



20 December 2012

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Dear Mr Hunt

**The Retail Market Review – Updated domestic proposals consultation**

Last month when negotiating the least expensive deal for energy I came across something which I was told by Ofgem would be best placed in this review, which I have now read, and phoning again was advised to write to you directly.

*The aim of the Retail Market Review (RMR) is to encourage and equip consumers to get the best deal from the energy market. (RMR introduction)*

In a nutshell, having obtained my annual usage (which was not readily available on-line but immediately upon phoning) from nPower, I ran a price comparison with U-Switch, which with adjustments for their overestimation (the differential twist varying standing charges and energy unit prices across a range of companies) gave nPower Go-Jan14 as the best bet.

I use the term 'bet' exactly as meant. Under the current regime, any consumer has to reckon separately whether prices will go up over the next year, (or lock-in period, whichever is longer), and if so, by how much. This is not necessarily the case. I already knew that nPower were about raise their prices by 11% electric and 9% gas. So when I phoned again, I enquired about fixed rates, and calculated that, *even without any further price increases before January 2014*, nPower Go-fixed Jan 2014 was *at least as cheap as Go Jan 2014*.<sup>1</sup>

The inference for Ofgem is fairly clear: in calculating a customer's cheapest deal, any known future price increases *must* be taken into account. If not, as demonstrated above, the deal may not be in fact the cheapest.

Furthermore, it may be worth considering it to be a requirement for suppliers to state when their last price increase was, (and by how much) together with the cheapest fixed tariff, so that consumers can more readily reckon whether to opt for the cheapest tariff *now*, whilst bearing in mind the possibility of a future price increase.

Some price comparison sites do give histories of companies' % price increases, but, if U-switch is typical, they currently do not take into account known future price increases (which to compare prices properly, they should). Since price comparison sites presumably do not come under Ofgem's remit, I've cc-ed this to the Consumers' Association.

In conclusion, known future price increases directly and significantly bears upon three of the six requirements listed in the The Retail Market Review's executive summary (page 8), namely:-

- Require suppliers to give consumers personalised information on their bill of the estimated savings they could make if they switch to their supplier's cheapest deal
- Introduce a Tariff Comparison Rate: a 'common currency' to allow customers to compare tariffs across the market;
- Require suppliers to give all customers a new, improved Annual Statement with the personalised information a consumer needs to engage in the market, and to provide other 'calls to action' on bills and in the letter notifying consumers of price increases

With this in mind, I must apologise if Ofgem has already recognised the known future price increase factor, and taken it into account. Otherwise Ofgem would be failing in its statutory duties.

Awaiting your reply with interest, and please do get in touch were anything unclear.

Your sincerely

[REDACTED]

cc [REDACTED]

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<sup>1</sup> (Incidentally, my call-handler found it exceptionally hard to give me Go-fixed prices, since n-Power's system would only give Go-Jan variable prices as the "cheapest deal." During the conversation she said in exasperation, perhaps in part because she was exceeding the average time allotted per call, 'you could do this on-line.' I left the obvious rejoinder unsaid, but if an energy company's staff finds it difficult to give its customers the cheapest price, what chance customers, however savvy, working on their own?)