market Review proposals, Reference: 135c/12, October 2012.
- Ipsos MORI, Prompting engagement with and retention of written customer communications, Final report prepared for Ofgem, October 2012.


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<sup>1</sup> For more information see the following link:  
<http://www.ofgem.gov.uk/Sustainability/SocAction/Pages/SocAction.aspx>

<sup>2</sup> For more information see the following link:  
<http://www.ofgem.gov.uk/Markets/sm/strategy/Pages/Strategy.aspx>


<sup>3</sup> For more information see the following links:  
<http://www.ofgem.gov.uk/Markets/WhlMkts/CompanEff/Pages/CompanEff.aspx> and  
<http://www.ofgem.gov.uk/Markets/RetMkts/rmr/Pages/rmr.aspx>

<sup>4</sup> Our decision letter will be published alongside this document, and will be placed at the following location:  
<http://www.ofgem.gov.uk/Markets/RetMkts/rmr/Pages/rmr.aspx>



Supplementary appendix to:  
The Retail Market Review – Updated domestic proposals consultation

- SPA Future Thinking, Price Increase Notification Letters, Summary Box on Bills, Tariff Information Labels and Annual Statements, Report of consumer testing to support template development, October 2012.
- Ipsos MORI, Consumer views on Tariff Comparison Rates, Findings from the Ofgem Consumer First Panel Year 4 and new participants: Fourth workshops (held in August 2012), October 2012.
- SPA Future Thinking, Options for cheapest tariff messaging on customer communications; Report of qualitative research, September 2012.
- Insight Exchange, Consumer research and collaborative engagement on the proposed Standards of Conduct – Domestic Customers, September 2012.
- Ipsos MORI, Consumers’ views of price comparison guides and tariff structures, September 2012.
- Ipsos MORI, Consumer engagement with the energy market, information needs and perceptions of Ofgem, Findings from the Ofgem Consumer First Panel Year 4: second workshops (held in March 2012), October 2012.
- Ipsos MORI, Customer Engagement with the Energy Market - Tracking Survey 2012, April 2012.
- The Standardised Element of Standard Tariffs under the Retail Market Review, February 2012, Reference: 11/12.
- Ipsos MORI, Ofgem Consumer First Panel Year 4, Findings from first workshops (held in October and November 2011), January 2012.
- The Retail Market Review: Domestic Proposals, December 2011, Reference: 116/11.
- The Retail Market Review: Draft Impact Assessment for Domestic Proposals, Supplementary Appendices, December 2011, Reference: 116A/11.
- The Retail Market Review – Non Domestic Proposals, November 2011, Reference: 157/11.
- The Retail Market Review – Draft Impact Assessment for Non Domestic Proposals, November 2011, Reference: 157A/11.



Supplementary appendix to:  
The Retail Market Review – Updated domestic proposals consultation

- Retail Market Review: Energy bills, annual statements and price rise notifications; advice on the use of layout and language. A Research Report For Ofgem, Lawes Consulting and Lawes Gadsby Semiotics, November 2011.
- Creative Research, Tariff Comparability Models, Volume 1 and 2 - Consumer qualitative research findings, October 2011.
- Ipsos MORI, Consumer reactions to varying tariff comparability models, Quantitative Research conducted for Ofgem, 18 October 2011.
- Ofgem’s Retail Market Review – update and next steps (non-liquidity proposals), June 2011.
- Ofgem’s Retail Market Review – update and next steps (liquidity proposals), June 2011.
- The Retail Market Review – Findings and Initial Proposals, March 2011, Reference: 34/11.
- Ofgem Consumer First Panel, Year 3 2010/11, Findings From The Second Set Of Workshops, Opinion Leader, March 2011.
- Ipsos MORI, Customer Engagement with the Energy Market – Tracking Survey, March 2011.
- FDS International, Vulnerable Customer Research, March 2011.
- Energy Supply Probe - Proposed Retail Market Remedies, August 2009, Reference: 99/09.
- Ipsos MORI, Report on the 2009 Consumer Conditions Survey Market research survey conducted for Consumer Focus, March/April 2009.
- Ofgem Consumer First Panel, Research Findings from the Second Events – Billing Information and Price Metrics, March 2009.
- Ofgem Consumer First Panel, Research findings from first event, January 2009.
- Energy Supply Probe - Initial Findings Report, October 2008, Reference: 140/08.

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## Appendix 4 – Proposed templates – information improvements

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1.1. As referred to in Chapter 7 of our consultation document, this appendix includes proposed templates for the Tariff Information Label, Summary Box on Bills, Annual Statement and Price Increase Notice. Sections within the templates that appear as gray areas represent content that Ofgem is not proposing to prescribe. For ease of reference, an outline of material included in this appendix is set out below.

### **1.2 Tariff Information Label**

Figure 1 – Standard Single Fuel Template

Figure 2 – Standard Dual Fuel Template

Figure 3 – Economy 7 Single Fuel Template

### **1.3 Summary Box on Bills**

Figure 4 – Standard Single Fuel Template

Figure 5 – Standard Dual Fuel Template

### **1.4 Annual Statement**

Figure 6 – Standard Single Fuel Template (colour version)

Figure 7 – Economy 7 Single Fuel Template (gray scale version)

### **1.5 Price Increase Notice**

Figure 8 – Standard Single Fuel Template

Figure 9 – Standard Dual Fuel Template

Figure 10 – Economy 7 Single Fuel Template

Figure 11 – Economy 7 Dual Fuel Template

## 1.2 Tariff Information Label




Figure 1 – Tariff Information Label, Standard Single Fuel Template

### Tariff information

#### About this electricity tariff

Supplier	YourPower
Tariff name	YourPower Fixed Renewables
Tariff type	Green, Fixed price
Payment method	Direct Debit
Unit rate	14.01p per kWh
Standing charge	17.41p 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
Discounts and additional charges	No discounts
Additional products or services included	Loyalty points

#### Estimated electricity cost 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	£294.71	£525.88	£708.01
Estimated monthly cost	£24.56	£43.82	£59.00
Tariff Comparison Rate (TCR)	17.86p per kWh	15.94p per kWh	15.39p per kWh

Estimated costs include VAT and are based on current prices for the tariff shown above.

#### 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. It is an average across Great Britain for this tariff.
- How is a low, medium or high user defined?**  
 The assumed annual consumption of a low, medium or high user is determined by the Regulator, and is the same for all suppliers.

**Figure 2 – Tariff Information Label, Standard Dual Fuel Template**

## Tariff information

About this electricity tariff				About this gas tariff			
Supplier	YourPower			Supplier	YourPower		
Tariff name	YourPower Fixed Renewables			Tariff name	YourPower Fixed Renewables		
Tariff type	Green, Fixed price			Tariff type	Green, Fixed price		
Payment method	Direct Debit			Payment method	Direct Debit		
Unit rate	14.01p per kWh			Unit rate	4.26p per kWh		
Standing charge	17.41p per day			Standing charge	19.72p per day		
Tariff ends on	18 February 2011			Tariff ends on	18 February 2011		
Price guaranteed until	18 February 2011			Price guaranteed until	18 February 2011		
Exit fees (if you cancel this tariff before the end date)	£50.00			Exit fees (if you cancel this tariff before the end date)	£50.00		
Discounts and additional charges	No discounts			Discounts and additional charges	No discounts		
Additional products or services included	Loyalty points			Additional products or services included	Loyalty points		
Estimated electricity cost for typical households on this tariff				Estimated gas cost for typical households on this tariff			
							
	Low user	Medium user	High user		Low user	Medium user	High user
Assumed annual consumption	1,650 kWh	3,300 kWh	4,600 kWh	Assumed annual consumption	11,000 kWh	16,500 kWh	23,000 kWh
Estimated annual cost	£294.71	£525.88	£708.01	Estimated annual cost	£540.58	£774.88	£1051.78
Estimated monthly cost	£24.56	£43.82	£59.00	Estimated monthly cost	£45.05	£64.57	£87.65
Tariff Comparison Rate (TCR)	17.86p per kWh	15.94p per kWh	15.39p per kWh	Tariff Comparison Rate (TCR)	4.91p per kWh	4.70p per kWh	4.57p per kWh

Estimated costs include VAT and are based on current prices for the tariff shown above.

### 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. It is an average across Great Britain for this tariff.
- How is a low, medium or high user defined?**  
 The assumed annual consumption of a low, medium or high user is determined by the Regulator, and is the same for all suppliers.






**Figure 3 – Tariff Information Label, Economy 7 Single Fuel Template**

## Tariff information

### About this electricity tariff

Supplier	YourPower
Tariff name	YourPower Fixed Renewables
Tariff type	Economy 7 Electricity
Payment method	Direct Debit
Unit rate – Day	10.00p per kWh
Unit rate – Night	10.90p per kWh
Standing charge	27.4p 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
Discounts and additional charges	No discounts
Additional products or services included	Loyalty points

### Estimated electricity cost for typical households on this tariff

	 Low user	 Medium user	 High user
Assumed annual consumption	3,300 kWh	6,600 kWh	9,900 kWh
Estimated annual cost	£446.00	£793.00	£1,139.00
Estimated monthly cost	£37.17	£66.08	£94.92
Tariff Comparison Rate (TCR)	13.51p per kWh	12.02p per kWh	11.51p per kWh

*Estimated costs include VAT and are based on current prices for the tariff shown above. These figures assume that 55% of electricity is used during the night.*

### 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. It is an average across Great Britain for this tariff.
- How is a low, medium or high user defined?**  
 The assumed annual consumption of a low, medium or high user is determined by the Regulator, and is the same for all suppliers.

### 1.3 Summary Box on Bills

Figure 4 – Summary Box on Bills, Standard Single Fuel Template, Page 1

**YourPower**  
ENERGY FOR YOU AND YOURS

Mr A Smith  
1 Scenario 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 TownXX99 9XX

**Your electricity bill**

**PAYING MORE THAN YOU NEED TO?**

We are required to give you this information by the regulator.

**Personal projection** £xx.xx per year  
This is based on your actual consumption for your tariff and the current price.

Based on your current payment method, consumption, and meter type, the cheapest tariff for you now is our 'xxxx' tariff, with a personal projection of £xx.xx per year. If you switch to it, you could save £xx.xx per year.

Our cheapest overall tariff is 'xxxx' tariff, with a personal projection of £xx.xx. If you switch to it you could save £xx.xx per year but you will also have to switch to pay by Direct Debit and manage your account online.

Please note that switching tariffs may involve changing to materially different terms and conditions.

Call us or visit our website for details.

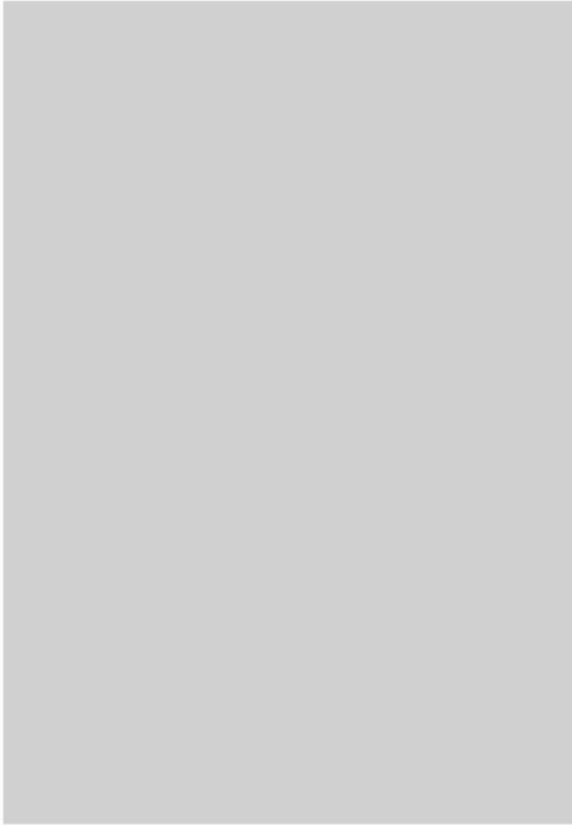
For impartial advice on switching tariff or supplier visit [www.consumerdirect.gov.uk](http://www.consumerdirect.gov.uk) or call **0800 891 0256**.

For information about your tariff see over →

**Figure 4 – Summary Box on Bills, Standard Single Fuel Template, Page 2**

Account number: 123 123 123 123 • Bill date: 17 February 2012 • Bill period: 21 Nov 11 – 12 Feb 12

Page 2



**ABOUT YOUR TARIFF**

Here's information about your tariff to help you to compare it with others available.

**Electricity**

Tariff name	Standard Electricity
Payment method	Cash/Cheque
Tariff end date	No end date
Exit fees (if you cancel before end date)	£xx.xx
Tariff Comparison Rate (TCR)	xx.xxp per kWh

The TCR can be used as a guide to compare the price of electricity tariffs. It is based on a medium user who uses 3,300 kWh per year. You are a **Medium User**.

Your actual usage in the last 12 months	x,xxx kWh
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Figure 5 – Summary Box on Bills, Standard Dual Fuel Template, Page 1

**YourPower**  
ENERGY FOR YOU AND YOURS

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 TownXX99 9XX

Mr A Smith  
1 Scenario Street  
Sample Ville  
SAMPLE

## Your bill

**PAYING MORE THAN YOU NEED TO?**

**We are required to give you this information by the regulator.**

Personal projection	Electricity £xx.xx	Gas £xx.xx
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Your personal projections are per year, they are based on your actual consumption on your current tariffs, at the current prices.

**Cheapest similar tariffs** – based on your current payment method, consumption, and meter type:

- Electricity: 'xxxx' tariff, with a personal projection of £xx.xx per year. If you switch to it, you could save £xx.xx per year.
- Gas: 'xxxx' tariff, with a personal projection of £xx.xx per year. If you switch to it, you could save £xx.xx per year.

**Cheapest overall tariffs** – based on switching to pay by Direct Debit and managing your account online:

- Electricity: 'xxxx' tariff, with a personal projection of £xx.xx per year. If you switch to it you could save £xx.xx per year.
- Gas: 'Xxxx' tariff, with a personal projection of £xx.xx per year. If you switch to it you could save £xx.xx per year.

Please note that switching tariffs may involve changing to materially different terms and conditions.  
Call us or visit our website for details.

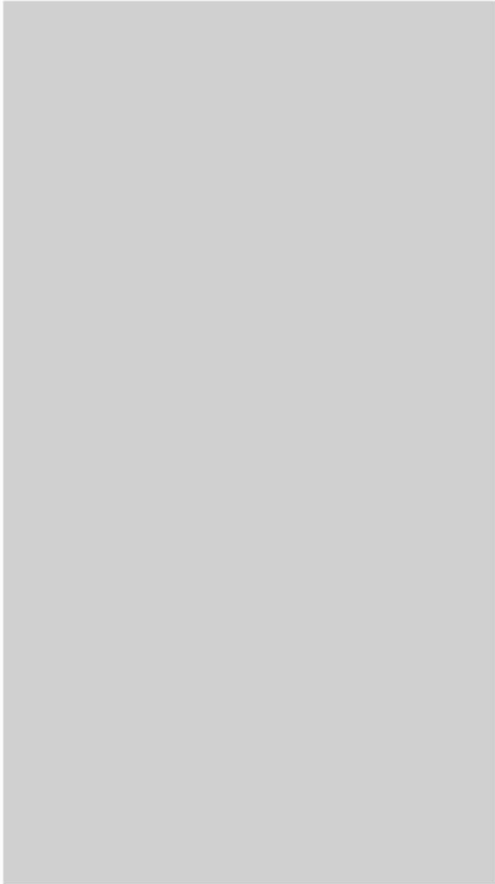
For impartial advice on switching tariff or supplier visit [www.consumerdirect.gov.uk](http://www.consumerdirect.gov.uk) or call **0800 891 0256**.  
For information about your tariffs see over →

✂

**Figure 5 – Summary Box on Bills, Standard Dual Fuel Template, Page 2**

Account number: 123 123 123 123 • Bill date: 17 February 2012 • Bill period: 21 Nov 11 – 12 Feb 12

Page 2



### ABOUT YOUR TARIFFS

Here's information about your tariffs to help you to compare them with others available.

	Electricity	Gas
<b>Tariff name</b>	Standard Electricity	Standard Gas
<b>Payment method</b>	Cash/Cheque	Cash/Cheque
<b>Tariff end date</b>	No end date	No end date
<b>Exit fees</b> (if you cancel before the end date)	£xx.xx	£xx.xx

**Tariff Comparison Rate (TCR)** xx.xxp per kWh xx.xxp per kWh

The TCR can be used as a guide to compare the price of tariffs.

For electricity tariffs it's based on a medium user who uses 3,300 kWh per year. You are a **Medium Electricity User**.


For gas tariffs it's based on a medium user who uses 16,500 kWh per year. You are a **Medium Gas User**.


**Your actual usage in the last 12 months** x,xxx kWh x,xxx kWh



## 1.4 Annual Statement

Figure 6 – Annual Statement, Standard Single Fuel Colour Template, Page 1





Read your summary to see how much electricity you've been using, and check you're getting the best deal on the cost of your supply.

Mr A Jones  
4 Scenario Street  
Sample Ville  
SAMPLE

Your account number:  
123 123 123 123


Summary date:  
15 Jan 2012

Supply address:  
4 Scenario Street  
Sample Ville  
SAM PLE

Mr Jones,

### Your annual electricity summary


For 01 January 2011 to 01 January 2012

 This is important information about your electricity usage and tariff – we hope you find it helpful. You can use this information to compare your current tariff with others that are available, either from us, or from other suppliers. Please keep this summary for your records.

**Remember – you always have the right to switch your tariff or your supplier. Turn over to see if you could save money by switching →**

#### Your electricity usage summary

- Over the last 12 months you've used **3,900 kWh** (including estimated readings)
- Your total costs were **£529.89**



Based on your current tariff and usage, your personal projection for the next 12 months is **£529.89\***.


*\*Based on our current prices and includes some discounts and added charges, like VAT. If the price of your tariff changes or you change your tariff, or the amount you use, this forecast will change too.*


#### How do you compare?

Number of people in household	Average annual electricity usage
1 person	1,650 kWh
3 people	3,300 kWh
4 people	4,600 kWh

Based on your usage in the last 12 months, you are considered a **Medium User**. This means you've used around the same amount of electricity as an average 3-person family in Great Britain.

Any questions after reading your summary?

 Visit [yourpower.co.uk](http://yourpower.co.uk)

 Or call **0800 123 1234**  
(8am–8pm Mon–Fri, 8am–2pm Sat)

**Figure 6 – Annual Statement, Standard Single Fuel Colour Template, Page 2**

### Could you save money on your electricity?

Based on your current payment method, consumption, and meter type, the cheapest tariff for you now is our 'Clear and Simple' tariff, with a personal projection of £450.00 per year. If you switch to it, you could save £79.89 per year.

Our cheapest overall tariff is 'Online Saver', with a personal projection of £425.00. If you switch to it you could save £104.89 per year but you will also have to switch to pay by Direct Debit and manage your account online.

Please note that switching tariffs may involve changing to materially different terms and conditions.


Call us or visit our website for details.


### Why are we sending you this?

As your energy supplier, we are required to give you this information about your usage and your right to switch.


### Need independent advice about switching your tariff or supplier?


You can get advice on switching suppliers from **Consumer Direct**:

 [consumerdirect.gov.uk](http://consumerdirect.gov.uk)

 **08454 04 05 06**

**Consumer Focus** has a Confidence Code for online switching sites to ensure consumers receive accurate, detailed and unbiased price comparisons.

 [consumerfocus.org.uk](http://consumerfocus.org.uk)

 **08454 12 34 56**

### About your electricity tariff

<b>Tariff name</b>	Standard Electricity
<b>Tariff type</b>	Standard
<b>Payment method</b>	Cash/Cheque
<b>Tariff ends on</b>	No end date
<b>Tariff length</b>	Ongoing
<b>Price guaranteed until</b>	Does not apply
<b>Exit fees</b> (if you cancel this tariff before the end date)	Does not apply
<b>Discounts and additional charges</b>	£x.xx
<b>Additional products or services</b>	Loyalty points
<b>Personal projection</b> (based on your actual consumption)	£529.89 per year
<b>Tariff Comparison Rate (TCR)</b>	14.22p per kWh

You are a **Medium User** – use the medium user figures when comparing tariffs.

### Key contractual terms

**Cancellation fees and arrangements for ending the contract**  
You may end your contract at any time without being charged a cancellation fee, but you must give us 28 days' notice, provide a final meter reading and settle any outstanding debt for electricity.

**Other terms**

**Discounts**  
Your tariff includes our [x] discount of [x]. This discount will continue to apply if you continue to meet the following conditions [x]. If we decide to withdraw this discount we will notify you in advance and inform you of your rights.

**Moving house**  
If you move house you must give us at least 2 days' advance notice or you will continue to be liable for the supply until the earlier of:

- the second working day after you have subsequently notified us of that you have moved house; or
- the date another person begins to own or occupy the premises and starts to consume electricity.

**Additional charges**  
We may charge you for any additional visits, tests or work carried out at your request. Details of these charges are provided in the enclosed leaflet.

### Jargon explained

**kWh (kilowatt hour)** – one kilowatt of power being used for one hour. It's the same as a 40-watt light bulb being left on for 25 hours. Also known as a 'unit' of energy.


**Personal projection** – this is based on your actual consumption and is a projection of your future yearly charge. You could compare the personal projection for your current tariff with a personal projection given to you for an alternative tariff by your current supplier, an alternative supplier or a switching site.


**Switch** – to change from the current supplier to a different supplier, or to change from the current tariff to a different tariff with the same supplier.

**Tariff** – the package of charges and conditions that a supplier offers you for providing electricity.

**Tariff Comparison Rate (TCR)** – TCR is a figure that can be used to compare the price of the tariff you are on against alternative tariffs from your own or other suppliers. The TCR is calculated as the estimated yearly bill, divided by the amount of energy used each year by a typical low, medium or high user of electricity. The TCR takes account of any standing charge and the unit rates(s) that make up the tariff. The TCR is not based on your personal consumption and should be used as a guide only.

**Figure 7 – Annual Statement, Economy 7 Single Fuel Template, Page 1**





Read your summary to see how much electricity you've been using, and check you're getting the best deal on the cost of your supply.

Mr A Jones  
4 Scenario Street  
Sample Ville  
SAMPLE

**Your account number:**  
123 123 123 123


**Summary date:**  
15 Jan 2012

**Supply address:**  
4 Scenario Street  
Sample Ville  
SAM PLE

Mr Jones,

## Your annual electricity summary

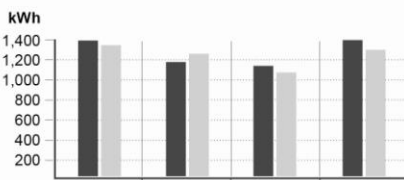
For 01 January 2011 to 01 January 2012

 This is important information about your electricity usage and tariff – we hope you find it helpful. You can use this information to compare your current tariff with others that are available, either from us, or from other suppliers. Please keep this summary for your records.

**Remember – you always have the right to switch your tariff or your supplier. Turn over to see if you could save money by switching →**

### Your electricity usage summary

- Over the last 12 months you've used **5,200 kWh** (including estimated readings)
- Your total costs were **£729.89**



	Jan – Mar	Apr – Jun	Jul – Sep	Oct – Dec
2011:	£242.47	£142.47	£122.47	£222.47
2010:	£232.47	£152.47	£112.47	£212.47

Based on your current tariff and usage, your personal projection for the next 12 months is **£729.89\***.

\*Based on our current prices and includes some discounts and added charges, like VAT. If the price of your tariff changes or you change your tariff, or the amount you use, this forecast will change too.

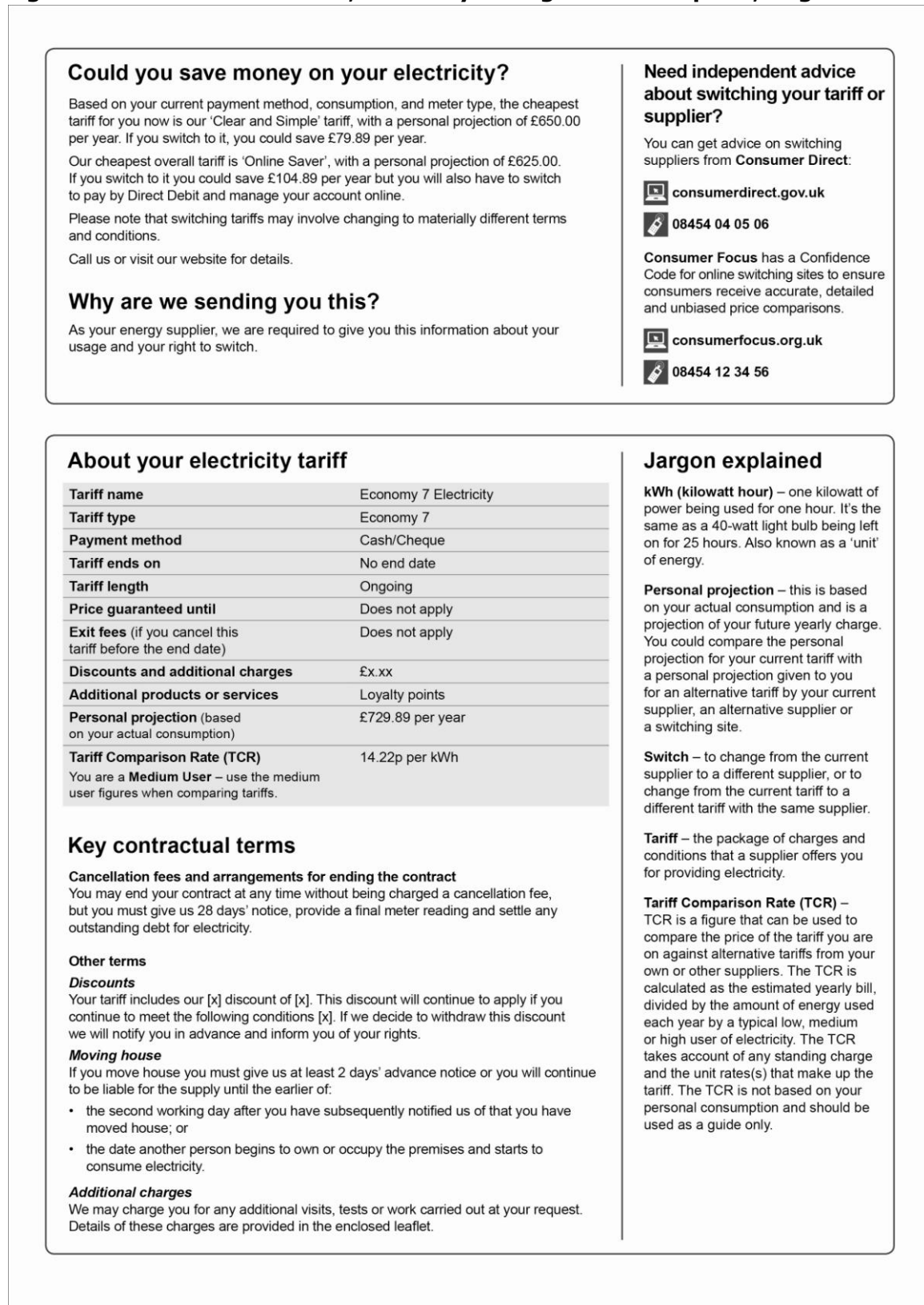
### How do you compare?

Number of people in household	Average annual electricity usage
1 person icon	2,900 kWh
3 person icon	5,000 kWh
4 person icon	8,300 kWh

Based on your usage in the last 12 months, you are considered a **Medium User**. This means you've used around the same amount of electricity as an average 3-person family in Great Britain.




**Figure 7 – Annual Statement, Economy 7 Single Fuel Template, Page 2**



## 1.5 Price Increase Notice

Figure 8 – Price Increase Notice, Standard Single Fuel Template, Page 1



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

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**Your customer number:**  
**123 123 123 123**

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

Your electricity tariff: Standard Electricity  
Payment method: Direct Debit

EXAMPLE TEXT

02 November 2011  
Dear Mr Smith,

Your energy prices are increasing from 01 December 2011

Due to an increase in wholesale prices, from 01 December 2011, the prices you pay for your electricity is increasing. Your standing charge will remain the same. Here's a breakdown of how your prices are changing:

EXAMPLE TEXT

		Current prices until 30 Nov 2011	New prices after 01 Dec 2011
<b>Electricity</b>	Standing charge (per day)	x.xxp	x.xxp
	Unit rate (per kWh)	x.xxp	x.xxp

*All charges exclude 5% VAT, which will be added to your total bill.*

Your projected costs for the next 12 months

In the last 12 months you've used 3,300 kWh of electricity (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:

EXAMPLE TEXT

	Current prices until 30 Nov 2011	New prices after 01 Dec 2011	Increase in personal projection
<b>Your personal projection for the year</b>	£xxx.xx	£xxx.xx	£xxx.xx

*Your personal projection includes 'xxxx' discount and VAT but does not include 'xxxx'.*

Choosing the right tariff

We may be able to help you save money with one of our other tariffs.

Based on your current payment method, consumption, and meter type, the cheapest tariff for you now is our 'xxxx' tariff, with a personal projection of £xx.xx per year. If you switch to it, compared to your new prices, you could save £xx.xx per year.

Our cheapest overall tariff is 'xxxx' tariff, with a personal projection of £xx.xx. If you switch to it, compared to your new prices, you could save £xx.xx per year but you will also have to switch to pay by Direct Debit and manage your account online.

Please note that switching tariffs may involve changing to materially different terms and conditions.

Call us on **0800 123 1234** or visit [www.yourpower.co.uk/tariffs](http://www.yourpower.co.uk/tariffs) for details.

Turn over for important information about your right to switch

**Figure 8 – Price Increase Notice, Standard Single Fuel Template, Page 2**

**Your right to switch**

As your energy supplier we have an obligation to remind you that you may also wish to consider changing your supplier.

The **Tariff Comparison Rate (TCR)** can be used as a guide to compare the price of tariffs. For electricity tariffs it's based on a medium user who uses 3,300 kWh per year. You are a **Medium Electricity User**.

Based on the new prices, your current electricity tariff has a TCR of xx.xxp per kWh.

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](http://consumerdirect.gov.uk). Further details on your right to switch are shown below.

**Your rights as a consumer**

You have a right to end your contract for electricity because of the increase in prices. There will be no exit fee for ending your current contract in any circumstances.

If you wish to end your contract, you can either:

- 1. Switch to another one of our tariffs, or**
- 2. Switch to another supplier.**

We recommend you enter into a new contract with us or another supplier as soon as possible, or **on or before 01 December 2011**, as you may be able to avoid the increase in prices.

**Please bear in mind that**


- To avoid the prices increase when you switch to another one of our tariffs, we must start to supply you under another tariff by [date which is 20 working days from the effective date of the price increase].
- If you switch to another supplier, we won't charge you any increase if by [date which is 20 working days from the effective date of the price increase], your proposed new supplier has told us that they'll be taking over your supply within a reasonable period of time.
- 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 price increase during the switching period.

Yours sincerely,

Name – Title/position

**EXAMPLE TEXT**

**Figure 9 – Price Increase Notice, Standard Dual Fuel Template, Page 1**



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:**  
**123 123 123 123**

---

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

Your electricity tariff: Standard Electricity  
Payment method: Direct Debit

Your gas tariff: Standard Gas  
Payment method: Direct Debit

02 November 2011

Dear Mr Smith,

**Your energy prices are increasing from 01 December 2011**

EXAMPLE TEXT

Due to an increase in wholesale prices, from 01 December 2011, the prices you pay for your electricity and gas are increasing. 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 01 Dec 2011
<b>Electricity</b>	Standing charge (per day)	x.xxp	x.xxp
	Unit rate (per kWh)	x.xxp	x.xxp
<b>Gas</b>	Standing charge (per day)	x.xxp	x.xxp
	Unit rate (per kWh)	x.xxp	x.xxp

*All charges exclude 5% VAT, which will be added to your total bill.*

**Your projected costs for the next 12 months**

EXAMPLE TEXT

In the last 12 months you've used 3,300 kWh of electricity and 16,500 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 01 Dec 2011	Increase in personal projection
<b>Your personal projection for the year</b>	Electricity	£xxx.xx	£xxx.xx	£xxx.xx
	Gas	£xxx.xx	£xxx.xx	£xxx.xx

*Your personal projection includes 'xxxx' discount and VAT but does not include 'xxxx'.*

**Choosing the right tariff**

EXAMPLE TEXT

We may be able to help you save money with one of our other tariffs.

**Cheapest similar tariffs** – based on your current payment method, consumption, and meter type:

- **Electricity:** 'xxxx' tariff, with a personal projection of £xxx.xx per year. If you switch to it compared to your new prices, you could save £xx.xx per year.
- **Gas:** 'xxxx' tariff, with a personal projection of £xxx.xx per year. If you switch to it compared to your new prices, you could save £xx.xx per year.

**Cheapest overall tariffs** – based on switching to pay by Direct Debit and managing your account online:

- **Electricity:** 'xxxx' tariff, with a personal projection of £xxx.xx per year. If you switch to it compared to your new prices, you could save £xx.xx per year.
- **Gas:** 'xxxx' tariff, with a personal projection of £xx.xxx per year. If you switch to it compared to your new prices, you could save £xx.xx per year.

Please note that switching tariffs may involve changing to materially different terms and conditions.  
Call us on **0800 123 1234** or visit [www.yourpower.co.uk/tariffs](http://www.yourpower.co.uk/tariffs) for details.

Turn over for important information about your right to switch

**Figure 9 – Price Increase Notice, Standard Dual Fuel Template, Page 2**

**Your right to switch**

As your energy supplier we have an obligation to remind you that you may also wish to consider changing your supplier.

The **Tariff Comparison Rate (TCR)** can be used as a guide to compare the price of tariffs. For electricity tariffs it's based on a medium user who uses 3,300 kWh per year. You are a **Medium Electricity User**. For gas tariffs it's based on a medium user who uses 16,500 kWh per year. You are a **Medium Gas User**.

Based on the new prices, your current electricity tariff has a TCR of xx.xxp per kWh, and your current gas tariff has a TCR of xx.xxp per kWh.

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](http://consumerdirect.gov.uk). Further details on your right to switch are shown below.

**Your rights as a consumer**

You have a right to end your contract for gas or electricity (or both) because of the increase in prices. There will be no exit fee for ending your current contract in any circumstances.

If you wish to end your contract, you can either:

- 1. Switch to another one of our tariffs, or**
- 2. Switch to another supplier.**

We recommend you enter into a new contract with us or another supplier as soon as possible, or **on or before 01 December 2011**, as you may be able to avoid the increase in prices.

**Please bear in mind that**


- To avoid the prices increase when you switch to another one of our tariffs, we must start to supply you under another tariff by [date which is 20 working days from the effective date of the price increase].
- If you switch to another supplier, we won't charge you any increase if by [date which is 20 working days from the effective date of the price increase], your proposed new supplier has told us that they'll be taking over your supply within a reasonable period of time.
- 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 price increase during the switching period.

Yours sincerely,

Name – Title/position

**EXAMPLE TEXT**

**Figure 10 – Price Increase Notice, Economy 7 Single Fuel Template, Page 1**



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:**  
**123 123 123 123**

---

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

Your electricity tariff: Economy 7 Electricity  
Payment method: Direct Debit

EXAMPLE TEXT

02 November 2011

Dear Mr Smith,

**Your energy prices are increasing from 01 December 2011**

EXAMPLE TEXT

Due to an increase in wholesale prices, from 01 December 2011, the prices you pay for your electricity is increasing. Your standing charge will remain the same. Here's a breakdown of how your prices are changing:

	Current prices until 30 Nov 2011	New prices after 01 Dec 2011
<b>Electricity</b>		
Standing charge (per day)	x.xxp	x.xxp
Unit rate – Day (per kWh)	x.xxp	x.xxp
Unit rate – Night (per kWh)	x.xxp	x.xxp

*All charges exclude 5% VAT, which will be added to your total bill.*

**Your projected costs for the next 12 months**

EXAMPLE TEXT

In the last 12 months you've used 3,300 kWh of electricity (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 01 Dec 2011	Increase in personal projection
<b>Your personal projection for the year</b>	£xxx.xx	£xxx.xx	£xxx.xx

*Your personal projection includes 'xxxx' discount and VAT but does not include 'xxxx'.*

**Choosing the right tariff**

EXAMPLE TEXT

We may be able to help you save money with one of our other tariffs.

Based on your current payment method, consumption, and meter type, the cheapest tariff for you now is our 'xxxx' tariff, with a personal projection of £xx.xx per year. If you switch to it, compared to your new prices, you could save £xx.xx per year.

Our cheapest overall tariff is 'xxxx' tariff, with a personal projection of £xx.xx. If you switch to it, compared to your new prices, you could save £xx.xx per year but you will also have to switch to pay by Direct Debit and manage your account online.

Please note that switching tariffs may involve changing to materially different terms and conditions.

Call us on **0800 123 1234** or visit [www.yourpower.co.uk/tariffs](http://www.yourpower.co.uk/tariffs) for details.

Turn over for important information about your right to switch

**Figure 10 – Price Increase Notice, Economy 7 Single Fuel Template, Page 2**

**Your right to switch**

As your energy supplier we have an obligation to remind you that you may also wish to consider changing your supplier.

The **Tariff Comparison Rate (TCR)** can be used as a guide to compare the price of tariffs. For electricity tariffs it's based on a medium user who uses 3,300 kWh per year. You are a **Medium Electricity User**.

Based on the new prices, your current electricity tariff has a TCR of xx.xxp per kWh.

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](http://consumerdirect.gov.uk). Further details on your right to switch are shown below.

**Your rights as a consumer**

You have a right to end your contract for electricity because of the increase in prices. There will be no exit fee for ending your current contract in any circumstances.

If you wish to end your contract, you can either:

- 1. Switch to another one of our tariffs, or**
- 2. Switch to another supplier.**

We recommend you enter into a new contract with us or another supplier as soon as possible, or **on or before 01 December 2011**, as you may be able to avoid the increase in prices.

**Please bear in mind that**


- To avoid the prices increase when you switch to another one of our tariffs, we must start to supply you under another tariff by [date which is 20 working days from the effective date of the price increase].
- If you switch to another supplier, we won't charge you any increase if by [date which is 20 working days from the effective date of the price increase], your proposed new supplier has told us that they'll be taking over your supply within a reasonable period of time.
- 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 price increase during the switching period.

Yours sincerely,

Name – Title/position

**EXAMPLE TEXT**

**Figure 11 – Price Increase Notice, Economy 7 Dual Fuel Template, Page 1**



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:**  
**123 123 123 123**

---

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

Your electricity tariff: Economy 7 Electricity  
Payment method: Direct Debit

Your gas tariff: Standard Gas  
Payment method: Direct Debit

02 November 2011

Dear Mr Smith,

**Your energy prices are increasing from 01 December 2011**

EXAMPLE TEXT

Due to an increase in wholesale prices, from 01 December 2011, the prices you pay for your electricity and gas are increasing. 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 01 Dec 2011
<b>Electricity</b>	Standing charge (per day)	x.xxp	x.xxp
	Unit rate – Day (per kWh)	x.xxp	x.xxp
	Unit rate – Night (per kWh)	x.xxp	x.xxp
<b>Gas</b>	Standing charge (per day)	x.xxp	x.xxp
	Unit rate (per kWh)	x.xxp	x.xxp

All charges exclude 5% VAT, which will be added to your total bill.

**Your projected costs for the next 12 months**

EXAMPLE TEXT

In the last 12 months you've used 3,300 kWh of electricity and 16,500 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 01 Dec 2011	Increase in personal projection
<b>Your personal projection for the year</b>	Electricity	£xxx.xx	£xxx.xx	£xxx.xx
	Gas	£xxx.xx	£xxx.xx	£xxx.xx

Your personal projection includes 'xxxx' discount and VAT but does not include 'xxxx'.

**Choosing the right tariff**

EXAMPLE TEXT

We may be able to help you save money with one of our other tariffs.

**Cheapest similar tariffs** – based on your current payment method, consumption, and meter type:

- **Electricity:** 'xxxx' tariff, with a personal projection of £xxx.xx per year. If you switch to it compared to your new prices, you could save £xx.xx per year.
- **Gas:** 'xxxx' tariff, with a personal projection of £xxx.xx per year. If you switch to it compared to your new prices, you could save £xx.xx per year.

**Cheapest overall tariffs** – based on switching to pay by Direct Debit and managing your account online:

- **Electricity:** 'xxxx' tariff, with a personal projection of £xxx.xx per year. If you switch to it compared to your new prices, you could save £xx.xx per year.
- **Gas:** 'xxxx' tariff, with a personal projection of £xx.xxx per year. If you switch to it compared to your new prices, you could save £xx.xx per year.

Please note that switching tariffs may involve changing to materially different terms and conditions.  
Call us on **0800 123 1234** or visit [www.yourpower.co.uk/tariffs](http://www.yourpower.co.uk/tariffs) for details.

Turn over for important information about your right to switch



**Figure 11 – Price Increase Notice, Economy 7 Dual Fuel Template, Page 2**

**Your right to switch**

As your energy supplier we have an obligation to remind you that you may also wish to consider changing your supplier.

The **Tariff Comparison Rate (TCR)** can be used as a guide to compare the price of tariffs. For electricity tariffs it's based on a medium user who uses 3,300 kWh per year. You are a **Medium Electricity User**. For gas tariffs it's based on a medium user who uses 16,500 kWh per year. You are a **Medium Gas User**.

Based on the new prices, your current electricity tariff has a TCR of xx.xxp per kWh, and your current gas tariff has a TCR of xx.xxp per kWh.

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](http://consumerdirect.gov.uk). Further details on your right to switch are shown below.

**Your rights as a consumer**

You have a right to end your contract for gas or electricity (or both) because of the increase in prices. There will be no exit fee for ending your current contract in any circumstances.

If you wish to end your contract, you can either:

- 1. Switch to another one of our tariffs, or**
- 2. Switch to another supplier.**

We recommend you enter into a new contract with us or another supplier as soon as possible, or **on or before 01 December 2011**, as you may be able to avoid the increase in prices.

**Please bear in mind that**

- To avoid the prices increase when you switch to another one of our tariffs, we must start to supply you under another tariff by [date which is 20 working days from the effective date of the price increase].
- If you switch to another supplier, we won't charge you any increase if by [date which is 20 working days from the effective date of the price increase], your proposed new supplier has told us that they'll be taking over your supply within a reasonable period of time.
- 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 price increase during the switching period.

Yours sincerely,

Name – Title/position

**EXAMPLE TEXT**

## Appendix 5 – Current voluntary Standards of Conduct

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1.6. Below are the current voluntary Standards of Conduct introduced by Ofgem in 2009 as part of the Energy Supply Probe.

Standards that we expect suppliers to take all reasonable steps to adhere to in their dealings with domestic and small business consumers:

- You must not sell a customer a product or service that he or she does not fully understand or that is inappropriate for their needs and circumstances;
- You must not change anything material about a customer’s product or service without clearly explaining to him or her why;
- You must not prevent a customer from switching product or supplier without good reason;
- You must not offer products that are unnecessarily complex or confusing; and
- You must make it easy for customers to contact you and act promptly and courteously to put things right when you make a mistake.

## Appendix 6 – Recent consumer research

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### Summary

This appendix presents an overview of the additional research and engagement carried out with domestic consumers since the December 2011 Retail Market Review proposals were published. Focusing as it does on new research commissioned by Ofgem since that time, it does not aim to summarise the full evidence base upon which our proposals are based. Instead it provides a high level overview of this new body of evidence, primarily to assist the reader in navigating the eight research reports published alongside this document. Below we describe the scope, methodology and, where possible, give an indication of the key findings from these reports. However, please note it is not possible to present the important details which underpin the broad findings presented here. We therefore encourage readers to engage with the full reports to understand in detail the consumer insight that has informed our analysis and proposal development.

### Research into consumer engagement with the energy markets

#### Customer Engagement with the Energy Market Tracking Survey 2012 (Ipsos MORI)

1.7. Ofgem commissioned Ipsos MORI to conduct a face-to-face survey representative of the population of Great Britain aged 15+. The objective was to provide insight in to switching rates and other attitudes and behaviours relevant to consumer engagement with the energy markets among GB energy consumers, and vulnerable consumers specifically. The fieldwork was carried out via an omnibus survey in March 2012, achieving 1,956 computer-assisted personal interviews. While the nationally representative sample comprised 1,956 interviews, most of the figures quoted are based on 1,232 gas consumers and 1,461 electricity consumers. As a tracking survey, the report presents some year-on-year comparisons with previous surveys run between 2007 and 2011.

1.8. The findings show a third year of decline in switching supplier for gas consumers and a fourth year of decline for electricity consumers: 13% and 14% respectively say they switched during 2011. A clear relationship exists between social grade and switching rates, and internet access also remains a strong discriminator: those with internet access are more than twice as likely to have switched in 2011. Awareness of switching is poorest among potentially more “vulnerable” groups, including the DE social grades, BME ethnic groups, those in rented accommodation, those with no internet access and those on standard credit or prepayment meters.

1.9. The principal trigger for tariff switching is to save money. Reasons for not switching supplier show a similar pattern to previous years, with the principle reason “I’m happy with my current supplier(s)” being selected by 78% and “switching is a hassle” by 20%. Please note, qualitative research commissioned by Ofgem (see

below) suggests many consumers are not actively 'happy' with their current supplier and are in fact concerned about what they see as excess profit making across the industry; they believe there is little to differentiate one supplier from another in terms of price and customer service, and so will remain with their current supplier as the default.

1.10. In a new question on 'trust in energy suppliers to be open and transparent in their dealings with consumers', the overall balance of opinion is negative, although some sub-groups show higher trust of the industry. On balance, energy suppliers are more likely to be distrusted than trusted.

1.11. The survey also presents evidence relating to: routes to, and method of, switching; the scale of savings consumers believe will prompt them to switch; switchers' evaluation of the switching experience and engagement with information received from suppliers.

### **Consumer engagement with the energy market, information needs and perceptions of Ofgem; findings from the Ofgem Consumer First Panel workshops held March 2012 (Ipsos MORI)**

1.12. The Consumer First Panel is a deliberative forum comprising over 100 consumers from across six locations in Great Britain who are chosen to be broadly representative of the population. This round of workshops – engaging 96 consumers - built on the November 2011 events to help Ofgem understand what information might encourage and support consumers to engage with the energy market, and to explore Ofgem's potential role in facilitating the provision of this. The workshops also aimed to understand consumer perceptions of Ofgem and its website to feed into future strategy development, as well as use of price comparison services and the Consumer Focus Confidence Code, however these objectives were not directly related to the Retail Market Review.

1.13. As in previous Panels, many panellists highlighted a number of barriers to engagement in the energy markets, including: a belief that reviewing energy options is a time consuming and complicated process, and that the potential benefits of switching do not justify the investment of time and effort needed; a perception that the market is too complicated; and anxieties about the switching process itself 'going wrong'. Furthermore, Panellists described needing a specific motivation or 'trigger' for engagement.

1.14. The report presents a 'consumer path to engagement' setting out the likely steps consumers expect to go through having been prompted to review their energy options. The model sets out the information consumers say they would need at each stage, how they would ideally access this information, and the additional messaging and/or support that would be useful for sustaining their engagement (e.g. reassurances that could stop them 'giving up' at key stages). The report also considers consumers' reactions to the prospect of supplier performance and other market data being made publicly available as part of Ofgem's proposals to undertake enhanced monitoring of the energy markets.

## Research into options for improving tariff comparison

### Consumers' views of price comparison guides and tariff structures, conducted April 2012 (Ipsos MORI)

1.15. This research was designed to explore the effectiveness of price comparison guides to facilitate tariff choice, and options for the structure of the standardised element of proposed new standard tariffs under our December 2011 RMR proposals<sup>5</sup>. Specifically, it aimed to test several executions of price comparison guides for their performance in helping consumers select the cheapest tariff – these executions included several different price comparison metrics including indicative monthly costs, indicative yearly costs and a 'Standard Equivalent Rate' (SER), i.e. a single figure (based on cost per unit, and excluding standing charge) expressed as pence per kWh or £ per MWh<sup>6</sup>. It also aimed to understand consumer views on the precise structure of standard tariffs and their preferences for two-part or three-part standard tariff structures.

1.16. A mixed methodology was used: a qualitative phase allowed for careful consideration of the complexities of tariff structures, and provided insight into how consumers approach comparison guides; the quantitative survey with over 2,000 consumers (including those identified as 'vulnerable' by a composite definition) presented a detailed clarification of the type of comparison guide that most enables consumers to choose the cheapest tariff available.

1.17. The research concluded that overall there was no consistent and statistically significant pattern of better performance for any of the formats of price comparison guide tested. However, it did reveal a number of useful related insights, for example:

- that many consumers struggle to accurately identify themselves as low, medium or high users of electricity, but that being signposted to their consumption range can help overcome this problem and generally has a beneficial effect on the accuracy of the supplier choices made; and
- the quantitative research shows consumers prefer monthly indicative cost as the basis for a price comparison table, although the preference is far from a majority. The qualitative phase suggests this is because indicative cost tables are perceived to be easier to understand than the SER tables and most people budget on a monthly basis, and so prefer monthly indicative cost to yearly.

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<sup>5</sup> In light of responses to our December consultation and consumer research, our policy thinking has evolved such that we no longer propose to set a standardised element for standard tariffs. This research was nonetheless helpful in identifying the difficulties that consumers face in understanding the structure of energy tariffs.

<sup>6</sup> The SER relied on an Ofgem-set standardised element for standard tariffs. Now that we do not propose to set a standardised element, we have developed the Tariff Comparison Rate to help consumers compare tariff prices.

## **Consumer views on Tariff Comparison Rates; Findings from the Ofgem Consumer First Panel workshops held August 2012 (Ipsos MORI)**

1.18. The focus of this round of Consumer First Panel deliberative workshops was to understand consumer responses to options for the possible introduction of a Tariff Comparison Rate (TCR), i.e. a single figure that can be used to compare the cost of the tariff a consumer is on against alternative tariffs from either an existing or new supplier, and takes account of any standing charge and the unit rate(s) that make up the tariff. Workshops with 109 participants were conducted in six locations across Great Britain: approximately half had taken part in previous Panel workshops, and the remaining participants were recruited afresh to ensure the research included less informed consumer perspectives.

1.19. The research tested the overall TCR concept and four distinct scenarios which illustrated different options for how the TCR might work in practice. Participants were asked to comment on each scenario separately and to identify individual elements from each that they felt were particularly helpful or unhelpful. The research also aimed to explore what participants saw as the potential impact of the TCR on their switching behaviour and overall engagement in the GB energy market.

1.20. A key finding was that existing levels of engagement in the energy market was a key determinant of responses to different models for the TCR. For example, simplicity of information is important for those who are currently less engaged or disengaged, and any presentation of TCR information that appeared over-complicated or difficult to understand tended to cause an immediate barrier to their engagement with the information. Whereas, those who are more engaged (i.e. those who were accustomed to using their personal consumption data to make tariff comparisons), often welcomed the inclusion of additional elements such as General Tariff Comparison Rates (GTCRs) for low/medium/high users, and Personal Tariff Comparison Rates (PTCRs) (*see report for definition of these variants*).

1.21. By the end of discussions on all four TCR scenarios, most participants came to appreciate that there was mileage in the TCR concept overall. More importantly, if it was explained clearly, participants felt that it held the potential to make tariff comparisons easier. However, many pointed out that their interest in and usage of TCRs would likely be very dependent on clear and sustained communications campaigns, both from suppliers and from an independent body such as Ofgem. They also called for the TCR name and acronym to be changed to be clearer and more engaging to a broad range of consumers.

## **Research into information remedies and improved consumer communications**

### **Energy bills, annual statements, price increase notification letters and tariff information labels; Report of consumer testing to support template design and development (SPA Future Thinking)**

1.22. Ofgem proposes to require energy suppliers to standardise certain elements of the communications sent to consumers to ensure these are clear and easy to understand, impactful and meaningful, and presented using standardised language and terminology.

1.23. Ofgem developed prototype communications with the assistance of a specialist design agency (Boag McCann) to ensure that suppliers will be instructed to introduce design elements which have been shown to be most effective through consumer research. SPA Future Thinking was commissioned to conduct consumer testing of the prototypes to understand what designs, and elements of those designs, encourage understanding and engagement. Prototypes were tested against a number of key criteria including: clarity and understanding; navigability and ease of use; visual appeal and impact; tone and language; and overall impact on behaviour. SPA Future Thinking adopted a qualitative methodology and ran twenty seven mini-groups and ten in-home depth interviews in April-May 2012.

1.24. Not surprisingly, consumers want communications from their energy suppliers to be short or at least succinct, clear and easy to read/understand, personalised (i.e. using information directly relevant to the consumer and their personal circumstances); and as far as possible be free from 'jargon' and overly technical language. Other findings include:

- Communications should not be so long that they deter consumers from looking at them. Therefore, documents such as the price notification letter should ideally consist of a single page while more complex documents such as annual statements should be limited to two sides (i.e. a single sheet).
- Design features such as clear, bold headings and simple tables and/or graphs capture the readers' attention. These visual devices are therefore helpful in conveying key personalised information, such as what consumers are using/spending and what they might spend in the future following price changes.
- The use of colour makes documents more inviting to read. White pages with black and one other colour make documents look attractive and also sufficiently serious and important so as not to be dismissed as generic marketing material.

1.25. What consumers like and what best achieves Ofgem's objectives are not always the same. Some consumers preferred prototypes which enabled them to assimilate immediately what they wanted to know (such as the scale of a price rise) to prototypes which also encouraged them to read what Ofgem would like them to know but they have less personal interest in (such as information on their rights to switch). In assessing the effectiveness of a prototype, account was taken of consumer preferences but also the likelihood of consumers reading and acting on information Ofgem would like to be more prominent in line with its broader RMR objectives.

1.26. The report presents detailed findings of consumer responses to specific design and content elements within multiple prototypes for energy bills, annual statements, price increase notification letters and tariff information labels. The findings have

informed the templates produced by Boag McCann which are being published alongside this consultation document.

### **Options for cheapest tariff messaging on customer communications; Report of qualitative research (SPA Future Thinking)**

1.27. Energy suppliers have been asked to provide customers with information relating to their cheapest available tariff. Ofgem is proposing that energy suppliers include messaging on annual statements and on energy bills about the cheapest tariff available, and what consumers might potentially save by switching to these. Ofgem commissioned qualitative research to understand what information consumers actually need or would welcome in relation to alternative tariffs, what form of presentation would encourage consumers engagement, what content would aid understanding and impact, and encourage consumers to take action, and what is the potential impact of this initiative overall. A total of ten qualitative mini-groups (of six respondents) and twelve individual depth interviews were conducted with various categories of energy consumers across England, Scotland and Wales.

1.28. Ofgem commissioned Boag McCann, a specialist design agency, to develop prototypes that show alternative ways of presenting cheaper tariff information on bills and annual statements. These included prototypes where details of one or more tariffs offered by the customer's current energy supplier appear on the bills and annual statements, as well as prototypes featuring one or more tariffs offered by competitors (i.e. cross-market messaging).

1.29. Showing the monetary savings achievable through switching tariff was the priority information for any respondent who was not completely closed to the prospect of switching. Overall, this research suggests that showing potential 'savings per year' will be most effective for stimulating action because it allows the supplier to show the highest monetary figure possible.

1.30. Negatively framed messages (e.g. 'Paying more than you need to?') proved to be slightly more arresting but also considerably more likely to irritate consumers than positive messages (e.g. 'Could you save money on your electricity?'). For this reason, the report concludes positively worded messages are probably preferable but the arguments are finely balanced.

1.31. Generally, there was a preference for cheapest tariff messaging (i.e. non cross-market messaging) to show both 1) the cheapest tariff offered by their current supplier personalised by existing payment method and tariff preference; and 2) the cheapest tariff overall.

### **Prompting engagement with and retention of written customer communications – findings from desk based review and expert interviews (Ipsos MORI)**

1.32. This report aims to help Ofgem understand what encourages consumers to open, read and retain written communications they receive from energy suppliers.



The report is based on a rapid scoping review of available evidence (i.e. by interrogating internet search engines with key search strings and utilising relevant article databases) and interviews with ten experts across the behaviour change, direct marketing, government communications and energy fields. It presents a number of relevant findings, including the following insights:

- *Opening communications:* consumers tend to decide which mail items will be discarded unopened extremely quickly as they sort through their post daily; written communications may be more likely to be opened if they are personalised to the recipient, as opposed to being addressed to the “homeowner/present occupier”.
- *Reading communications:* bills are generally read but many consumers only look at the amount owed; consumers tend to scan communications quickly for the key points: this could be facilitated by brief, clearly written communications that avoid jargon; focussing on one key message per communication; using text boxes, bold text and colours to highlight vital information. Energy consumers may query the motives of suppliers in providing information that purports to help them save money given evidence of a pervasive lack of trust in the sector.
- *Document retention:* although there is limited evidence, that which does exist suggests retention depends more on demographic factors and individuals’ psychological characteristics than the communication itself. Nevertheless, consumers may benefit from guidance explaining how long to keep communications.

## Research into energy supplier standards

### **Consumer research and collaborative engagement on the proposed Standards of Conduct: domestic customers (Insight Exchange)**

1.33. Insight Exchange carried out a two-stage research and engagement process on behalf of Ofgem to better understand consumer needs, and their expectations of energy supplier standards. The process also set out to help inform the development of the proposed Standards of Conduct, and to help suppliers consider how they may embed the Standards into their business. The first stage involved group discussions and depth interviews with domestic consumers. The second stage reconvened some of those participants to take part in three collaborative events with energy suppliers in Cardiff, Glasgow and Nottingham during August 2012.

1.34. The project found that consumers do not really know what an excellent or outstanding relationship looks like in the energy sector, as they do not think anyone is currently consistently providing this. They mostly say they just want a good basic service from their energy supplier and hope not to have to contact them. The fact that it is an essential service that they cannot opt out of means that consumers feel it is particularly important that the basic service provided is consistently good.

1.35. When they do have to contact their supplier, consumers want to be able to get through quickly without running up an expensive telephone bill. They want to be treated efficiently. This means speaking to knowledgeable staff and not having to repeat the details of their issue more than once. It also means suppliers meeting commitments such as timescales for resolutions and calling back when they say they will. Consumers also want to be treated decently. This means being treated empathetically, being given the benefit of the doubt and being treated as an individual. Although many participants who had contacted their supplier because of a debt issue reported positive experiences, in general the industry is believed to be inconsistent in meeting these expectations – there were good and bad experiences reported across all the large suppliers, and overall more were bad than good.

1.36. The research also showed consumers often feel undervalued by their suppliers, and supplier-led activity that looks after their best interests inspires loyalty and a more positive perception of the company's behaviour and values. At present this type of proactive approach to managing relationships with consumers is considered rare.

1.37. The initial reaction to the draft Standards of Conduct presented to participants was 'fairly muted'. However, as the consumers discussed the Standards in more detail, many thought that they could be valuable, particularly those who had had poor experiences. There were concerns, however, about how the Standards would be measured and enforced.

## Appendix 7 – Addressing key concerns

1.38. The following table notes key concerns raised by stakeholders in their response to our December 2011 RRM consultation. It also outlines what we have done to take these concerns into account.

Topic	Issue	Further research/analysis	Policy development
<b>Fixed term rules</b>			
	Some suppliers noted that our fixed term rules were likely to increase the cost of providing these tariffs	We reassessed our policy options in light of respondents concerns and our new RMR policy developments	No change in overall policy. Our analysis indicates that our rules have a clear positive impact on consumer engagement and competition in the fixed term market and are likely to exceed their costs implications
	Respondents noted that consumers engaging late in the contract renewal process are at risk of being exposed to a wholesale price shock, or at risk of losing their ToU benefits	We reassessed our policy options in light of respondents concerns and our new RMR policy developments. Undertook further analysis on the timings for switching to take place in worst case scenarios	We propose that consumers should default to the cheapest equivalent evergreen tariff, and suppliers to offer an evergreen tariff for each type of ToU meter. We are proposing to change the conditions for price protection to ensure that all engaged consumers will benefit from this protection
	Respondents indicated that our fixed term rules could facilitate suppliers engaging in "Bait-and-switch" strategies	We reassessed our policy options in light of respondents concerns and our new RMR policy developments	The synergies between our new proposals mitigate supplier's ability to benefit from "bait-and-switch" strategies
	Some suppliers were concerned about potential lack of evidence of consumer harm	We reassessed our policy options in light of respondents concerns and our new RMR policy developments	Our documents identify the principles and rationale behind this policy
	Concerns raised regarding loss of preferred tariffs for consumers	We reassessed our policy options in light of respondents concerns and our new RMR policy developments	No change in overall policy. Our previous quantitative analysis indicates limited appetite for non-fixed price, fixed term tariffs
	Concerns raised that limitations in the fixed term market may push consumers into the evergreen market	We reassessed our policy options in light of respondents concerns and our new RMR policy developments	No change in overall policy. Our proposals are designed to improve confidence and engagement in the fixed term market
	Some additional exceptions to a prohibition on price increases and other adverse unilateral variations were suggested (e.g. market trackers)	We reassessed our policy options in light of respondents concerns and our new RMR policy developments	No change in overall policy. Under certain conditions, this suggestion could comply with our exceptions for automatic variations, e.g. linked to an index
Topic	Issue	Further research/analysis	Policy development

<u>TCR</u>			
	Stakeholders were broadly supportive of the concept of a price comparison guide. Some stated that the guide should be presented in £/year while others stated that it should be presented in terms of both monetary estimates and a p/kWh rate	Conducted further quantitative and qualitative research to compare consumers' ability to use different formats of price comparison guide. Conducted Panel research to understand consumers' preferences concerning the design of the TCR and how it would be applied to different communications	Developed concept of a personal projection to be presented in £/year. Decided that TCR would be presented in terms of p/kWh. Developed rules around how the TCR would be calculated
<u>Tariff simplification</u>			
	Majority of previous incumbents were concerned that we will go too far and that more evidence is required to support the extent of intervention	Re-appraised existing evidence base and supplier RMR responses. Conducted further research with consumers on their ability to use price comparison metrics	Adjusted key proposals in light of responses. Proposing suppliers will be limited to four 'core products' across standard & non-standard market. Some discounts/bundles will be covered in limit
	Some stakeholders, including two suppliers, want us to go further and apply RMR Core or derivative to whole market	Re-appraised evidence base and RMR responses. Conducted further research with consumers on their ability to use price comparison metrics	Core tariff cap proposal will apply to whole market, as will any simplification rules
	Small suppliers concerned over impact on ability to offer niche products and to compete with the previous incumbent (some call for Core option to apply to previous incumbents only)	Re-appraised existing evidence base and RMR responses	Core tariff cap proposal will apply to small suppliers as will any rules on discounts and bundled services. However, a four core-product limit affords small suppliers greater flexibility on niche product offerings. This will apply to all suppliers
	Consumers, Consumer Focus and consumer groups would be concerned if we were to go for a wide standing charge, low consuming customers would be paying more	Re-appraised existing evidence base and RMR responses.	'At-a-glance' unit-rate tariff comparison based on uniform standing charge is challenging to achieve. Do not now propose to regulate standing charges. Consumers with lower energy use not specifically affected
	Three previous incumbent suppliers think Ofgem setting the standing charge was not in the interests of consumers, and some consider that if we proceed, the standing charge should be wide	Re-appraised existing evidence base and RMR responses. Conducted further research with consumers on their ability to use price comparison metrics that do not rely on a fixed standing charge	'At-a-glance' unit rate tariff comparison based on uniform standing charge is challenging to achieve. Do not now propose to regulate standing charges, so no debate required on narrow vs wide
Topic	Issue	Further research/analysis	Policy development

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Information improvements			
General support for “Summary Box” on bills and a stand alone, prescriptive, Annual Statement templates – less support from some small suppliers	Based on further consumer research and testing, which supports our earlier findings, a specialist design agency developed prototypes for “Summary Box” on bills. Further recent consumer research carried out into construction of cheapest tariff messaging, and literature review of effective measure to encourage consumers to open, read and retain key documents	No change in our overall policy intent. New requirement is for suppliers to include the personalised information on the ‘cheapest tariff’ in “Summary Box” on bills and to be included on an Annual Statement	
Call from some suppliers, and some consumer groups, for comprehensive review of bills and related information requirements	We are facilitating the CBCRG <sup>7</sup> working group which includes Energy UK, Consumer Focus, Which?, Citizens Advice, suppliers and DECC to identify key objectives of consumer bills and other communications and to work through the detail of how to simplify the information presented to consumers	This work is still on-going. The feedback so far includes concern about repetition across documents and need for clarity of purpose for each. We will make sure that we consider these points	
Some suppliers did not support a standardised format for price increase info on Price Increase Notification (PIN) (which is more tailored to the consumer). Many raised concerns regarding the cost of implementation and impact on innovation.	Consumer research from March 2012 supports our earlier findings for personalised information in a standardised format. This would ensure communications effectively inform consumers of the impact of the price increase, and improve their understanding of how to manage it. However, we welcome views from stakeholders following this consultation on the likely cost impacts of our proposals	No significant developments in our policy. The format and contents have developed in light of further research and stakeholder feedback. While the content of the notice will be restricted, we are only prescribing a small proportion of the format of the notice (the format of two tables on price increase information)	
Consultation respondents were broadly supportive of introducing a Tariff Information Label. In general, they felt that it would help consumers to compare the features of energy tariffs. However, some believed that a degree of flexibility would be necessary so that all tariffs could be accommodated	Consumer research highlighted the pros and cons of four possible templates for the Label. It also provided useful input into the type of information that consumers would expect the Label to contain. The research also highlighted the language that should be used to make it accessible to consumers	No change in overall policy. Content and format of Label has developed in light of further consumer research, expert design input and stakeholder feedback	
Topic	Issue	Further research/analysis	Policy development

<sup>7</sup> Consumer Bills Communications Roundtable Group (CBRG) further information can be found at: <http://www.ofgem.gov.uk/Markets/RetMkts/consumer-bills-and-comms-round-table/Pages/index.aspx>

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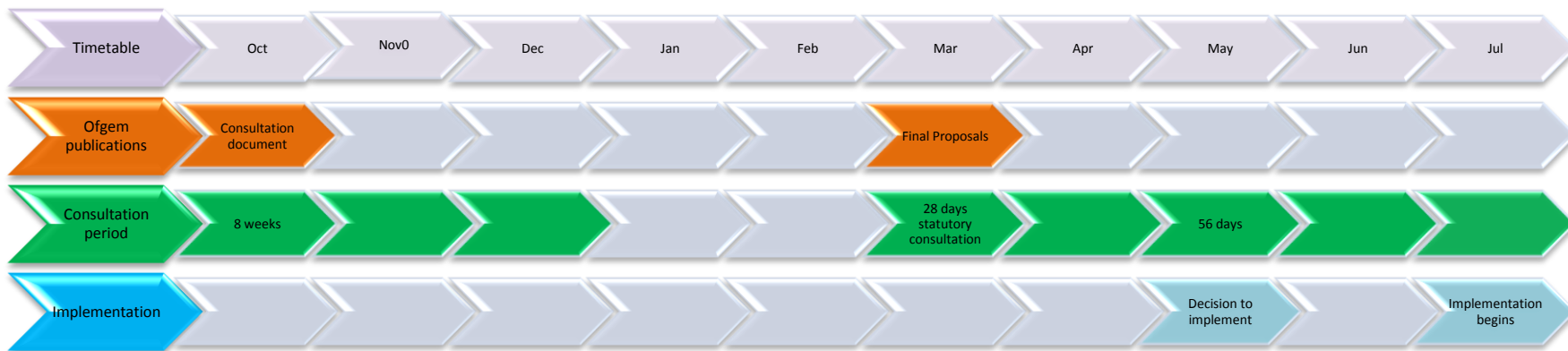
<u>Standards of Conduct</u>		
Some stakeholders (including previous incumbents and a new entrant) questioned whether the SOC should be legally binding	Consumer research from this summer supports earlier findings: without firm rules consumer are not likely to have faith in SOC/suppliers, and need a government “backstop” to improve trust	No change in our policy. We have evidence supporting the need for the SOC being legally binding in the domestic market
Common view from respondents that a two-stage (or more flexible) approach to enforcement would be needed	Considered approach to enforcement for the SOC (mindful of current Enforcement Review)	Further development of clear enforcement approach for the SOC that addresses a number of concerns raised
Many respondents asked for clear guidance re our expectations around the SOC and our approach to SOC enforcement	Engaged with stakeholders to discuss emerging thinking and our views of how the SOC may work in practice	We propose guidance that defines key terms in the SOC, but the enforcement process should address key concerns over regulatory risk
Concerns raised over scope of SOC, and how “representatives” would be defined in relation to the SOC		Propose guidance to clarify how we are likely to interpret “representatives” in relation to the SOC
<u>Enhanced market monitoring</u>		
Generally supportive, however concerns were raised over the potential resource burden on industry	We recognise this concern and have been considering our options for data sharing arrangements for key datasets with government to minimise regulatory burden on suppliers. We are also evaluating the current retail reporting and assessing likely synergies with other departments across Ofgem	We are proposing to build a framework to monitor the progress of retail market competition, and track the success of our RMR package. In addition, we propose to improve the flow of information to consumers through greater transparency on suppliers relative performance

## Appendix 8 – Enhanced monitoring

Features causing consumer harm	What does success look like?	Potential indicators of competition
<p>Market structure/ prices</p> <ul style="list-style-type: none"> <li>Suppliers segmenting the market to generate higher profits from inactive consumer groups.</li> <li>Too many tariffs and tariff structures that are too complex make comparisons difficult.</li> </ul>	<ul style="list-style-type: none"> <li>Fewer complex tariff choices would be available, making comparisons easier.</li> <li>A certain number of tariffs are supported by consumer demand.</li> <li>Appropriate consumer protections in place for disengaged consumers.</li> </ul>	<ul style="list-style-type: none"> <li><b>Market structure:</b> concentration ratios; incumbent/entrant market shares; supplier entry/exit; and market share by consumption.</li> <li><b>Pricing:</b> switching savings; incumbent pricing; pricing trends by payment method; pricing trends by supplier; and standing charges and unit rates.</li> <li><b>Tariffs:</b> number of tariffs; new tariffs launched; and tariff terms and conditions.</li> </ul>
<p>Low consumer engagement</p> <ul style="list-style-type: none"> <li>Some consumers, including many likely to be vulnerable, are limited by their circumstances from engaging. Other consumers are simply not interested in engaging.</li> </ul>	<ul style="list-style-type: none"> <li>Consumers would think more regularly about engaging in the market, and worry less about making poor switching decisions.</li> <li>If consumers didn't switch this would be in the full knowledge of what switching could achieve.</li> </ul>	<ul style="list-style-type: none"> <li><b>Switching:</b> switching between and within suppliers and tariffs.</li> <li><b>Consumer behaviour:</b> consumer views on supplier performance, communications and the information provided to them; and consumer awareness of their rights and responsibilities.</li> </ul>
<p>Poor supplier conduct</p> <ul style="list-style-type: none"> <li>Questionable supplier behaviour has led to a broad mistrust of suppliers, resulting in lower engagement and lack of trust amongst some consumers.</li> </ul>	<ul style="list-style-type: none"> <li>Consumers would trust their suppliers and believe that when they signed up to a tariff they would receive the product they anticipated, and would be aware of the terms and conditions.</li> </ul>	<ul style="list-style-type: none"> <li><b>Complaints/contacts data:</b> complaint numbers by category; and complaint resolution times.</li> <li><b>Consumer behaviour:</b> consumer trust and engagement.</li> <li><b>Objections:</b> frequency and reason for objections; resolution times; and erroneous transfers.</li> </ul>
<p>Low levels of competition</p> <ul style="list-style-type: none"> <li>Possible tacit collusive behaviour among previous incumbents and limited new entry is not putting pressure on prices or service quality.</li> <li>Segmentation means churn of active consumers is not helping to increase competition in the market overall.</li> </ul>	<ul style="list-style-type: none"> <li>Consumer demand across all consumer groups would become more responsive to price and quality of service.</li> </ul>	<ul style="list-style-type: none"> <li><b>Profits/costs:</b> profitability between different types of consumers; and our Supply Market Indicator research.</li> <li><b>Supplier conduct:</b> changes/improvements in customer service; and suppliers' own customer satisfaction ratings which they have committed to publish.</li> </ul>
<p>Information asymmetry</p> <ul style="list-style-type: none"> <li>Limited or complex information leads to high search costs for consumers, and either puts them off switching or results in poor switching decisions.</li> </ul>	<ul style="list-style-type: none"> <li>Consumers would have information to make informed decisions (consumption, current tariff details).</li> <li>Where consumers engage with Third Party Intermediaries they are confident that they are bound by a similar regime to suppliers.</li> </ul>	<ul style="list-style-type: none"> <li><b>Consumers' use of information:</b> use of relevant information in comparing tariffs.</li> <li><b>Monitoring of other sectors:</b> comparisons across sectors (e.g. telecoms); and the monitoring of other energy regulators.</li> </ul>

# Appendix 9 – Envisaged implementation timelines

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Envisaged implementation of RMR proposals						
	Tariff simplification	Clearer and simpler information	Supplier cheapest deal*	Tariff comparison rate (TCR)	Standards of Conduct	Protecting customers on fixed term offers
Day 1	Begin migration of customers onto live tariffs				Standards of Conduct	Begin amendments for fixed term rules
Day 1 +2 months	Cap on live tariffs	End of contract notifications Price increase notifications Tariff informational label		TCR		
Day 1 +4 months		Summary box on Bills Annual Statement	Supplier cheapest deal			
Day 1 +6 months	Complete migration of customers onto live tariffs					Complete amendments for fixed term rules

\*We will aim to start trials of the Market Cheapest Deal by the end of month six