

## **Response to:**

### **Retail Market Review – Updated domestic proposals, ref 135/12**

#### **Chapter 2**

**Question 1:** Do you agree with our characterisation of the problems in the retail energy market?

*I agree that the large number of tariffs, complex tariffs and lack of trust in the suppliers is a problem. I have not personally found the information provided by suppliers on my bills to be confusing or incomplete.*

*I do not believe that the low number of people switching is inherently bad, given that time and effort will be required to switch even if the market is simplified. The problem is the way the energy suppliers treat sticky customers, not the fact that sticky customers exist.*

#### **Chapter 3**

**Question 3:** Do you agree with our reasons for not proceeding with the alternative options set out below?

*I agree that the previous proposals were overly complicated, I am glad that you have decided not to impose a fixed standing charge, which would have outlawed zero standing charge tariffs (valuable for low users, many of whom will be vulnerable customers).*

#### **Chapter 4**

**Question 1:** Are our rules to reduce the number of tariffs appropriate? Have we set the cap on core tariffs at the right level? Should a different cap be set for time of use tariffs? What derogations from our tariff cap would be appropriate?

*I disagree with the option for suppliers to offer a 5th tariff exclusively to collective switching customers. This would necessarily increase prices (on average) because the intermediary will need to take their cut, and such increases are likely to be borne by those who do not or cannot participate – a group that will likely include vulnerable consumers on prepayment meters.*

*A 5th tariff might be justified for “green” electricity as this is strictly speaking a different “product” in that the mix of sources will differ from that offered on “normal” tariffs. Otherwise there is a risk that the major suppliers will cease offering such tariffs.*

**Question 3:** Are our rules to simplify tariff structures and discounts appropriate? Should they only apply to open tariffs or be extended to cover dead tariffs too?

*I believe that requiring all tariffs to be of the structure “standing charge + unit rate” is too restrictive. A 2 tier tariff with the first units costing more than subsequent ones is not complicated and although for most customers is functionally equivalent to a standing charge, it benefits those who use less than the minimum in one or more quarters and so will be disadvantaged if a standing charge + unit rate format is enforced. Overly complex tariffs can be avoided by forbidding three or more tiers and requiring that if a 2 tier tariff is used the “equivalent” standing charge amount must be stated.*

#### **Chapter 5**

**Question 7:** What are your views regarding including energy efficiency advice in Annual Statements?

*I believe energy efficiency advice should be included in annual statements. The most important, sustainable and environmentally beneficial way of reducing bills would be to reduce consumption. This has the added benefit of reducing the strain on future energy supply.*

## **Chapter 6**

**Question 1:** Do you agree with our view that the cheapest tariff message should include both supplier's cheapest tariff for their payment method, consumption and meter type, and the cheapest overall tariff from their supplier irrespective of their current circumstances, personalised by consumption?

*Yes, but see answer to Q4.*

**Question 4:** Do you have any suggestions regarding additional rules which they consider relevant for the construction of the cheapest tariff messaging?

*For customers on green tariffs the message must also include the cheapest alternative green tariff, if there is one.*

## **Chapter 7**

**Question 1:** Do you agree with our proposal to introduce a price comparison tool?

*A comparison tool is valuable but I believe standing charge + unit rate is sufficient and do not believe the TCR is the right tool (see further answers below). For comparison purposes, standing charge is best stated as an annual rather than daily figure.*

**Question 2:** What is your view about the terminology we are proposing for the two price comparison metrics? Are they clear and easy for consumers to understand?

*The consultation does not state what "low", "medium" and "high" consumption levels will be defined, suggesting you have not yet decided on them. Many customers may not know how their consumption compares with others and may put themselves in the wrong bracket.*

**Question 3:** In your view, does our proposal for the TCR strike an appropriate balance between different trade-offs in terms of simplicity, accuracy, confusion and saliency? Please explain the reasons for your view.

*No. The apparent "simplicity" is spurious. The TCR only works if there is little or no variation between suppliers' standing charge, which is not the case. Three TCR numbers will be required for the 3 levels of consumption, plus a further 3 numbers to specify what each of the bands means in terms of consumption. Even if customers know their consumption it will not be clear which TCR is the most appropriate for those who fall on the boundary of 2 bands, or how accurately it will reflect costs to those with unusually low or high consumption. The difference between TCR and actual bills for customers whose consumption level does not fall close to the middle of a band will vary across suppliers according to the amount of standing charge vs. unit rate, adding to the confusion. Some customers may be misled by the TCR into selecting an inappropriate supplier/tariff.*

*As you state, customers will need to do further investigation to decide on the right supplier and tariff. Customers who are capable of such investigation can do it more easily using knowledge of the standing charge and unit rate (or relative rates in a 2 tier system) rather than TCR. Customers who are not capable of it may be misled by the apparently "simple" TCR, especially if they make incorrect assumptions about their own consumption band.*

*Having 3 rates makes it harder for companies to tailor prices to minimise it but they will doubtless find ways to manipulate the standing charge and/or unit rate to attract customers whose actual consumption level will lead to a higher bill than the TCR might suggest.*

**Question 4:** Do you agree with our proposal for the different features of the Tariff Comparison Rate, and our related proposal on the personal projection? Do you have any thoughts on whether and how time of use tariffs should be accommodated in the TCR and personal projection? Please explain the reasons for your view.

*I do agree that a personal projection based on the customer's own usage would be useful. The actual or assumed usage it is based on should also be clear, so that the customer has a figure to take to other suppliers when considering switching.*

**Question 5:** In your view, should suppliers be required to make available up to date information on TCRs for their tariffs? What is your view on the barriers to the publication of best buy tables, and how could we better facilitate publication by third parties?

*I believe suppliers should be required to make available up to date information on their actual tariffs (from which TCRs can be calculated by anybody who knows what the relevant consumption levels are). Third parties can then produce tables for any level of consumption not just those used for the TCRs.*