

The background features a large, stylized white arrow pointing to the right, set against a blurred image of a gas burner with blue and orange flames. The overall color palette is light and airy, with soft blues and oranges.

RMR Tariffs working group – 1st session

16th January 2013

Summary of RMR proposals – Tariff Simplification and Fixed Term Offers

Tariff Simplification

- 4 tariffs per fuel per meter type and payment type
- dual fuel discounts, and certain bundles and surcharges, to be excluded from the cap.
- other different tariff options would count towards the cap eg an online tariff variant
- all tariffs have standing charge and unit rate
- discounts/surcharges expressed in £ or p/kWh format

Fixed term tariffs

- customer defaults onto supplier's cheapest variable tariff at end of fixed term contract
- "no exit fee" 42 day switching window before contract end date
- clear 'end of contract' notifications
- price protection whilst consumers switch
- unilateral variations are prohibited

Consultation responses – Tariff Cap and Structure

- **Recognition that the number of tariffs should be reduced.**
General support for a cap of some kind
- **However, most suppliers do not agree 4 tariffs is 'right'.**
Push for either 6 core tariffs or a higher number in specific categories (e.g. white labels and ToU).
- **Concern that cap may constrain innovation and suppliers' ability to test demand for particular tariffs**
- **Derogations commonly requested for social and preserved tariffs**
- **Majority support 'standing charge + unit rate' structure**

Consultation responses – Discounts and Surcharges

- **Most do not think proposals on discounts are appropriate:**
 - **Online:** want to offer discount for online account management across tariff portfolio. Should not count towards cap.
 - **Loyalty:** want to reward customer loyalty, even on ad-hoc basis
 - **Customer characteristics:** eg want to preserve discounts for elderly
- **Support for consistent surcharges across payment and tariff types**
- **A prescriptive list of allowed surcharges may be too inflexible.** Other suggested approaches include a list of **prohibited** surcharges or principles based rules enforced through Standards of Conduct

Consultation responses – Fixed Term Offers

- **Support for policy intent to protect consumers on fixed term offers including prohibiting auto-rollovers**
- **Though some concerns about specifics of the proposals:**
 - Price protection for consumers 20 working days after their contract ends
 - Direct debit should not be included in the 30 day notice period for mutual variations
 - Perhaps need another approach to dealing with unplanned changes to network charges

Summary of RMR proposals – Tariff Comparison Rate, Personal Projection and Best Buy Tables (1)

Communication of TCRs	<ul style="list-style-type: none"> TCRs would appear on suppliers' communications, Best Buy Tables, marketing materials, etc.
Communication of Personal Projections	<ul style="list-style-type: none"> Personal Projections for the current and alternative tariffs would appear on suppliers' communications. The same methodology would be employed when suppliers provide estimates to consumers at other times, including via switching sites.
Units	<ul style="list-style-type: none"> £/annum for Personal Projections, p/kWh for TCRs
Discounts and penalties	<ul style="list-style-type: none"> Include non-contingent discounts and penalties in TCR. Contingent discounts and penalties excluded from TCR but will be explained in any accompanying text.
Dual fuel	<ul style="list-style-type: none"> Separate TCRs for the gas and electricity elements of dual fuel tariffs. Dual fuel discount included in TCR calculation.
Additional features	<ul style="list-style-type: none"> Exclude additional features such as loyalty points from the TCR (TCR based only on energy cost).

Summary of RMR proposals – Tariff Comparison Rate, Personal Projection and Best Buy Tables (2)

Bundling	<ul style="list-style-type: none"> Treatment depends on the type of bundle. In general, where taking the bundled product is the default option (or mandatory) the TCR would include the cost of the bundled product. Where the bundle is an opt-in option, the TCR would exclude the cost of the bundled product.
Frequency of updating	<ul style="list-style-type: none"> Require immediate updating of TCRs online (TCRs for tracker tariffs to be updated at the end of each day). Hard-copy TCRs offline to be updated at least once a week.
Publisher of Best Buy Tables	<ul style="list-style-type: none"> Any third-party could choose to publish Best Buy Tables.
TCRs for low, medium and high users	<ul style="list-style-type: none"> TCRs would be provided for low, medium and high users. Communications from suppliers would tell consumers if they are low, medium or high users.

Consultation responses – TCR, Personal Projection and Best Buy Tables (1)

- Strong support from respondents for some form of comparison tool and RMR's policy intent
- Some objections to the methodology for the TCR as currently proposed
 - National TCR
 - Regional weighting of TCRs
 - TCRs for Time of Use tariffs
- There were also objections raised with regard to how TCR information would be presented:
 - Metric used for the TCR (p/kWh)
 - Separate TCRs for low/med/high users

Consultation responses – TCR, Personal Projection and Best Buy Tables (2)

- Most supportive of the Personal Projection
 - Some concerns regarding the consumption forecasting involved in its calculation
- Most supportive of Best Buy Tables
 - Mixed views on whether Ofgem is appropriately placed to perform a role in developing/facilitating these tables
 - Some respondents expressed support for Best Buy Tables that looked beyond price, e.g. at factors such as customer satisfaction

All groups discussion topic 1 – tariff cap

- **Questions to consider:**
 - at what level should the cap be set and why?
 - how would it affect overall market complexity?
 - what would be appropriate derogations from the cap, and why?
 - How would it be implemented? What issues would we have to consider?
- **You have 40 minutes to discuss this topic. A member of your group should then provide some feedback using the flipchart and materials.**

Individual group discussions

- **Each group has been allocated a topic to discuss**
- **For the first session, each group will have 25 minutes to discuss their topic**
- **They will then pass their topic and flipchart onto the next groups (eg Group 1 will move to Group 2)– there will then be a further 5 minutes to review findings and add any additional points**
- **This process will continue until all of the groups have discussed each topic**
- **Each group will then provide feedback on the topic they were initially allocated**

Break Out Groups

	Topic	Organisation	Attendees
Group 1 – David Hunt	Discounts and surcharges	EDF	Dan Hopcroft
		SSE	Roger Hutcheon
		Good Energy	Chris Welby
		DECC	James Clarke
		First Utility	Vaughn Harris
Group 2 – Barry Coughlan	TCR and personal projection	Energy UK	Dan Alchin
		Npower	David Mannering
		Ecotricity	Dave Dawson
		DECC	Dawn Armstrong
		Consumer Focus	Gillian Cooper
Group 3 – Martin Campbell	Fixed term offers	British Gas	Dave Watson
		SP	Pamela Mowatt
		Npower	Neil Johnson
		Cooperative Energy	Nigel Mason
		Citizens Advice	Anne Pardoe
Group 4 – Stew Horne	Collective switching	EON	Lesley Queripel
		SP	Richard Sweet
		LoCo2 Energy	Mark Sommerfield
		Which?	James Tallack

Individual group discussion topics

Group no	Discussion topics 2- 5	Questions to consider
1	Discounts and surcharges	<ul style="list-style-type: none"> • How should loyalty, prompt and online discounts be treated? • How could these be presented to consumers without adding to tariff complexity? • Could a principles-based approach be applied to surcharges? How?
2	TCR and personal projection	<ul style="list-style-type: none"> • The trade-off between simplicity and accuracy? <ul style="list-style-type: none"> • The metric to be used? • National or regional? • Single metric (medium) or multiple (low/med/high)? • All tariffs or just certain types?
3	Fixed term offers	<ul style="list-style-type: none"> • How can we give price protection to consumers before they complete a switch to another tariff? • Are there other rules or issues we have not considered?
4	Collective switching	<ul style="list-style-type: none"> • How many tariffs should a supplier have for collective switching? • Should these be included in core allocation or separate? • Should there be any distinction between tariffs for national and local collective switching schemes?

The background of the slide is a composite image. On the left, there are rows of solar panels under a bright sun. On the right, a hand is shown holding a white document. In the bottom left corner, a blue gas burner is visible. The overall theme is energy and customer service.

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Promoting choice and value
for all gas and electricity customers