

# The Retail Market Review – Statutory consultation on the RMR domestic proposals

## Consultation

**Reference:** 95a/13  
**Publication date:** 20 June 2013

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### Overview:

This document contains Ofgem's updated final Retail Market Review (RMR) proposals for domestic consumers. It includes our statutory consultation on proposed modifications to the supply licences and their effect. The proposed new rules strip away unnecessary complexity in tariff choices, and arm consumers with better, more relevant information on the available choices.

Following feedback from stakeholders we have refined our proposals to ensure that they have the desired effect. It is important they strike the right balance between simplifying the market and allowing the sorts of innovations that consumers value and which might encourage them to engage.

This consultation closes on 23 July 2013. Our implementation plan aims for the key changes to tariffs to take effect by the end of this year and improved information for consumers to be in place by early 2014.

## 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.

Following publication of our final proposals in March 2013, this document constitutes our statutory consultation on the domestic RMR proposals relating to simpler tariffs and clearer information. The proposed changes to licence modifications are set out for statutory consultation in supplementary appendices to this document.

Separately, we have already published our statutory consultations on our domestic Standards of Conduct proposals and our full suite of proposals for businesses. We are due to make our decision on implementing these proposals shortly.

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.

## Associated documents

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

- Proposed licence modification of SLC 1 and insertion of new SLC 25C, May 2013, Reference: 80/13.
- The Retail Market Review – Final domestic proposals, March 2013, Reference: 40/13.
- RMR policy intent and legal drafting workshop – Tariffs presentation, 9<sup>th</sup> May 2013.<sup>4</sup>
- RMR policy intent and legal drafting workshop: Information Remedies, 10<sup>th</sup> May 2013.<sup>5</sup>

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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> For more information see the following link:

<http://www.ofgem.gov.uk/Markets/RetMkts/rmr/Documents1/RMR%20policy%20intent%20and%20legal%20drafting%20workshop%20Tariffs%20presentation.pdf>

<sup>5</sup> For more information see the following link:

<http://www.ofgem.gov.uk/Markets/RetMkts/rmr/Documents1/130510%20Workshop%20-%20Info%20presentation.pdf> .



## The Retail Market Review – Final proposals for domestic customers

- The Retail Market Review – Final Impact Assessment for domestic proposals, March 2013, Reference: 41/13.
- The Retail Market Review – Envisaged legal drafting for the Retail Market Review Domestic proposals, March 2013, Reference: 42/13.
- The Retail Market Review – Updated domestic proposals, Reference: 135/12, October 2012.
- Supplementary appendix to: The Retail Market Review – Updated domestic proposals, October 2012, Reference: 135a/12.
- The Retail Market Review – Draft Impact Assessment for the updated domestic proposals, October 2012, Reference: 135b/12.
- Draft domestic licence conditions for the Retail Market Review proposals, October 2012, Reference: 135c/12.
- Ipsos MORI, Customer Engagement with the Energy Market - Tracking Survey 2012, October 2012.

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**Appendix 7 - Feedback Questionnaire**

## Executive Summary

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This document sets out Ofgem's updated final Retail Market Review (RMR) proposals for domestic consumers to create a simpler, clearer, fairer energy market. It contains a statutory consultation on the proposed licence modifications and their effect.

In preparing these new rules we have consulted extensively with stakeholders, and analysed both the market and how consumers engage in it. Following our most recent consultation we have further refined our proposals. We aim to strike the right balance between simplifying the market and allowing the sorts of innovations that consumers value and which might encourage them to engage.

While some suppliers have raised concerns about the challenging timescales for implementation our view remains that it is important consumers' interests are protected as soon as possible. We still propose that the key rules that address the number and complexity of tariffs will be in place by the end of 2013 and most others by the end of March 2014.<sup>6</sup>

Some suppliers have taken proactive steps to bring their tariffs and communications into line ahead of these new rules coming into place. We welcome these steps and encourage other suppliers to do likewise.

### **Key changes since the March consultation**

There is broad support for the aims of the RMR in terms of re-building consumer trust and engagement in the market. However, we have received a large number of detailed comments about the workability and potential unintended consequences of some of the detailed proposals. In the light of these comments we have reconsidered our approach on a number of issues including white label providers,<sup>7</sup> existing fixed term contracts, the handling of discounts and bundles and some of the information suppliers would be required to provide to consumers. We have also improved the clarity of the legal drafting.

In our March consultation we noted that our rules would create challenges for existing white label providers and proposed an exemption from these rules for a year to allow alternative arrangements to be made. The responses to our consultation highlighted a variety of white label arrangements, from simple affinity deals to arrangements where the provider has considerable autonomy over their tariffs and customer service. We think it is in consumers' interests to give further consideration to the right regulatory framework for these alternative business models, which have the potential to deliver greater competition. We will progress that debate through the autumn. In the interim we have amended our RMR proposals to extend the exemption period for white label providers until 31 December 2014.

A number of suppliers raised concerns that our new tariff rules would cause customer detriment if existing fixed term contracts had to be brought into line by 31 December

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<sup>6</sup> Parent and white label suppliers will be exempt from providing each other's tariffs in cheapest tariff messaging until 31 December 2014.

<sup>7</sup> A 'white label' is an organisation that does not have an energy supply licence, eg a supermarket, but works in partnership with an energy supplier to offer energy tariffs to consumers under a different brand.

2013. To ensure customers who have opted for a fixed term contract are not disadvantaged we are proposing to make an exception for fixed term tariffs that were available before 1 May 2013 and signed up to by 15 July 2013. Suppliers will still be bound by the new rules on rollovers when these contracts come to an end.

Our March proposals had been deliberately very restrictive on bundles and discounts. Having sought to radically simplify tariff structures we were concerned about suppliers bundling other services or offering reward points in a way which created a lock-in or undue complexity for consumers. Concerns have been raised about the impacts that these restrictions could have on some of the more innovative offerings in the market which consumers valued and on the business models of small suppliers looking to compete on a different basis. We have therefore made some changes to our bundling rules to allow certain innovative offerings where there is a clear consumer benefit, while not undermining our core aims around ensuring that tariffs are simpler and enable consumers to make sound choices.

On the information to be provided to consumers our March proposals included the introduction of a Tariff Comparison Rate (TCR), and a Personal Projection<sup>8</sup> as ways to make it easier for consumers to compare tariffs by expressing prices as a single number. Some concern was voiced in responses as to how effective the TCR would be as a comparison tool and whether it could be misleading for low use consumers. Some respondents advocated a "single unit price" with a zero or regulated standing charge, which we had consulted on previously. We remain of the view that the TCR is the best way of presenting the different elements of the tariff and associated discounts in a single figure to prompt consumers to engage and seek further information on the best tariff for them. The Personal Projection then provides tailored information to help the consumer make an accurate comparison across suppliers. We have however refined slightly what is included in the TCR in relation to bundles and the methodology for calculating Personal Projections for fixed term tariffs to ensure that these measures are as useful as possible.

In addition to these issues we have also made more detailed changes to accommodate particularly bespoke arrangements such as heating systems or unmetered supply where our proposed rules could not be applied practically. We have also made changes to enable suppliers to manage the transition when they introduce new tariffs.

### **Next steps**

We are grateful to stakeholders who have worked constructively with us to help refine and improve our proposals. This statutory consultation on the new licence condition will close on 23 July 2013. Once we have considered responses, the Gas and Electricity Markets Authority (the Authority) aims to make a final decision on whether to implement the reforms by mid August 2013. We are committed to continue our monitoring of the performance of the market, and in particular the impact of our new rules. If implemented we will review the impact of the full RMR package no later than 2017 and may examine specific issues as new information and evidence emerges.

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<sup>8</sup> The TCR is a simple p/kWh metric of the cost of a tariff based on average consumption. The Personal Projection is a detailed customer specific projection of the cost of a tariff in £/year.

# 1. Introduction

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1.1. This chapter provides some background to the consultation and outlines the purpose and structure of this document. We also explain the process we have followed and an indication of the implementation timetable for the project.

1.2. After considering responses to our Retail Market Review (RMR) domestic final proposals consultation<sup>9</sup> and further engagement with stakeholders, we have decided to proceed with a statutory consultation on our proposed changes to the licence conditions<sup>10</sup>.

1.3. The purpose of this document is to seek views from stakeholders on our final policy proposals, and how we have proposed to transpose these into licence conditions. We are also providing further clarity on some areas of our policy and highlighting some nuanced amendments following our previous consultation.

## Background

1.4. On 27 March 2013 we published a consultation (the 'March consultation') setting out our final proposals to modify the domestic supply licence conditions. It covered a range of policy proposals designed to make the retail market simpler, clearer and fairer.<sup>11</sup> This document set out a comprehensive description of our proposed policies, and the reasoning for our interventions, including the supporting evidence. Alongside this we also published a detailed final impact assessment on our proposals and the proposed text for modifications to the licence designed to give our policies legal effect. This consultation closed on 23 April 2013.

## Our proposals

1.5. In our March consultation we outlined our proposals to create simpler tariff choices for domestic consumers through:

- Limiting the number of tariff choices a consumer would face.
- Standardising tariff structures.
- Creating rules designed to simplify bundles, discounts and reward points.
- Proposals to facilitate collective switching.
- Providing consumers with transparency on white label suppliers.

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<sup>9</sup> This includes responses to our final impact assessment and proposed text for the modifications to the licence conditions published on 27 March 2013.

<sup>10</sup> The statutory consultation is being conducted pursuant to section 11A of the Electricity Act 1989 and section 23 of the Gas Act 1986. Statutory consultation notices containing proposed licence modifications are set out in Supplementary Appendices 1 and 2.

<sup>11</sup> In this letter we use the term "market" as shorthand for referring to the energy sector. For the avoidance of doubt this term is not intended to describe or otherwise suggest the approach that may be taken by Ofgem for the purposes of market definition in competition law investigations.



1.6. We also proposed new rules to enhance protections for those consumers on both evergreen and fixed term tariffs and those migrating tariffs.

1.7. Alongside this, we outlined proposals to make information clearer for domestic consumers by creating new standardised communication tools to help them navigate the market. These included a new metric called the Tariff Comparison Rate (TCR), Personal Projections, a Tariff Information Label and regular prompts as to what the cheapest tariff is with your supplier. To assist consumers to make informed decisions, we also proposed a requirement for specific personalised information on some routine communications<sup>12</sup>. To ensure this personalised information is communicated clearly our rules proposed some degree of standardisation in the layout and presentation of this information.

1.8. Finally, we also proposed to introduce new rules to oblige all energy suppliers (and their representatives) to treat consumers fairly, through legally binding Standards of Conduct (SOC). We are keen to ensure consumers are able to benefit from these protections as soon as possible, so on 17 May 2013 we proceeded to statutory consultation on changes to the licence associated with the SOC<sup>13</sup>. The consultation period closed on 18 June 2013 and we are now considering responses. Should the Authority proceed with a decision to implement, we anticipate the SOC would come into effect in late August. As a result this document focuses on our proposals for simpler tariff choices and clearer information.

1.9. We have consulted separately on new rules to help business, particularly smaller businesses, to get the best deal from the market with minimum hassle. Our final non-domestic proposals under the RMR were the subject of a statutory consultation on the 22 March 2013 and we expect to publish our final decision shortly. However, in order to transpose the RMR domestic proposals, there are some proposed changes to licence conditions which directly affect both domestic and non-domestic suppliers. The relevant changes are highlighted in Appendix 2.

## **Our process**

1.10. Stakeholders were broadly supportive of what we are trying to achieve through our proposals. However, some raised concerns regarding specific features of our policies and how they have been given effect in the draft legal text we consulted on in March 2013. Following detailed consideration of the points raised in response to our final proposals document, we have engaged industry and consumer groups in bilateral meetings and in stakeholder workshops to clarify areas of our policy and legal text. We also sought suggestions from stakeholders on how we may improve and refine how we have translated policy into legal effect.

1.11. On the basis of this feedback, and further consideration of stakeholder responses, we proceeded to refine the policy (which is outlined later in this document) and make a number of legal drafting changes. These drafting changes

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<sup>12</sup> This applies to the Bill, Annual Statement, Price Increase Notification, Dead Notices and End of Fixed Term Notice

<sup>13</sup> Statutory Consultation on the RMR Standards of Conduct (Proposed licence modification of SLC 1 and insertion of new SLC 25C), ref (80/13).

help ensure that the legal text is clearer, more user-friendly and less complex. The changes include redrafting of substantive parts of some conditions, alterations to our approach to cross referencing and changes to the presentation of the text within certain conditions.

1.12. We circulated these amendments to a broad range of stakeholders to provide a further opportunity to review and highlighted the areas of development in our policy at the final stakeholder workshop we held on 31 May 2013.

1.13. Following detailed consideration of all the points raised in responses, we are proceeding to statutory consultation for the proposed licence modifications associated with the simpler tariff choices and clearer information proposals. The proposed changes to licence modifications are set out for statutory consultation in supplementary appendices to this document.

1.14. Alongside this consultation we are also publishing our latest version of the Consumer Engagement Tracking survey.<sup>14</sup> This survey shows the proportion of consumers who switched supplier in the past year has fallen for the fourth year running. However an increasing proportion of non-switchers are changing their tariff or payment method with the same supplier. This year's survey included some new questions to examine attitudes to tariff choices and customer communications. This research supports our earlier findings set out in our March consultation that many consumers are continuing to experience a number of barriers to engagement, such as a confusing number of tariffs and choices and the lack of standardised information to facilitate like for like comparisons.

### **This document**

1.15. This document sets out our proposals in three main sections:

- Simpler tariff choices.
- Clearer information proposals.
- Overarching issues and transitional arrangements.

1.16. The third section will cover aspects of proposals which will impact our rules for both simpler tariff choices and clear information. This includes our proposals for white label suppliers, existing fixed term contracts, heating systems supply arrangements, unmetered supply arrangements and dead tariffs.

1.17. For each section, we provide further clarity on specific detailed areas of the policy (including how we took stakeholders views into account) and highlight where we have made some additional nuanced amendments compared to March. For the first two sections we also provide a high level summary of the package of proposals.

1.18. We have considered all stakeholder responses carefully, but the detail in this document will focus on where we have made material changes to our proposals. The

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<sup>14</sup> Ipsos MORI, Consumer Engagement with the Energy Market – Tracking Survey, May 2013

full explanation of these policies is set out in the March consultation document. However, the supplementary appendices to this document set out the detailed legal drafting to give effect to all aspects of our proposals.

## Next Steps

1.19. We are consulting on the proposed licence modifications and their effect until 23 July 2013. We envisage taking a final decision on the implementation of the detailed policy by mid August. Following the Authority's decision, implementation would take place from early October this year (allowing for the requisite 56 day period before implementation).

1.20. We have engaged with industry and suppliers on our proposed implementation timelines through consultation responses, bilateral discussions, and a range of workshops. Where there has been sufficient evidence we have made some adjustments to the implementation timelines suggested in the March consultation. These are:

- **White labels** - In March we proposed to exempt white label providers from certain RMR rules until 31 July 2014. We propose now to extend this exemption to 31 Dec 2014.
- **Dead tariffs** - We proposed previously that suppliers would have to move customers on expensive dead tariffs to the cheapest evergreen tariff by 31 March 2014. We are now proposing to extend this deadline to 30 June 2014. We also proposed that some of the rules relating to dead tariffs would be required by Dec 2013, with the information related requirements applying from March 2014. We are now proposing if a supplier makes any changes to dead tariffs in advance of June 2014, all rules will apply.
- **Existing fixed term tariffs** – Previously our proposed rules required all contracts to be compliant with our rules. We are now proposing that fixed term contracts entered into before 1 May 2013, or available on 1 May and entered into by 15 July 2013 will be exempt from our tariff simplification rules.

1.21. However, more broadly the timelines remain in line with our previous proposals. Through our extensive consultation process we have made our policy intent clear to stakeholders over a long period of time. This is reflected by some suppliers already making changes in line with our proposals. For example, some suppliers have already taken steps to simplify their tariffs, and reduce the number they offer. It is therefore our view that broadly the timelines outlined in March are still appropriate. On this basis we propose that

- The key consumer protection rules within the RMR are effective from the first day of implementation.
- Overall, the simpler tariff choices proposals are implemented by the end of December this year.
- The clearer information proposals are introduced by March 2014.

1.22. The proposed implementation will be on a phased basis, with certain elements of the package needing more time than others for associated systems changes and

communication with customers to take place. Greater detail on our envisaged implementation timeline can be found in the statutory notices in the supplementary appendices, and a summary table in Appendix 4.

1.23. Interested parties may make representations with respect to the proposed modifications. The Authority will take those representations into account in coming to its decisions about the proposed modifications.

1.24. Please send all responses by email to [rmr@ofgem.gov.uk](mailto:rmr@ofgem.gov.uk) on or before the 23 July 2013. Responses may also be posted to David Hunt, Head of Retail Market Functioning, Retail Markets, Ofgem, 9 Millbank, London, SW1P 3GE.

1.25. All responses will normally be published on Ofgem’s website. However, if respondents do not wish their response to be made public then they should clearly mark their response as not for publication. We would prefer to receive responses in an electronic form so they can be placed easily on our website.

## 2. Simpler tariff choices

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### Chapter Summary

In this chapter we summarise stakeholder responses to our consultation on the RMR proposals to simplify tariff choices. We set out our views in relation to the feedback that we received from stakeholders, and highlight the areas where we have amended our proposals in relation to the March consultation.

### Introduction

2.1. This chapter sets out the stakeholder feedback that we received in response to the simpler tariff choices proposals in our March consultation and through our subsequent programme of stakeholder engagement. It provides our response to that feedback and lists the key policy refinements we have made where we considered it appropriate to do so.

2.2. The chapter addresses each policy area in turn. For each policy area, we provide an overview of the feedback we received from the consultation process.<sup>15</sup> We also set out our response to this feedback and any policy amendments that we have made as a result. For additional clarity, we provide a list of these amendments in bullet-point form at the end of each policy area sub-section.

### Simpler tariff choices proposals

#### Overview

2.3. Our proposals on simpler tariff choices aim to make the market simpler and facilitate consumers' ability to be aware, access, assess and act on information available to them. To achieve this, in March 2013 we proposed:

- Introducing a maximum limit on the number of core tariffs that suppliers will be able to offer at any point in time.
- Simplifying tariff structures to ensure that all tariffs have a simple standing charge (which could be zero) and unit rate structure (no multi-tier tariffs).<sup>16</sup>
- Simplifying how discounts, bundles and reward points are offered and presented.
- Improving existing and introducing new consumer protection safeguards for both evergreen and fixed term offers.
- Migrating customers from tariffs that are closed to new customers ('dead tariffs') onto open tariffs, where this would be beneficial to the customer.

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<sup>15</sup> This includes the formal responses to our consultation and feedback from wider stakeholder engagement, including the various stakeholder workshops we have held.

<sup>16</sup> Time of use tariffs will be permitted as long as there is only one unit rate applicable for any particular time period.

- Facilitating collective switching schemes that meet consumer interests and the aims of the RMR,<sup>17</sup> and allowing 'white labels' time to absorb and adapt to our proposals.

### ***Consideration of consultation responses***

2.4. Stakeholders were generally supportive of our proposals to simplify tariff choices in their responses to the March consultation. They offered fewer comments than previously on the proposals to introduce a tariff cap, standardise tariff structures, reinforce consumer protections and on our proposals on fixed term offers. Most of the comments concerned points of detail around how the rules would work in particular circumstances. Some stakeholders said our proposals around discounts, bundles and reward points were unworkable in some cases and had the potential to restrict valued innovation and competition. These points are discussed below.

2.5. A number of points were also raised in responses which cut across our simpler tariff choices and clearer information proposals. The key areas of concern were provisions for white label providers, and the application of our proposed rules to existing fixed term contracts.<sup>18</sup> Suppliers were also concerned that some legacy heating and unmetered supply arrangements would be incompatible with the tariff cap. These points are covered in Chapter Four.

2.6. In the two workshops we held in May we provided stakeholders with a number of clarifications, mainly on the policy intent and legal drafting but in some cases also with regard to the rationale of the policy.<sup>19</sup> We also shared our updated thinking in relation to most of the amendments that we are presenting in this statutory consultation. We set out below our response to those arguments.

### **Limiting tariff numbers**

#### *Key issues raised and our views*

2.7. Capping the number of tariff offerings in the market and allowing consumers to choose from fewer, simpler tariffs will make it easier for consumers to assess their options. It will also send a signal to consumers which should help address some of the lack of trust and confidence, as well as the perception that the market is too complex.

2.8. In responses to the March consultation stakeholders raised concerns about the defined categories of metering arrangements (to which the tariff cap applies) and about the ability to provide special offers to groups of consumers. Questions were also raised about the application of the rules on mutual variations in specific circumstances such as home moves. These issues are further discussed below.

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<sup>17</sup> The scope of the consumer protection provisions related with collective switching are limited within the RMR. We have a parallel project in relation to third party intermediaries where we are considering the wider consumer interests and consumer protection issues.

<sup>18</sup> We have set out our response to this feedback in Chapter 4 (Specific and Transitional Arrangements).

<sup>19</sup> The materials from the two workshops are available at <http://www.ofgem.gov.uk/Markets/RetMkts/rmr/stakeholder-engagement/Pages/index.aspx>.

2.9. On the issue of metering arrangements, suppliers were not convinced that the definitions of categories we proposed in March would work effectively. They considered that the categories could be confusing. They also considered that there would be instances where a specific meter/tariff could fall under more than one category, and it was not clear what suppliers should do in those situations. We are amending our proposals on the categories of tariffs to which the tariff cap applies (see below). Initial feedback from suppliers through our workshops indicates that these new categories are clearer and will be simpler for suppliers to implement.

2.10. In relation to offers for specific consumer groups, some suppliers indicated that having special offers for specific groups of consumers (eg over 60s) could help engage consumers, and asked whether this could be considered compliant with the RMR objectives.

2.11. We recognise that offering tariffs to specific groups of customers may bring additional benefits and improve consumer engagement. The policy intent is to avoid discrimination between the supplier's existing customers and new customers. We are therefore amending our proposals to allow suppliers to target core tariffs to specific groups of consumers, provided that within any group the tariff is available to both new and existing customers.<sup>20</sup>

2.12. Two suppliers questioned whether they would be able to transfer the contract when a customer is moving house. We expect that our amended proposals on mutual variations, which involve removing the specific advance notice period, will provide suppliers with increased flexibility to deal with these types of situations.<sup>21</sup>

2.13. We note that the requirement for an explicit agreement to a mutual variation is intended to protect consumers, and enable them to consider properly any changes proposed to their contracts. Relaxing further the rules on mutual variations would create opportunities to game the rules and risk the robustness of RMR rules in other areas such as the ban on price increases and adverse unilateral variations for fixed term contracts. We consider in addition that our current rules on mutual variations provide sufficient flexibility to both consumers and suppliers. Depending on the type of mutual variation (eg if it is very minor or relates to alternatives to a supplier exercising statutory disconnection power), it would be possible for the supplier to give a customer notice by email, text or fax immediately after (or during) the telephone call and the mutual variation would be valid if the customer emailed, texted or called back to agree. However, for more complex changes the period of advance notice would need to be longer, in order to comply with the SOC.<sup>22</sup>

2.14. In addition, given that our rules do not prevent suppliers from agreeing to enter into a new contract to replace an existing one at any time, this would allow

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<sup>20</sup> Some suppliers also mentioned that requiring tariffs to be available to all existing and new customers could prevent them from limiting the number of payment methods offered with a tariff. This amendment addresses these concerns. However, suppliers subject to the relevant rules in SLC 27 will still have to ensure that they offer a wide range of payment methods via other tariffs.

<sup>21</sup> We would also highlight that our proposals on mutual variations would not prevent a supplier and customer agreeing a new contract in situations of this nature.

<sup>22</sup> As noted below, we expect suppliers to determine the appropriate length of the advance notice period in accordance with the fairness requirements of the SOC.

customers to agree to something immediately over the telephone (subject to cooling off periods).

2.15. Another supplier had concerns about the application of rules on unilateral variations and mutual variations in situations where a supplier has a statutory right to disconnect customers because of debt or meter tampering. In these situations, a supplier may be willing (or required under licence condition, eg SLC27) to offer PPM arrangements to the consumer. This supplier was concerned about being required to provide notice to customers in such situations.

2.16. We consider that existing rules (and our proposed amendments) around price increases and unilateral variations will normally apply to such situations. Accordingly, it may already be necessary for suppliers to utilise mutual variations in order to apply different terms and conditions to customers without giving 30 days prior notice. Whilst we note that our proposed new rules on mutual variations will require advance notice, we are no longer specifying a minimum notice period (subject to the fairness provisions of the SOC) and consider that the rules are sufficiently flexible to work effectively in these situations.

2.17. For example, a supplier might have established that it has a statutory right to make a disconnection (and that exercising that right would be compatible with the SOC) but still wishes to offer a customer a choice of using a prepayment meter as an alternative. In such circumstances, the proposed rules on mutual variations give the supplier the scope to make clear that they will have no alternative but to disconnect the premises if the customer is not willing to agree to the variation. Further, in circumstances where giving a particular period of advance notice of such a mutual variation could jeopardise a planned visit to a customer premises (eg where evidence of meter tampering could be hidden) we consider that the rules would permit the supplier to serve the mutual variation notice on the customer during the visit with a view to the customer agreeing to the mutual variation in response to the notice (ie to avoid a disconnection).

2.18. One respondent was also concerned about the impact of our proposals on green tariffs. We set out in the March consultation and accompanying Impact Assessment (IA) that our rules permit green tariffs (for example through the use of core tariffs or via bundles unrelated with energy supply). Another supplier asked for clarification on the process for trial tariffs. We have set out in the March consultation our high level approach to dealing with trial tariffs, and we will develop this process in due course.

#### *Summary of changes to proposals for limiting tariff numbers*

2.19. The key changes to our proposals for limiting tariff numbers are set out below:

- **Categories of meters for which the four core tariffs cap applies:** in March the five definitions of relevant meter types for the purpose of the tariff cap were based on a mix of characteristics relating to the type of tariff, payment method, and type of meter. We now propose to have five



categories based exclusively on the number of rates and the number of periods included in the tariff. Under our amended proposal, the supplier must ensure that no more than four core tariffs are available to a consumer for each of the following categories:<sup>23</sup>

- a) Category A – Tariffs with a single unit rate, single period of time.
  - b) Category B – Other time of use (ToU) tariffs (not captured in the other categories).
  - c) Category C – Tariffs with two unit rates, two periods of time.<sup>24</sup>
  - d) Category D – Tariffs with two or three unit rates, up to three periods of time.<sup>25</sup>
  - e) Category E – Dynamic teleswitching tariffs.
- **Tariffs for specific segments of customers:** under our March proposals all core tariffs would have to be available to enter into by any new or existing customer. We are now proposing that suppliers may target any core tariff to a specific segment of customers, provided that any new and existing customers within that segment can subscribe to the tariff.
  - **Exception to dead tariffs:** Following consultation responses, we are now explicitly excluding dead tariffs from the tariff cap.

## Standard tariff structures and additional consumer protections

### *Key issues raised and our views*

2.20. Stakeholders supported our effort to standardise and simplify tariff structures. Generally they recognised that this would bring benefits to consumers by helping them understand their tariffs and better assess the alternatives. Some individual consumers raised concerns about the introduction of a standing charge and some suppliers raised detailed issues about the list of allowed surcharges. These points are discussed below.

2.21. As noted above, we received letters from some consumers with concerns that our proposals would result in increased bills for consumers with low levels of consumption. While our proposals require suppliers to adopt a standing charge and unit rate structure, we make clear that we do not require the introduction of a specific level of standing charge and that any standing charge can be zero. Ofgem does not regulate the prices in the energy retail market, and therefore the level of any prices, including any standing charge, results entirely from the commercial decisions of energy suppliers. Suppliers have some fixed costs which they may look to cover through their standing charge. However, given there is demand for low or zero standing charge products, in a competitive market we might expect such tariffs to be offered.

2.22. Some suppliers have questioned the justification for the removal of the term 'significant' in respect of the existing requirements to notify customers of changes to

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<sup>23</sup> We are also making clearer what the effects of the terms 'available' and 'use' are in this context.

<sup>24</sup> This includes traditional E7 (two periods, one of 7 hours and the other of 17 hours) and E7 variant tariffs.

<sup>25</sup> For clarity, tariffs where there is one rate applying to two different periods, and another rate applying to all other periods of the day would fall under this category. For example: 20p/kWh applies to the periods 1am-3am and 2pm-5pm, and 25p/kWh applies to all other periods.

terms and conditions where that change is to the 'significant disadvantage' of the customer. We consider that the removal of the term 'significant' is an important consumer protection measure and will help ensure that customers are properly notified about changes to their terms and conditions. We also take the view that this change is in line with the consumer protection provisions of the gas and electricity directives which apply to changes to contractual conditions.<sup>26</sup>

2.23. A number of respondents mentioned that the list of terms/surcharges which are excluded from the definition of "Core Tariff" should include telephone charges, and added that it was not clear why this list was different from the list of costs or charges not required to be reflected in the standing charge and/or unit rate. Some suppliers also mentioned that surcharges, in the same way as discounts and bundles, should be exempt from the rule which requires them to be of the same monetary amount through Great Britain where the nature of the surcharge would mean that it would not be possible to do so. We have made amendments to ensure that both lists are consistent and include charges levied by telephone providers for telephone calls, and also that surcharges are covered by the exemption that applies to discounts and bundles.<sup>27</sup>

2.24. In response to the March consultation some suppliers raised two additional concerns, in relation to security deposits and the requirement to reflect licence conditions in the terms and conditions of energy contracts. While we do not consider that our proposals impact in any way suppliers' ability to collect security deposits, we have made drafting changes to provide certainty on this issue by making it clear that security deposits are not "Charges for Supply Activities" and that terms relating to security deposits are excluded from the definition of "Core Tariff".

2.25. We note suppliers' concerns with terms and conditions becoming too lengthy and complex for consumers to understand. We are therefore limiting this requirement to the key elements of supply licence conditions. This will still protect consumers but avoid lengthy terms and conditions which would detract from consumers' likelihood to read and understand their energy contracts. It is important consumers have the ability to seek individual redress if suppliers are not fulfilling their obligations. These rules provide consumers with important protections by requiring specific licence obligations to be reflected in contractual terms. This gives consumers the potential option of pursuing a supplier for breach of contract if the supplier fails to comply with those contractual terms. We intend to keep this under review to ensure the appropriate protections are reflected in customers' contracts.

#### *Summary of changes to proposals on standard tariff structures and additional consumer protections*

2.26. The key changes to these policies are set out below:

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<sup>26</sup> See annex 1 of Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity repealing Directive 2003/54/EC and Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC.

<sup>27</sup> The effect of this exemption is that supplier would have to apply the same methodology throughout Great Britain for the surcharge and ensure that the methodology is clear and easy to understand.

- **Lists of specified terms/charges:** We have amended our rules to allow surcharges not to be of the same monetary amount throughout Great Britain where, given the nature of the surcharge, that would not be possible. We have also amended the list of specified terms/surcharges which do not form part of a Core Tariff and the list of charges and costs that do not have to be included as part of the standing charge and/or unit rate, so that both lists include:
  - a) Charges levied by telephone providers for telephone calls.
  - b) Charges for removing, inspecting (rather than reading) and re-installing a meter.
- **Mutual variations advance notice:** we are removing the requirement to notify the customer between 30 and 37 days in advance of a mutual variation. Our amended proposal only requires suppliers to notify customers in advance of a mutual variation taking effect, but leaves suppliers to determine the appropriate length of the advance notice period in accordance with the fairness requirements of the SOC.
- **Value Added Tax (VAT):** our proposals now include a requirement for suppliers to make clear the treatment of VAT in relation to prices. Where price information is presented (including in relation to any discounts or bundles where these are linked to the energy supply), it must be clear whether the prices presented include or exclude VAT.<sup>28</sup>
- **Licence requirements reflected in terms and conditions:** while previously we were requiring licence conditions to be reflected in the terms and conditions of supply contracts, we are now limiting this (in most cases) to a list of specified licence condition requirements. We are also including a principles-based approach for suppliers to reflect in contractual terms and conditions the relevant licence requirements that provide consumer protection. We have included a power of direction that will enable Ofgem to add requirements to this list.

## Discounts, bundles and reward points

### *Key issues raised and our views*

2.27. Our proposals for discounts, bundles and reward points aim to remove complexity in tariff offerings and reinforce consumer protection. However, respondents to the March consultation considered that our rules in this area were complex and too restrictive.

2.28. We used our stakeholder engagement after the March consultation, including through the two workshops held in May,<sup>29</sup> to provide clarity about the rules and how they were intended to work, and to understand where we could improve our proposals to remove unnecessary complexity and avoid any unintended consequences.

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<sup>28</sup> We have outlined specific changes to the display of VAT within our new communication tools, and some routine communications. Further detail on this proposal is outlined in the next section on Clearer Information.

<sup>29</sup> Further details are available at <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=460&refer=Markets/RetMkts/rmr>.

2.29. At the May workshops we made clear that all cash discounts were prohibited, with the only two exceptions being the dual fuel and online discounts. We also made clear that our definition of discounts would cover any bundles and reward points – ie offers of goods and/or services – provided for free or at a discounted price (non-cash discounts). We explained that the permitted cash discounts would have to be provided on a continuous basis, so that they would not be capable of constituting a termination fee or have a lock-in effect.

2.30. Our intention in our March proposals on discounts and bundles was to ensure that the core principles of the RMR, in terms of simplifying choices and avoiding tariff structures that lead to poor decisions, were not undermined. The rules on discounts and bundles were therefore deliberately restrictive. However it became clear through the consultation responses and workshops that some of the specific rules were unworkable in the context of non-cash discounts and bundles.

2.31. We also recognise that bundles and reward points can be an important source of innovation which have the potential to engage consumers. For small suppliers these innovations could be central to their business model. We have therefore looked at alternative options for the rules on discounts, bundles and reward points, and in particular the exception to the ‘applied continuously’ rule, which could achieve the same intent but without some of the unintended consequences. We discuss these issues in more detail below. Overall we consider that our proposed amendments in this area provide the right balance between allowing a level of innovation while ensuring that the RMR principles of simplicity and clarity are maintained.

#### The ‘applied continuously’ rule

2.32. Further to the consultation responses and the additional stakeholder engagement, we are streamlining the proposed rules on discounts, bundles, and reward points. The exception to the ‘applied continuously’ rule has been amended in order to address problems we were concerned with. The proposed rule is now that any non-cash discount is allowed, as long as it does not have a lock-in effect (ie consumers are not required to pay back the reward, and they do not lose the reward, or part of it, if they decide to terminate the contract earlier).<sup>30</sup> Any non-cash discount, being a good or service provided for free or at a discounted price, would have to comply both with the rules on discounts and those on bundles (or reward points). For example:

- They would have to be presented in £/year or p/kWh (unless this would be misleading, in which case it could be presented in a different way).
- They may qualify for the exception to the ‘continuously applied’ rule (as a non-cash discount).
- They could be offered as a tied bundle (in which case it could be tied to a specific core tariff, a subset or to all core tariffs) or as an optional bundle (in which case they would have to have the same terms and conditions across all core tariffs).

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<sup>30</sup> For example, a supermarket voucher received after one year would now be allowed. However, if the customer left before one year, the supplier would be required to compensate them. Suppliers will have flexibility to determine what level of compensation would be proportionate and commensurate with the fair treatment of consumers.

2.33. The amendment to the exception to the ‘applied continuously’ rule also means that suppliers will be able to offer contingent (non-cash) discounts.<sup>31</sup> This is now possible following the amendment to the applied continuously rule and responds to concerns raised in consultation responses that these types of offers are valued by consumers and may be important in driving certain behaviours. We are making clear that this is allowed only if there are no access criteria to the discount/ bundle/reward points offered. This means that, if a supplier offers a bundle as part of a tariff, any customer that has access to that tariff must also have access to the bundle.

#### Optionality within bundles

2.34. Some suppliers highlighted that for certain types of bundles to be workable and attractive to consumers, they would need to be able to offer a choice between different options within a specific bundle (eg different mobile handsets, different types of reward points, boiler cover for different types of boilers).

2.35. We are therefore making clearer that suppliers can limit the number of optional bundles that any one customer can take (as long as the customer is able to choose equally among all the optional bundles), and that suppliers may add options within optional bundles, but not to tied bundles – tied bundles must be specific in terms of having a single price and product specification.<sup>32</sup> Thus an optional bundle may be comprised of a number of components including, for example, the choice between two mobile phones or broadband routers. This optionality is not permitted for tied bundles, albeit they can still comprise a number of components as long as they are presented as a single bundled price. We consider it is important that tied bundles have no additional complexity in terms of options around different features and/or the price of different features. This is important given that when consumers choose a tariff they will have no other option but to take the tied bundle. If additional options were allowed for tied bundles, consumers would have to assess a range of different options (which could include prices) as part of the assessment of the specific tariff to which that tied bundle applies. We consider this would fundamentally undermine our policy intention of simplifying tariff choices.<sup>33</sup>

#### Other issues

2.36. Some suppliers queried whether our rules would prevent them from offering preferential products (for example, a special offer to consumers over 60 years old, or staff discounts). While there cannot be access criteria for the discount, bundle and/or reward points offered in conjunction with a tariff, as discussed above we have amended our rules to allow suppliers to target tariffs at specific groups of customers.

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<sup>31</sup> For example, 100 reward points for submitting a meter read, or for referring a friend to the supplier.

<sup>32</sup> This would still allow the supplier to have a tied bundle made up of several services – for example, broadband, boiler cover and telephone services for £30/month. However, a tied bundle where there are options on the price and/or product or service specification is not allowed – for example, a boiler cover bundle, where the customer could choose between boiler A for £10/month or boiler B for £10/month would not be permitted.

<sup>33</sup> We do not consider that the same issue applies to optional bundles, as consumers have the option to avoid that increased complexity (in other words, consumers make an active decision when they consider optional bundles, which is separate from the decision about the tariff).

Suppliers are therefore able to offer different products or services by tying these offers to a core tariff that is only available to a specific group of customers.<sup>34</sup>

2.37. Two suppliers indicated in their responses to the March consultation that, as defined, the dual fuel discount would be complex to implement. Our proposal was that the dual fuel discount, if offered, should apply to all consumers taking both fuels from that supplier. These respondents requested that the dual fuel discount should be provided only on the basis of a dual fuel customer account. One supplier however clearly endorsed our proposal for the dual fuel discount. In the light of the practical concerns raised, we have amended our proposal and made clear that, when a supplier provides a dual fuel discount, they must offer it to any customer that can reasonably be identified as receiving both fuels in the same premises (following the supplier taking all reasonable steps).

2.38. The responses to consultation also asked for clarity on how social and environmental programs would be treated, and on discounts for customers in payment difficulty. We are making our proposals clearer in these areas. Specifically in relation to environmental programs, we are exempting Feed-in Tariffs payments and the Warm Home Discount from our rules on discounts, bundles and reward points.<sup>35</sup> We consider our proposals have no impact on other environmental programs (for example, suppliers' offerings in relation to the Green Deal and ECO remain unaffected by our proposals).

#### *Summary of changes to proposals on discounts, bundles and reward points*

2.39. The key changes to the discounts and bundles proposals are set out below:

- **Applied continuously rule:** we are amending our proposals to clarify how the applied continuously rule works, in particular to make clear where customers would be expected to receive the accrued value of a discount (at least once a year, or when they switch supplier or tariff).
- **Exception to the applied continuously rule:** non-cash discounts (goods and/or services provided at a discounted price or for free, and reward points) will not have to be applied continuously where (i) the customer is not required to pay-back the discount and (ii) customers are compensated for discounts they would not receive when they decide to terminate the contract.
- **Contingent discounts:** the amendment to the exception to the 'applied continuously' rule means that suppliers will now be able to offer contingent discounts.<sup>36</sup>
- **Dual fuel discounts:** in March we proposed that any dual fuel discount would be provided where the same customer takes both fuels from the same supplier. We now propose that the dual fuel discount is provided

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<sup>34</sup> See above – as long as there is no discrimination between new and existing customers. For clarity, these offers would take one of the four core tariff slots available to the supplier.

<sup>35</sup> We are proposing specific provisions for Warm Home Discounts in routine communications. Further details can be found in the Clearer Information section of this document.

<sup>36</sup> We maintain our definition of contingent discounts – a discount that is dependent on the behaviour of the consumers after they have entered into the contract. We are also clarifying that any discount, bundle or reward point can have no access criteria (they must be available to all new and existing customers who have access to the particular tariff to which they apply).

where the same customer takes both fuels in the same premises. We are also proposing that, where suppliers decide to offer a dual fuel discount, they will take all reasonable steps to identify the customers that are entitled to the discount.

- **Discounts to customers in payment difficulties:** our amended proposal includes an exception to the ban on cash discounts for discounts provided to customers in payment difficulties (as outlined in existing SLC 27).<sup>37</sup> We are also proposing that this exception will allow suppliers to write off bad-debt.<sup>38</sup>
- **Feed-in Tariffs and Warm Home Discount:** we are exempting Feed-in Tariffs and Warm Home Discounts from our proposals on discounts, bundles and reward points. This means that suppliers are able to maintain their current practices in these areas.
- **Cash and non-cash discounts:** we are amending our rules to make clearer that discounts capable of being fully redeemed (rather than sold) for pounds sterling (or any other currency) would be considered as cash discounts.<sup>39</sup> We are also making clear what is covered by the ban on cash discounts, for example by highlighting that the ban covers something that is capable of being applied to the energy supply elements of a Bill, eg a voucher that could be used to pay the energy supply part of a Bill.
- **Tied bundles:** we are amending our rules to allow for the same mandatory bundle being tied/offered on more than one core tariff. However, whilst bundles (tied or optional) can be comprised of a number of elements, there can be no more than one bundle tied to a particular core tariff.
- **Options within optional bundles and/or reward points:** we are amending our proposals so that optional bundles and/or reward points may include different options which the consumer can choose from. This is in addition to our existing proposal that bundles can be comprised of a number of elements. Tied bundles/reward points cannot include options.
- **Limit on the total number of optional bundles/reward points that a customer can take:** our proposals now allow suppliers to limit the total number of optional bundles that a particular customer can take. This is allowed as long as all the optional bundles can equally be selected by consumers (ie there are no access criteria).<sup>40</sup>
- **Distinct bundles and/or reward points:** we are amending our proposals to make clearer that bundles/reward points would not be distinct where their key characteristics (excluding price) are the same.<sup>41</sup>
- **Opt-out bundles/reward points:** we now include a requirement for suppliers to make clear to consumers, in any sales context, what is the

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<sup>37</sup> For clarity, this also allows suppliers to waive certain surcharges for these types of customers.

<sup>38</sup> Under this exemption suppliers will have the ability to write off bad debt on amounts owed by a customer to a supplier which has not been paid within 28 days. Suppliers will have to first try and recover the amount owed. If that is not possible then the supplier will have the ability to write it off.

<sup>39</sup> A supermarket voucher is an example of a bundle/discount allowed under our rules (it is redeemable for goods, and the entire value of the voucher cannot be redeemed by cash – though after exchanging the voucher for some goods part of the voucher could be received in cash). Another example would be shares, as these are not directly redeemable for cash, but instead have to be sold.

<sup>40</sup> For example, considering a case where a consumer could select a maximum of two bundles from an available range of four bundles, this means that (i) initially the consumer can select any of the four bundles, and (ii) once the first bundle is selected, the consumer can equally select the remaining bundle among the three options still available.

<sup>41</sup> Minimal differences in the terms and conditions of two particular bundles (for example the names of the bundles are different) would not make them different bundles. As an example of a distinctive bundle, an offer of an iPhone 5 with 500 minutes inclusive of calls would, under our rules, be distinct from an offer of an iPhone 5 with 300 minutes inclusive of calls.

consequence to them from not taking action in relation to any opt-out bundle offered with an energy tariff.

- **Representatives:** we are making clear in our proposals that suppliers are required to take all reasonable steps to ensure that their representatives comply with the rules on discounts, bundles and reward points.<sup>42</sup>

### Fixed term tariffs<sup>43</sup>

#### Key issues raised and our views

2.40. Our proposals for fixed term tariffs are designed to provide predictability and additional protection for consumers. They also aim to improve trust in, and understanding of, the fixed term market. Stakeholders were generally supportive of our proposals, though some suppliers disagreed with specific features of the rules.

2.41. Suppliers identified a problem that the ban on adverse unilateral variations for fixed term contracts was incompatible with the requirement for all discounts and optional bundles being the same across all tariffs. This would effectively mean that suppliers would be unable to change any discounts or optional bundles (and also any surcharges or any differential in payment methods, which we are also requiring to be the same across all tariffs). We acknowledge that this is an unintended consequence of our proposals. To address this problem, we have exempted closed fixed term tariffs from the requirement for these features to be the same across all tariffs.<sup>44</sup>

2.42. A number of suppliers also raised concerns about the price protection window of 20 business days after the end of a fixed term contract,<sup>45</sup> under which suppliers may not change the prices they charge to customers if during that window they receive a notification that the customer is switching supplier (or if during that window the customer is switching tariff). We explained in the March consultation why we consider this requirement a minor change to the existing regulatory framework. We maintain our view and we are keeping this requirement unchanged.<sup>46</sup>

2.43. In the same context, some of these suppliers mentioned that removing the requirement for customers to notify the incumbent supplier of their intention to switch would be difficult to address in their systems and is complex to implement. They asked what options they would have to deal with these cases, given that they could be notified about a switch when the supplier was already charging the new prices. This is also the case for price increases and other unilateral variations. We are aware that that these requirements will mean that suppliers may only become aware that a customer is about to switch after the end of the fixed term contract, or at the

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<sup>42</sup> While this is of particular importance for the rules on bundles, discounts and reward points, this requirement applies more generally to any other RMR proposal.

<sup>43</sup> See further below the proposals on exempting existing fixed term contracts from the tariff rules.

<sup>44</sup> As an example, when suppliers update the value of the dual fuel discount, they would be required to update any open and dead tariffs, but would not be required to update the value of closed fixed term tariffs.

<sup>45</sup> The price protection window also applies to any price increases and other adverse unilateral variations to evergreen contracts.

<sup>46</sup> We also take the view that the changes to the price protection rules are in line with the consumer protection provisions of the gas and electricity directives which apply to changes to contractual conditions and the judgement of the ECJ in Case C-92/11.



end of the price increase notification window.<sup>47</sup> This is not an RMR related issue, as it already exists under the current licence conditions.

2.44. Suppliers would have two main options to deal with such situations. They could charge the customer the new prices, and provide a rebate if in the future they become aware that the customer is switching supplier. Alternatively they could charge the unchanged fixed term tariff prices up to 20 business days after the end of the fixed term contract<sup>48</sup>. In this latter scenario, if they pass this window without receiving any switching notification in relation to that customer, they could then bill the customer for the difference in prices over that period. Suppliers are free to choose which route they consider would best serve their interests and the interests of their customers.

2.45. One supplier also asked what would happen if they received the switching notification, but for some reason the switch was not completed. We do not consider that this price protection window should apply for situations where the switch is not completed. We amended the proposal to make clear that suppliers have no obligation to apply the protection window if the switch is not successfully completed.

2.46. On a different matter, suppliers were concerned with the notification window that they have to apply when notifying consumers about the end of a fixed term contract. Some suppliers mentioned that providing a notice 42 to 49 days in advance is too long. We consider that this notification window is the most appropriate given the current switching process timescales. We acknowledge however that this may not be the optimal solution to prompt consumer action, and will keep this under review. Other suppliers mentioned that seven days to provide customers with the notice was too narrow. We note that some of the current requirements are stricter and require the notice to be provided on or about a specific day. Our proposal provides suppliers with increased flexibility.

2.47. During one of the workshops held in May with stakeholders, one supplier expressed concerns about the interpretation of any duration linked to the features of an energy supply contract – for example a bundle – being treated as a fixed term period. We clarified at the workshop that, in line with the effect of existing requirements under the supply licence,<sup>49</sup> where any contract term which forms part of a supply contract has a fixed term period that contract will be treated as a fixed term contract for the purposes of our rules.<sup>50</sup> Whilst our approach stems in part from existing rules, we consider that the distinction between evergreen and fixed term tariffs is a fundamental part of the RMR proposals (for example ensuring that termination fees are prohibited for evergreen contracts) and have therefore taken steps to make this distinction clear.

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<sup>47</sup> This is relevant to the situation where the customer may switch supplier. We assume that when the customer is switching tariff, the supplier will be aware of the change and will charge the customer accordingly.

<sup>48</sup> In the case of price increases or other unilateral variations this would be the current charges.

<sup>49</sup> In particular, under SLC 24 a supplier is allowed to charge a termination fee where a domestic supply contract is terminated during any fixed term period that forms part of that supply contract.

<sup>50</sup> For example, a non-cash discount or bundle which is linked to a domestic supply contract for a period of one year, would make this offer a fixed term contract with a one year fixed term period. Note that goods or service provided after a period of time has elapsed would not have the same effect (eg a supermarket voucher provided after one year could be provided as part of an evergreen tariff).

2.48. In their responses to the March consultation suppliers also asked for clarification in relation to capped tariffs and the ability to agree rollovers by phone. In previous consultations we have made clear that under our proposals suppliers are allowed to reduce prices for fixed term tariffs without triggering a notice of a unilateral variation as this covers price increases or other circumstances to the (significant) detriment of the customer. They are however prohibited from increasing any prices in a fixed term contract in any way. We also consider that the customer agreement to any rollover in their fixed term contract is an important element in their level of engagement and trust in the energy market.

2.49. We therefore consider that it is important that such agreement is thought through by the consumer and is taken free of pressure. Providing agreement in writing would ensure that this is the case. Some suppliers also asked for clarification on the period to which termination fees apply. The effect of our proposals is that termination fees may only be applied to fixed term tariffs and could apply before the switching window begins.

#### *Summary of changes to fixed term tariff proposals*

2.50. The key changes to our proposals are set out below:

- **Same features across all tariffs and regions:** we are amending our rules to exempt closed fixed term tariffs from applying certain features in the same way across all core tariffs.<sup>51</sup>
- **Price protection window:** previously we proposed that, where an incumbent supplier receives a notification through industry code processes, up to 20 business days after the end of a fixed term contract or a price increase notification, indicating that a customer will switch to a new supplier, the incumbent supplier would have to charge the same prices until the switch is concluded.<sup>52</sup> We have amended our proposal to make clear that the requirement to apply the same prices only applies if the switch is concluded (but no price protection is warranted if the switch for some reason does not become effective).

### **Collective switching**

#### *Key issues raised and our views*

2.51. Our proposals on collective switching aim to promote a consistent approach among suppliers and to ensure that consumer protection safeguards are in place. Collective switching is in its infancy in Great Britain, and we want to ensure that collective switching works in the best interest of consumers.

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<sup>51</sup> The features that have to be applied the same way across all tariffs are: surcharges, bundles, reward points, differences in payment methods, dual fuel discount and online discount.

<sup>52</sup> In the case of switching tariff with the same supplier, the price protection period applies for up to 20 business days, until the switch of tariff is concluded.

2.52. Stakeholders generally welcomed our proposals on collective switching. Many respondents welcomed the additional detail provided and the requirements which a collective switching process must meet in order for suppliers to be able to benefit from our exemption to the tariff cap for fixed term contracts. Some respondents considered that additional requirements should be added (eg a mandatory registration process at the beginning of the process). Respondents also questioned whether it is appropriate for a supplier to be responsible for ensuring that schemes are compliant with our definition and suggested that Ofgem should have a role in certifying collective switching schemes.

2.53. Our March proposals on collective switching were aimed primarily at ensuring this area is consistent with the RMR objectives and policy proposals. We understand that there may be wider issues within collective switching that require attention, both in terms of consumer protection and competition, but we do not consider that these should be addressed by the RMR. We are currently conducting separate work on collective switching and third party intermediaries, and we will consider these issues as part of that work. However, we have sought to provide suppliers with greater clarity on their obligations in respect of collective switching schemes by specifying that they must be satisfied, on the basis of the available evidence, that a collective switching scheme meets our criteria.

2.54. Some respondents also considered that our definition of collective switching included subjective terms, such as 'attractive' and 'bulk'. The term 'bulk' aims to capture the intention of collective switching as involving a set of consumers in the same process, and reflects the 'collective' part of such a switch. We consider that this concept is an important element of the collective switching definition, and therefore we are retaining the definition. We accept the concerns with the term 'attractive' and have removed it from the definition.

2.55. Finally, two suppliers opposed the proposals on collective switching as they could lead to tariff proliferation and customer segmentation on a large scale. We acknowledge the risk of the proposals on collective switching leading to a higher number of electricity and gas tariffs being used. But we recognise that collective switching may be a strong tool to engage customers that otherwise would not engage in the energy market. We therefore consider that our proposals strike an appropriate balance between simpler tariff choices and promoting the engagement of less active consumers.

#### *Summary of changes to proposals on collective switching*

2.56. We have made one change to the collective switching proposal. This is a change to the definition of collective switching, as set out below:

- **Definition of collective switching:** our amended proposals remove the term 'attractive' from the definition of a collective switching scheme. We have also amended this definition to include a reasonableness test, making clear that the requirement on a supplier is to ascertain and satisfy itself on the basis of available evidence that the collective switching schemes it



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participates in are compliant with our definition if they chose to introduce a new tariff outside their cap limit.

## 3. Clearer information

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### Chapter Summary

This chapter provides a brief summary of the package of clearer information proposals we outlined in our March consultation. This includes our proposals to introduce new communication tools, such as the TCR, Personal Projection and Tariff Information Label (TIL). It also covers our new rules to make routine communications more engaging and informative for consumers. It demonstrates how we have taken into account views expressed by stakeholders on these proposals, and provides a detailed explanation of any refinements we have made to our new rules.

### Introduction

3.1. The second component of the package proposes new rules designed to provide electricity and gas consumers with better, more relevant information about their energy costs and choices.

3.2. The first section of this chapter provides a brief overview of our final proposals for providing consumers with clearer information. The second section summarises the key issues raised in consultation responses and any subsequent refinements we have made to our proposals following their consideration and wider stakeholder engagement.

### Clearer Information proposals

#### Overview

3.3. In March 2013, we proposed to introduce new rules to (a) create standard ways of communicating key messages and prompts, and (b) make the routine letters and statements provided by energy suppliers more informative for consumers.<sup>53</sup> These included:

- Introducing a new metric called the Tariff Comparison Rate (TCR) to help at a glance comparisons.
- Requiring a standard format Tariff Information Label (TIL) for all tariffs.
- Creating a standard way of calculating Personal Projections of tariff costs.
- Providing consumers with regular prompts on the cheapest tariffs for them, based on the range of tariffs provided by their current supplier.
- Requiring specific personalised information needed to assess tariff options on routine communications.
- Requiring the grouping of similar information, requiring clear titles and simple language on routine communications. We also proposed

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<sup>53</sup> For a more detailed explanation of the policy please refer to 'The Retail Market Review – Final domestic proposals', Chapter 3 'Clearer information'.

requirements for information to be clear, easy to understand and for useful information to be hard to miss.

- Creating a new notice to ensure those consumers who are on dead tariffs are aware of any changes to their tariff which may affect them.

### ***Consideration of consultation responses***

3.4. The majority of respondents supported our proposals to provide consumers with clearer, more relevant information, and more effective prompts to engage. Overall they supported the need for greater standardisation, transparency and quality of information provided to consumers. Suppliers and a consumer group welcomed the development of our proposals to provide greater flexibility for some of our rules. We also received strong support from all respondents on our proposals to work with industry to create standardised terminology for consumers. This work is now being carried out on a voluntary basis with industry through the Consumer Bills and Communications Roundtable Group (CBCRG).<sup>54</sup>

3.5. However, some respondents still had concerns about some areas of our policy. The following section summarises our consideration of the key issues raised and any specific amendments we have made to our March proposals following wider stakeholder engagement.<sup>55</sup>

## **TCR and Personal Projection**

### *Key issues raised and our views*

3.6. Both the TCR and the Personal Projection proposals aim to make it easier for consumers to compare tariffs by expressing prices as a single number. The TCR is based on typical consumption and aims to prompt consumers to engage with the energy market. The Personal Projection provides an estimate of the total cost per year for an individual consumer, taking into account their actual or estimated consumption and tariff. This addresses the difficulty faced by consumers in making accurate and consistent comparisons of tariff prices across suppliers.

3.7. Most respondents recognised that our March proposals for the TCR and Personal Projection represented positive developments since October 2012. While there was strong general support for the Personal Projection, there were remaining concerns about the potential for the TCR to be confusing and misleading. Two respondents favoured a single unit rate approach in relation to the TCR. Respondents voiced support for ongoing monitoring of the TCR's use by consumers and advised that consumers will require significant education if it is to be used appropriately. We

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<sup>54</sup> The Consumer Bills and Communications Roundtable Group (CBCRG) is a working group that has been established to look at the broad range of information and communications that energy customers receive. The CBCRG is comprised of representatives from Ofgem, Citizens Advice, Consumer Focus, DECC, Energy UK, Which?, and both Energy UK affiliates and non-affiliates. For more information, see our website <http://www.ofgem.gov.uk/Markets/RetMkts/consumer-bills-and-comms-roundtable/Pages/index.aspx>

<sup>55</sup> In May 2013, we held several workshops with stakeholders to explore their views on how we had proposed to translate our policy into legal effect. Further information on the workshops can be found here <http://www.ofgem.gov.uk/Markets/RetMkts/rmr/stakeholder-engagement/Pages/index.aspx>

intend to commence a communication and education programme to ensure consumers are informed of the purpose of the TCR, and will carefully monitor its use on an ongoing basis.

3.8. Two stakeholders indicated that a single unit rate approach would be capable of providing more accurate information to consumers than the TCR. The TCR is similar to the 'typical APR' used in financial services. The TCR calculation incorporates the value of discounts and the cost of certain tied bundles which will influence the final price paid by consumers. It therefore gives consumers an indication of how their current tariff compares with other suppliers. The single unit rate approach would only be as effective if there was a ban on any discounts and (tied) bundles. In addition, the TCR is only one element of our proposals, which we designed to work together with the other elements of the package. For example, consumers will receive information on their supplier's cheapest tariff, and the personal savings they could make by switching their tariff on every Bill and Annual Statement. These are just some of the many changes we are proposing to introduce to help customers find the best tariff for them.

3.9. A number of respondents raised concerns about the accuracy of the Personal Projection for fixed term tariffs in some circumstances under our March proposal. We discussed this issue with stakeholders in the workshops we held in May, and have now updated our proposal, requiring that Personal Projections provide an estimate of the costs to the consumer for the 12 months that follow the date of calculation. This means the calculation will include the default cheapest evergreen tariff where the remaining duration of the fixed term contract is less than 12 months. This was seen to be the most useful comparator for a consumer looking to make choices about what tariff would be best for them going forward. We are keeping the methodology for calculating TCRs for fixed term offers unchanged, as we consider this better reflects the objectives of the TCR in comparing the prices of different tariffs.

3.10. We are also amending our proposals in relation to the requirement to present the calculation of the Personal Projection on the Bill (see section on Bills below).

3.11. Following some responses to the March consultation about the treatment of social and environmental programmes (such as the Green Deal, Warm Home Discount), we also considered the potential impact of these programmes in relation to the Personal Projection. We do not consider that any of these programmes should be included in either the TCR or Personal Projection calculation, as they are unrelated to the choice of individual tariff. However, while we are not prescribing additional information to be provided with the TCR and Personal Projection, suppliers would be able to provide more information on these programmes where they are relevant to the consumer, for example in relation to the Warm Home Discount. The information provided by suppliers to consumers should not be misleading, and we would expect that suppliers would consider the principles under the SOC when deciding what information they provide to consumers.

3.12. Some suppliers also asked whether they could use filtering mechanisms when providing TCRs on websites (to avoid overloading consumers with information that they do not want to see), and whether they could calculate one single TCR where there are no differentials in the prices of different payment methods. We consider

that these changes would be in the interest of consumers and have amended our proposals accordingly<sup>56</sup>.

3.13. As mentioned in the March consultation, in the event that a decision is made to proceed with licence modifications, we intend to set up a workgroup immediately after the modification decision is published to work with industry and other stakeholders to develop a robust methodology to calculate TCRs for tariffs whose prices vary either intra-day or seasonally, such as ToU and 'staggered price' tariffs. A number of respondents did, however, raise concerns with the two months' minimum notice period for consulting on, and implementing, this methodology once developed. This notice period was included in order to assure stakeholders that we would consult and provide sufficient time to implement the methodology for these tariffs in the future. We are committing to abide by this as an absolute minimum period, and when the workgroup has developed the envisaged methodology we will be in a better position to consider the appropriate timeframe to implement any proposal in this area.

3.14. A number of respondents also raised concerns regarding the complexity of the calculations for both the TCR and Personal Projection as set out in the draft licence conditions. We have amended the conditions, where necessary, in order to streamline and clarify the calculation methodologies.

#### *Summary of changes to TCR and Personal Projection proposal*

- **Fixed term tariffs:** In March 2013 we proposed that TCRs and Personal Projections for fixed term tariffs would be an annualised calculation incorporating the prices that would apply over the total duration of the fixed term. We maintain this proposal for the calculation of TCRs, but have amended the proposal for the Personal Projection, which will be calculated:
  - a) To reflect the charges for the following 12 months from the date of the calculation;
  - b) where the calculation is made at a date at which the remaining duration of the fixed term tariff is less than 12 months, the calculation will be based on:
    - (i) the prices throughout the remaining duration of the fixed term tariff;
    - (ii) the prices of the cheapest evergreen tariff onto which the consumer would be moved at the end of the fixed term tariff should they choose not to switch tariffs;
    - (iii) the level of consumption for the remaining duration of the fixed term tariff, taking seasonal variations in consumption patterns into account; and
    - (iv) the level of consumption for the period under which the consumer could be subject to the cheapest evergreen tariff to complete the 12 months for the calculation, taking seasonal variations in consumption patterns into account.
- **VAT:** In March we proposed that the TCR and Personal Projection should be inclusive of VAT. We are maintaining this requirement, but we are amending our proposals to make clear that whilst the TCR and Personal Projection are

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<sup>56</sup> Similar changes have been proposed for the TIL.



inclusive of VAT, suppliers will be able to decide at which point in the calculation they apply VAT (ie whether VAT is applied to each element of the calculation, or to the total at the end).

- **Bundles:** In March we proposed to include in the TCR and Personal Projection calculations the value of any bundle tied to the tariff. We are amending this proposal to exclude from the calculation the value of any tied bundles which cannot be expressed, or those where it would be misleading to express them in £/year and p/kWh.
- **Filtering mechanism for the TCR:** We also proposed in March that consumers should be able to access tariff information, including the TCR, online with minimum filtering information being required from them, limited to address/postcode. We are amending this proposal to enable suppliers to include further filters as they choose.<sup>57</sup>
- **Payment methods for the TCR:** The March proposals to calculate a TCR for each payment method are being amended to enable suppliers to calculate a single TCR, where there are no price differentials relating to different payment methods, for the same core tariff. Suppliers will be required to list the payment methods that apply to a given TCR.
- **Supporting information:** We are now proposing that wherever suppliers provide Personal Projections, they must include a brief statement setting out what is included in the calculation. We envisage this would include text setting out: whether the consumption used in the calculation is actual or estimated; whether the prices used are for the consumer's current tariff or also include some prices for the cheapest evergreen tariff onto which the consumer may move at the end of their fixed term; and whether online, or dual fuel discounts or the amounts for tied bundles are included. In the case of evergreen tariffs, suppliers will be required to include a message informing customers that prices may change in future. In the context of those routine communications where we are being fully prescriptive on content requirements, suppliers will also be able to include a statement setting out that the Warm Home Discount is not included in the Personal Projection, where consumers are in receipt of this discount<sup>58</sup>.

## Cheapest Tariff Messaging (CTM)

### *Key issues raised and our views*

3.15. We did not receive a large number of responses from stakeholders on our proposals to require suppliers to provide consumers with information on the savings available by changing tariffs. One small supplier did not support our proposals for CTM. In particular they considered the 'narrow' message<sup>59</sup> did not appropriately capture consumers' preferences.

3.16. There were mixed views from stakeholders on our proposed temporary exclusion from including all tariffs available from white label and parent suppliers in

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<sup>57</sup> A similar proposal is included for the purposes of displaying Tariff Information Labels.

<sup>58</sup> Including both written and oral presentation to consumers.

<sup>59</sup> Provides a consumer with how much they would save (in pounds per year) if they changed from their current tariff to a tariff which respects a customer's current preferences, with the exception of payment method ("narrow" savings).

the narrow definition of the CTM. Some respondents felt it was in the interest of consumers to receive information on all tariffs associated with a supplier, whilst other respondents felt it could be confusing for consumers where the white label identity was distant from the parent supplier. More practically, some felt that linking both parent company and white label pricing systems to provide this messaging was too complex to accommodate within the proposed implementation timeframe.

3.17. We continue to believe it is important for consumers to have transparency when deciding on alternative tariffs to allow them to make an informed decision. Therefore, we remain of the view that it is important for both parent company and white label tariffs to be included in this messaging. However, we do recognise the complexities of implementing this requirement and therefore consider it is appropriate to provide suppliers and white labels with more time to consider how this could be made to work. We are now proposing parent suppliers and white labels will be exempt from including each other's tariffs within the CTM until 31 December 2014. This is in line with other white label exemptions from RMR rules.

3.18. Other respondents provided some suggestions to improve the proposed messaging to consumers. We proposed that when PPM consumers are provided with CTM they would also be informed of the costs involved in changing their meter, and that they may be prevented from changing their meter due to debt. However, most large suppliers raised that there may be other factors involved in changing a meter that a PPM consumer may need to be aware of. For example, a consumer may be subject to a credit risk assessment before the meter can be changed. As a result, we have broadened the messaging requirement to cover this situation, and any other aspects that might make it unfeasible to change the meter.

3.19. Similarly, we recognise there may be a risk that providing savings available by switching tariffs could be misleading for those consumers using their Dynamic Teleswitching (DTS) meter with a dynamically switched tariff. In certain circumstances, a consumer would lose the dynamic control functionality if they changed to a non-dynamic tariff. This change could result in an increase in a consumer's consumption, and therefore increase the cost, which would not be captured by the CTM. Whilst we recognise this is a risk, the CTM allows suppliers to provide a statement to the consumer to say there may be materially different terms and conditions with a different tariff. It is our view this provides sufficient flexibility for suppliers to communicate the loss of DTS functionality appropriately for those DTS consumers.

#### *Summary of changes to Cheapest Tariff Messaging (CTM) proposal*

- **Prepayment customers:** We proposed prepayment (PPM) customers would receive information on lower priced tariffs in the 'wide' savings message<sup>60</sup> which may require them to change their meter. We also required suppliers to provide these customers with a clear message informing them that there may be costs involved, and that they may be prevented from changing their meter due to debt. We are now broadening this message to allow suppliers to

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<sup>60</sup> The wide cheapest tariff message provides a consumer with how much they would save (in pounds per year) if they changed from their current tariff to a tariff which is the overall cheapest of all tariffs offered by that supplier.

provide information that there might be restrictions to changing the meter, including, but not limited to, when the consumer is in debt<sup>61</sup>.

## **Tariff Information Label (TIL)**

### *Key issues raised and our views*

3.20. During the May workshops one supplier expressed concerns that producing several TILs for the same tariff which only varied by its payment method would be unnecessarily costly and constitute an overwhelming amount of information for consumers. We agree that where all other aspects of the tariff are equal, including the charges, then one label should be produced.

3.21. Stakeholders also sought clarity on our proposal to allow suppliers to filter the TIL displayed to consumers on websites based on their preferences or circumstances. We proposed that a consumer must still be able to access the TIL through only their address or postcode. It was our intention that the option to show all relevant TILs for one address or postcode would be applied in a default setting, and if desired, a consumer could further filter this before all labels were displayed.

3.22. Questions raised by stakeholders on the proposed rules for bundles led us to consider how bundles are displayed in the TIL. We became concerned that with no restriction on the display of bundles the TIL could be overloaded with information and as result become less engaging for consumers. Below we set our proposed way forward that we discussed at the May workshop and which received unanimous support.

### *Summary of changes to Tariff Information Label (TIL) proposal*

- **Filters:** In March we proposed rules for where and how the TIL is provided to consumers. One of our rules required the TIL to be made available to consumers on request, and to be published on suppliers' websites<sup>62</sup>. When providing TILs on websites, we proposed to prescribe a list of filters for consumers to express their preferences for tariff features (for example, payment type, fuel, etc). We are now removing this requirement to allow any filters considered necessary, while retaining the requirement that TILs are available using the postcode or address only. In practice, we expect the default option for TIL filters is to "show all"; with consumers being able to make other choices that reflect their preferences before any TIL is displayed.
- **Payment methods:** We also proposed rules for what information must be displayed in the TIL, in a specific format. We required that the TIL would need to be generated for each payment method associated with a tariff. Following consideration of stakeholder views, we are now proposing that where all other features of a tariff are identical, a single TIL can be generated which lists the payment methods available<sup>63</sup>. This matches our approach for the TCR.

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<sup>61</sup> Further changes to the Cheapest Tariff Messaging for white labels are provided in chapter 4.

<sup>62</sup> The TIL must also be provided alongside a consumer's Principal Terms.

<sup>63</sup> Where the TIL is provided with a consumer's Principal Terms or embedded within an Annual Statement, only the payment method relevant to that consumer should be provided.

- **Bundles:** In March we proposed the TIL should display information on the “Additional Products and Services” associated with a tariff. However we did not propose any restriction on the type or quantity of bundles which could be displayed in the TIL. We are now proposing only tied bundles should be included in the TIL. In addition, the label should also include a statement to the effect that optional bundles are available. For opt-out bundles, we expect suppliers to make it clear to the consumer that they will incur costs if they take no action. In addition, only discounts not acquired through a bundled product should be included in “Additional discounts and surcharges”. With our proposed tariff rules this presently means the dual fuel and online discounts.

## Routine Communications

### *Overarching issues raised and our views*

3.23. In addition to proposing new communication tools, our March proposals set out a new approach to the level of prescription for specific routine communications. Overall responses considered our new requirements to be well balanced and provide the appropriate flexibility for suppliers. Specifically, our proposed new rules to allow greater flexibility on formatting and messaging of certain communications were seen as a significant improvement by most suppliers and one consumer representative.

3.24. While this is the case, one supplier reiterated the view that our proposal to ban the joint mailing of particular communications<sup>64</sup> was unnecessarily restrictive and prevented useful information from being provided to consumers. However, we still consider this proposal to be proportionate and of potential benefit to consumers. Firstly, these restrictions are crucial in ensuring that key documents are distinct from one another, such as the Annual Statement from the Bill. The restrictions will also ensure that important information is distinct from other information, such as price increase information from marketing material.

3.25. Secondly, we consider that our current proposals already address concerns raised in previous consultations (which were reiterated in the latest response) in relation to excluding other information that might be relevant and useful for consumers. For instance, energy efficiency advice can be signposted within the communications, and alternative tariff offerings are provided in the form of the CTM. For example, the inclusion of the CTM on a Price Increase Notice (PIN) will ensure consumers are shown alternative tariffs when their prices are increasing and prompt them to explore their energy options.

3.26. Finally, our analysis shows the ongoing costs of all our information proposals, including banning joint mailing, are very low on a per customer per year basis.<sup>65</sup> Therefore, whilst we recognise there is a cost to suppliers associated with separate mailings, our evidence suggests our proposals are proportionate given the potential benefit to consumers.

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<sup>64</sup> In our March consultation we proposed to ban the joint mailing of information with an Annual Statement, PIN, and end of Fixed Term letter.

<sup>65</sup> Ofgem analysis based on an information request to suppliers in December 2012.

3.27. Some suppliers also felt our proposal to exclude VAT from the display of charges on the PIN but include VAT in the Personal Projection and TCR was inconsistent. Our review of current practice suggested this approach would achieve the greatest consistency with how a consumer is billed, and would therefore reduce the risk of confusion when rates were compared across communications. However, one supplier also raised a concern that this could be contrary to consumer protection legislation, highlighting the importance of consumers seeing the final price to make an informed decision.

3.28. After further consideration of consumer protection legislation<sup>66</sup> and the concerns raised, we recognise both the need for consistency of how VAT is treated within a routine communication and for consumers to see the final price they can expect to pay, despite charges being treated differently on a Bill. We are now proposing all charges displayed in the TIL, Annual Statement and PIN are inclusive of VAT, highlighting where necessary that these may differ from the charges displayed on a Bill.

#### *Summary of changes to Routine communications proposals*

- **VAT:** We proposed the Personal Projection and TCR should be displayed including VAT, but that the charges displayed on the PIN should exclude VAT. We are now requiring that where charges are displayed on the PIN, Annual Statement or TIL, they should include VAT. An additional statement can be displayed on these communications to explain why these rates may differ from those shown on a consumer's Bill.

### **Annual Statement**

#### *Key issues raised and our views*

3.29. A small number of respondents still had some reservations about whether our proposals to restrict the content and layout of an Annual Statement would sufficiently allow for innovation and future developments.

3.30. Where similar concerns were raised previously we reduced the level of prescription in terms of language and format of the information. In addition, we have also allowed the inclusion of energy efficiency signposts, the inclusion of energy literacy information within the same envelope, and QR codes.<sup>67</sup> Suppliers also have the option of using an additional page within the Annual Statement to fulfil our information requirements if they consider it necessary.

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<sup>66</sup> For example, the Consumer Protection from Unfair Trading Regulations 2008 and the Price Marking Order 2004.

<sup>67</sup> Government has introduced a broad power in the Energy Bill 2013-14 (found here: <http://services.parliament.uk/bills/2013-14/energy/documents.html>) to require energy suppliers to provide information to consumers in a format that would allow it to be read by an electronic device, such as a smart phone.

3.31. One respondent was concerned the current Green Deal Annual Statement requirements were too minimal and did not warrant a separate communication<sup>68</sup>. However, as we set out in March, our proposals reflect our view that the Annual Statement should be a standalone document with the specific purpose of increasing awareness of a consumer's energy tariff and prompting quality engagement. We remain of the view that the inclusion of Green Deal information may detract from this core purpose, placing greater emphasis on the charges associated with Green Deal. Our rules to maintain a separate statement for Green Deal information will also provide flexibility for this information to evolve in future. We recognise there may be some synergies with the Annual Statement, and therefore our rules will allow this information to be sent in the same envelope.

## **Bills**

### *Key issues raised and our views*

3.32. Following the October 2012 consultation we worked with industry to further develop our proposals. As we set out in March, we recognised the concerns over the volume of information required by our new rules, in particular for Bills and the space constraints on some communications. For example, we reduced the number of Personal Projections required for the CTM, from a maximum of six to two<sup>69</sup>. We also proposed greater flexibility on where information should appear on the Bill, including the TCR metric and the signpost to independent advice on switching supplier.

3.33. However, some suppliers and one consumer organisation still considered some of the information requirements to be too onerous. More specifically, our requirements to provide consumers with additional information alongside their Personal Projection on Bills, including information on how the projection had been calculated<sup>70</sup>. For Personal Projections to be used effectively by consumers, it is important they trust this information, and in some instances, certain consumers may need to understand how their Personal Projection was derived. However, we appreciate this may not be the case for all consumers and we understand the need to keep certain communications simple for them to remain engaging. As a result we have proposed to remove the requirement to provide information on how the Personal Projection is calculated. We will monitor supplier practice in this area, and we expect if a consumer requests this information from their supplier, our SOC proposals should ensure it is provided to them.

3.34. A small number of suppliers raised concerns with providing consumers with information on savings available by switching on page one of the Bill. They suggested providing this information on page one would detract from the key purpose of a Bill and confuse consumers. As we outlined in March, our review of supplier communications suggested the competitive market could, in some instances, deliver more engaging ways of presenting information to consumers. As a result we

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<sup>68</sup> The information requirements related to the Green Deal can be found in SLC 37. More widely, information on the legislative requirements can be found here:

<http://www.legislation.gov.uk/ukpga/2011/16/contents/enacted>

<sup>69</sup> Where a supplier is providing a customer with both gas and electricity.

<sup>70</sup> As set out above, suppliers must provide consumers with information about what is included in the Personal Projection calculation.

proposed to move away from setting the format, and messaging, of the information on Bills. It is our view that where our new rules are less restrictive in the presentation of the information<sup>71</sup>, suppliers will have sufficient flexibility to present this information in a way that does not detract from the main purpose of a Bill. We also consider that in order to ensure this information is positioned prominently on the Bill, and act as an effective prompt even for the most disengaged consumers, it should be required to be displayed on page one.

3.35. One large supplier did not support our proposed standardised title on the CTM information on a Bill. They expressed the view that our title “Could you pay less?” is too negative, could confuse consumers and imply they could reduce their current Bill. However, our evidence suggests a negative tone is more impactful and messaging using “save” resulted in an indifferent reaction from some consumers<sup>72</sup>. We have previously considered stakeholders’ views on this issue and are mindful of undermining consumer trust. Following on from our October 2012 consultation we changed the proposed title to a less negative tone. Our current proposed title is reflective of our consumer research which suggests it will have a greater impact than alternative messaging. However, we appreciate supplier concerns and the need to monitor the impact this title has in practice. If we receive sufficient evidence the title is not functioning as we intended, we will consult with stakeholders to use our power of direction to change the title at a later stage, or temporarily remove this requirement to facilitate further research.

#### *Summary of changes to Bills proposal*

- **Minimum information requirements:** We proposed to have some minimum information requirements to be displayed alongside the Personal Projection which were specific to particular routine communications<sup>73</sup>. For a Bill only, we required the charges<sup>74</sup> and calculation used to generate the Personal Projection be set out on a consumer’s Bill. We are now removing this requirement.

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<sup>71</sup> Our rules require standardised titles and a standardised switching reminder; however the language used to communicate the information, and the format it is presented in is decided by the supplier.

<sup>72</sup> SPA future thinking, Options for Cheapest Tariff Messaging on customer communications; Report of qualitative research, October 2012.

<sup>73</sup> Please see section above for changes to minimum information requirements for Personal Projections

<sup>74</sup> When we refer to “charges”, this includes the relevant unit rate(s) and standing charge.

## 4. Overarching issues and transitional arrangements

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### Chapter Summary

This chapter summarise stakeholder feedback and our amended proposals on white labels, existing fixed term contracts, ban on expensive dead tariffs, heating system supply arrangements and unmetered supply arrangements.

### Introduction

4.1. This chapter sets out the stakeholder feedback that we received in response to our proposals on white labels, existing fixed term tariffs and dead tariffs. Stakeholders raised specific concerns about these policies. They also raised concerns around specific heating and unmetered supply arrangements. We have acted on these concerns, and have made key changes to our proposals in these areas.

### Specific and transitional arrangements proposals

#### White labels

4.2. In the March consultation we set out our proposals for white label providers. We proposed that they are able to replicate any of the four core tariffs of the parent supplier, but there would be a temporary exemption from specific RMR rules until 31 July 2014. The exempted rules covered:

- The tariff cap.
- Applying the same surcharges, bundles, reward points, dual fuel discount and online discount that the parent supplier offers (and vice-versa).
- Moving customers to the parent supplier's cheapest evergreen tariff when a fixed term contract comes to an end (and vice-versa).
- Moving customers from expensive dead tariffs to the parent supplier's cheapest evergreen tariff (and vice-versa).
- The supplier 'narrow' Cheapest Tariff Messaging (CTM).

4.3. We made clear in our March consultation that the purpose of the exemption was to allow white label providers and suppliers time to prepare for the impacts or to put forward a compelling case for derogation. We noted that alternatively white label providers might wish to consider obtaining their own supply licence.

4.4. The responses to the March consultation highlighted concerns about the impact of the RMR proposals on white labels. Some respondents were apprehensive about the future of white labels in the energy market given the implications of our RMR rules. They noted that the impact of our proposals on tariff simplification, including on discounts, bundles and reward points could create significant risks for the white labels' business models.



4.5. The RMR aims to promote competition in the energy retail market and we believe there is value in business models that offer alternative routes to the market that are capable of improving competition and ensuring appropriate consumer protections. This includes white labels. However the concept of white labels covers a broad spectrum of models from those which are not much more than affinity deals where the white label adds their brand to the deal for marketing purposes through to models where the white label provider has considerable autonomy in setting tariffs and manages all aspects of customer service.

4.6. We are acutely aware that the extent of any beneficial impact on competition is dependent on how far a white label and an affiliate supplier remain competitive entities and independent of each other. Providing a long-term exemption for all white labels would fundamentally undermine the principles of RMR as simple affinity deals could be used to get round the RMR rules. The proposed exemption would apply only to white label tariffs that existed on or before 1 March 2013 and hence does not open the door to new white label tariffs as a way for suppliers to get round the rules.

#### *White labels – next steps*

4.7. Our objective, in the light of the competing pressures identified above, is to find a way to facilitate independent white labels that add value to the energy market and for consumers by offering a genuine competitive alternative to the parent supplier, while not undermining the drive towards greater market simplicity.

4.8. In the March consultation we identified the potential for white label providers to apply for their own supply licence. However we are aware that one reason independent white labels have opted not to acquire their own supply licence is because of the costs and complexities involved in full participation in the supply market. Since March we have therefore been considering whether there are alternative options that could address these barriers, including the “licence lite” approach.

4.9. In 2009 Ofgem introduced a licence modification to enable distributed energy schemes and small suppliers to enter the market and offer supply without incurring all the costs and wholesale market trading risks associated with holding a full licence. The process involves “licence lite” parties applying for a full licence and a derogation relieving them of their obligation to be a direct party to certain of the industry codes (MRA, BSC, CUSC, DCUSA<sup>75</sup>) provided that commercial arrangements are in place for a third party licensed supplier to discharge code compliance in these areas on their behalf.

4.10. While there has been limited interest in “licence lite” to date, Ofgem has now received some expressions of interest and is working through a number of the outstanding issues associated with the scheme including, for example, the arrangements around supplier of last resort. We are aware that the effectiveness of “licence lite” will depend on the availability and competitiveness of appropriate

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<sup>75</sup> The Master Registration Agreement, Balancing and Settlement Code, Connection and Use of System Code and the Distribution Connection and Use of System Agreement respectively.

services from third party licensed suppliers. We expect to have resolved these issues by autumn 2013.

4.11. In parallel we will carry out further work on how best to encourage greater competition from innovative business models in the retail market including the relative merits of the “licence lite” model (where a white label provider would secure their own licence with the backing of another supplier).

4.12. The aim in providing a temporary exemption for existing white labels and the reason why we are extending it now is to provide further time for us and industry to understand different types of white label business models, how each type of model may contribute to improving competition and add value for consumers and to consider whether the proposed regulatory framework for white labels provides the appropriate balance between:

- Maintaining the focus on simpler tariff choices and a robust tariff cap.
- Facilitating different types of white labels according to the value that they add by improving competition in the energy retail market.
- Maintaining robust consumer protection safeguards.

4.13. During the exemption period our priority will be to consider if any amendments to the existing regulatory framework are needed to facilitate genuinely competitive and independent white label business models.

4.14. If we are unable to resolve the issues around “licence lite” in sufficient time to allow white labels to pursue that option before our exemption expires – or if we conclude that “licence lite” is not the best model for white labels – then we would be minded to provide an exemption for an additional period, or provide a derogation. However, for us to consider whether a further exemption or derogation is in consumers’ interests, we would need evidence on the level of independence of the white label provider and its ability to compete with the parent supplier.

4.15. We expect to work with the industry and other interested stakeholders to consider options for the appropriate regulatory framework for white labels that would achieve the objectives we set out above. While we are extending the exemption window for white labels until 31 December 2014, the objective is to provide more certainty to the industry and our aim is to define this regulatory framework in the shortest timescale possible, and ideally well in advance of this date.

#### *Summary of changes to white label proposals*

4.16. We have now amended our proposals on white labels in two areas:

- **Temporary exemption to white labels:** in March we proposed to exempt white label providers from certain RMR rules (as above) until 31 July 2014. We propose now to extend this exemption to 31 December 2014.
- **Cheapest Tariff Messaging:** in March we proposed white label suppliers and parent companies would be exempt until 31 July 2014 from including each other’s tariffs in the narrow savings message of the cheapest tariff information. We are now proposing to extend this exemption to include both the narrow and wide cheapest tariff message until 31 December 2014.

4.17. We expect that these amendments to the white label proposals, together with the amendments we have made to the tariff simplification proposals (including to the rules on discounts, bundles and reward points), will address some of these concerns.

### **Existing fixed term contracts**

#### *Key issues raised and our views*

4.18. While stakeholders were broadly supportive of our proposals on fixed term contracts, one key area where suppliers disagreed was the application of the RMR rules to all contracts, which would lead to suppliers having to change existing fixed term contracts. Suppliers said that this would constitute retrospective regulation and would not be in line with the application of best regulatory principles.

4.19. In our view suppliers have been clear about the direction of travel of the RMR for some time. We also consider that there are benefits in applying the same rules to all contracts to ensure consumers can make consistent comparisons across all tariffs. However, we do recognise that this may have unintended consequences especially in the fixed term market. Our research indicates that consumers in this segment of the market may assume that fixed term tariffs are also fixed price, and therefore may misunderstand the terms of their contract and how these could vary.

4.20. Requiring these contracts to be changed, potentially leading consumers to lose out, could undermine trust and create suspicion about the benefits that the RMR could bring in the future. With this in mind, we are amending our rules to allow suppliers a window to close their existing open fixed term tariffs, and allow the contracts for fixed term tariffs that were open at the start of this window to run to their natural end. The duration of this window has been set to allow a reasonable period of time for suppliers to close relevant contracts in an orderly manner.

4.21. After considering the issues raised by suppliers, our new rules will exempt existing fixed term contracts from some RMR tariff rules. However, we recognise some consumers may remain on these tariffs beyond March 2014, when our information requirements are due to become effective. It is important that these consumers still have access to clear and relevant information to allow them to make informed decisions. We understand that if these tariffs are not compliant with some RMR rules, particular information requirements may become more difficult to produce. This may include generating Personal Projections which are comparable to compliant RMR tariffs and information on savings available from switching.

4.22. It is our view that it should still be feasible for suppliers to generate Personal Projections for these consumers, although suppliers may need to omit some information from the calculation. Our information requirements will allow suppliers the flexibility to provide the appropriate messages to the consumer to prevent the information from being misleading. On this basis, and given the importance of clear information for all consumers, our information requirements will still apply for these consumers so that they are not disadvantaged. The rules on rollovers will also still apply to these contracts.

*Summary of changes to proposals on existing fixed term contracts*

4.23. The key changes to the existing fixed term contracts proposals are set out below:

- **Exemption from tariff rules:** in March we proposed that all energy contracts, fixed and evergreen, would have to be made compliant with our rules by specific dates. We are now proposing to exempt certain existing fixed term contracts from some RMR rules,<sup>76</sup> and allow them to run their course, where:
  - a) the fixed term contract was entered into before 1 May 2013; or
  - b) the fixed term contract was available for customers to enter into before 1 May and was entered into by a customer before 15 July 2013; or
  - c) the fixed term contract was entered into before 1<sup>st</sup> May 2013 and the duration of the contract was extended before 15 July 2013.
- **Tariff Comparison Rate:** we are proposing that the rules for the Tariff Comparison Rate (TCR) and personal projection will still apply to the tariffs/contracts covered by this exemption.
- **Principles-based requirement:** we also note that some existing fixed term tariffs will have different, non-RMR compliant features, and we are therefore also proposing a principles-based requirement for suppliers to take all reasonable steps to ensure that customers subject to such tariffs are not at a significant disadvantage when they are assessing these tariffs against RMR compliant tariffs. As a result, all information proposals, including the requirements to provide consumers with Cheapest Tariff Messaging, are still required for these consumers.

### **Ban on dead tariffs and migration to other tariffs<sup>77</sup>**

*Key issues raised and our views*

4.24. Our proposals on dead tariffs target consumer confusion and market segmentation and are intended, where possible, to eliminate dead tariffs where they are not in consumers' interests. In response to the March consultation, suppliers indicated that the requirements on dead tariffs were confusing and were unclear whether they would have to ban all their dead tariffs and transfer customers to open tariffs.

4.25. Suppliers may choose whether they want to keep a dead tariff or terminate it. If suppliers choose to keep a dead tariff, then they will need to comply with a number of requirements.<sup>78</sup> In particular, this means that they will need to:

- First, make the dead tariff RMR compliant.<sup>79</sup>
- Second, compare the dead tariff with the cheapest evergreen tariff of the same type.

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<sup>76</sup>We propose to exempt existing fixed term contracts from the rules on the tariff cap, discounts, bundles and reward points, standardised tariff structures, and ban on price increases and unilateral variations.

<sup>77</sup> Dead tariffs are those tariffs which are no-longer available for new customers to sign up to.

<sup>78</sup> Set out in SLC 22.D.

<sup>79</sup> Using a minimal changes principle, ie the changes to the dead tariffs are only the ones that would be required to make the tariffs RMR compliant.

- Third, act on the comparison – if the dead tariff is cheaper or as cheap as the cheapest evergreen tariff,<sup>80</sup> suppliers will be able to keep the tariff otherwise they will need to transfer the customer to the cheapest live evergreen tariff of the same type.

4.26. If a supplier decides to terminate a dead tariff after the RMR rules are implemented they will also need to comply with certain requirements. In particular, customers will need to be moved to live tariffs and, depending on the method used for moving customer, may have to ensure that the customer becomes subject to the supplier's cheapest evergreen tariff and communicate this to the customer in advance using a bespoke notice.<sup>81</sup>

4.27. While suppliers have freedom to choose their approach to this process, we would expect them to aim for a positive consumer experience. For example, to avoid multiple and sequential changes being notified to customers, we would expect suppliers to undertake the initial two steps as a back office process and only engage customers in the last stage, to inform them about how the tariff is changing. Suppliers must send a Dead Tariff Notice once they take the last step to make a dead tariff fully compliant with the RMR rules or in circumstances where they are making all the necessary changes to make a dead tariff fully compliant at the same time.<sup>82</sup>

4.28. Some suppliers also indicated that they were confused about what would trigger a price increase notification or a Dead Tariff Notice in this process. Suppliers will still be able to make changes to dead tariffs that are unrelated with the RMR requirements. For all non-RMR related changes to dead tariffs that suppliers may wish to make, the usual notification requirements would apply.

4.29. Suppliers also raised questions about the timing/requirements around closure of dead tariffs. In this context, we note that to apply the dead tariff requirements, including notification requirements, suppliers would need to use certain RMR features like the TCR, Personal Projection, or the CTM.

4.30. These requirements have been amended to apply from day one of RMR implementation exclusively for the purposes of the dead tariff, so that they can be used when the supplier chooses to use the dead tariffs process. Our proposal is intended to provide suppliers with flexibility as to when they want to start the process of dealing with existing dead tariffs, while ensuring that consumers benefit from the same information at whatever point the supplier makes changes. We are also extending the deadline for suppliers to comply with the dead tariff rules to 30 June 2014. This recognises that suppliers need time following the introduction of the simpler tariff choices and clearer information requirements to work through the process of comparing dead tariffs with the cheapest evergreen and terminating expensive dead tariffs.<sup>83</sup>

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<sup>80</sup> For that particular customer.

<sup>81</sup> If suppliers choose to terminate a dead tariff by using the mutual variation or new contract route, they can offer the customer any of their live tariffs. If, after RMR implementation, suppliers choose to terminate a dead tariff either by making unilateral variations or terminating the contract so that the customer will become subject to a deemed contract, they would have to ensure that the customer becomes subject to the supplier's cheapest evergreen tariff.

<sup>82</sup> We note that this would only be triggered where the change is becoming effective to the customer. If the process of making the dead tariff compliant with the RMR is taken offline initially, there would be no need to notify the customer at this stage.

<sup>83</sup> All the tariff rules will also be effective from day one of the RMR implementation for the exclusive purpose of the dead tariffs process, as they will be necessary to make dead tariffs compliant. Making these

4.31. A number of suppliers also indicated that the RMR tariff proposals, in conjunction with the proposal to prohibit new dead tariffs, would make it difficult to close evergreen tariffs. They requested a temporary window in which the tariff cap would not apply, so that suppliers could open a new tariff while transferring customers from the existing evergreen tariff. This would enable suppliers to offer only four core tariffs at any point in time, while more than four core tariffs could be used by consumers.

4.32. We want to avoid the creation of a loophole in the tariff cap proposals, which could undermine the policy intention to simplify tariff choices for consumers. Nonetheless, we accept the point made by suppliers and have amended our rules to allow a temporary dead tariff (this would be an exception to the ban on the creation of new dead tariffs that we are introducing with the RMR proposals) to be created for the specific purpose of terminating an evergreen tariff.

*Summary of changes to proposals on dead tariffs*

4.33. The key changes to the dead tariff proposals are set out below:

- **Temporary dead tariffs:** following feedback at our industry workshops, we are adding a proposal to allow suppliers to create a temporary dead tariff when they want to terminate an evergreen tariff to avoid an unintentional breach of the tariff cap. In these circumstances, suppliers will be able to close the evergreen tariff to new subscriptions for up to 49 days in advance of moving all the customers from that tariff and removing it from the market.
- **Exemptions:** in March the proposal to make available tariffs to any new or existing customers inadvertently included dead tariffs. We have amended our proposal to exempt dead tariffs from this requirement and have included an exemption for dead tariffs from the tariff cap.
- **Default to cheapest evergreen:** in March we proposed that where the dead tariff was more expensive than the cheapest evergreen tariff of the same type, the customer would be transferred to the latter. We have amended this requirement to also allow dead tariffs that are cheaper than, or as cheap as, the cheapest evergreen tariff to remain. This avoids the need to move consumers where the core tariff is the same but some other feature (such as reward points) may differ.
- **Implementation:** in March we proposed that all customers on expensive dead tariffs would have to be moved to the cheapest evergreen of the same type by 31 March 2014. We are now extending this deadline to 30 June 2014. We also proposed a staggered approach to the implementation of the RMR proposals to dead tariffs.<sup>84</sup> For example, we proposed that the tariff simplification rules would apply from 31 December 2013, and that the information requirements related to Dead Tariff Notices would apply from

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RMR features effective from day one does not mean that dead tariffs will have to have those features implemented on day one. If, for example, a supplier wants to move customers from expensive dead tariffs on the 1st December 2013, they will need to have live tariffs (so that they can have a cheapest evergreen tariff), a Personal Projection (to compare Personal Projections between dead tariffs and the cheapest evergreen), and the TCR, CTM and TIL (which feature in the notifications). In this example all these features would therefore need to be in place by the 1<sup>st</sup> of December, but not before.

<sup>84</sup> As set out above, "Dead Tariffs" are those tariffs which are no-longer available for new customers to sign up to. Further detail on rules we proposed can be found in the March consultation document.

March 2014. Our new rules require that, *if* a supplier makes any changes to dead tariffs in advance of these rules taking effect, they will be required to apply the relevant rules. To illustrate, if a supplier wishes to make any changes to dead tariffs from day 1 of the RMR, they will be required to apply:

- The tariff rules on discounts, bundles and reward points.
- The TCR and personal projection.
- The TIL and the CTM.
- All relevant information set out in the Dead Notice.

## **Heating systems and unmetered supply arrangements**

### *Key issues raised and our views*

4.34. We have also considered the feedback from interested parties on specific supply metering arrangements. Two suppliers were concerned that our proposals to limit the number of tariffs and standardise tariff structures would effectively mean that they would not be able to serve customers supplied under bespoke heating systems.<sup>85</sup> We have engaged with stakeholders on these issues and we are making clear how the RMR rules should be applied to both bespoke heating systems and unmetered supply arrangements, and providing some flexibility where necessary.

4.35. Some suppliers also thought more consideration should be given to how some of the information requirements interacted for those consumers on heating system arrangements. This was particularly the case when providing consumers with information on the savings available by changing tariffs. In March we proposed some bespoke rules for calculating the savings in specific circumstances. For example, consumers should be offered tariffs which their meter can support. However a large supplier raised a concern that while a meter may support an alternative tariff type, a supplier's billing system may not support those consumers with bespoke heating system arrangements if they switched to a single rate tariff.

4.36. We recognise this concern and are aware that to allow a consumer to change to a single rate tariff may require alterations to existing billing systems. However, where there is no technical incompatibility between the metering system and alternative tariffs, we consider it is important these consumers are able to benefit from the full range of tariffs available from the supplier. As a result we propose savings available by switching are still provided to these consumers. However if there are significant practical issues raised during implementation we may still consider a derogation for these consumers.

4.37. Unmetered supply arrangements are used in some specific circumstances, such as for street lighting. Responses to the March consultation pointed out that under certain circumstances domestic supply could be provided on this basis, but

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<sup>85</sup> These bespoke heating systems typically measure consumption on two separate circuits, a main circuit and a circuit which is used for electric storage heaters. The main circuit is typically subject to a two period time of use tariff, and the heating circuit (which is energised at particular times of day either through radio teleswitching or static/semi-static time clock switching) is charged at a third unit rate. Suppliers were particular concerned with the fact that these tariffs were designed to work with the specific heating metering arrangements, and other structures could not be easily accommodated by such arrangements.

some of the rules for the RMR did not work in these cases. Another supplier mentioned that where we had not provided a view on these arrangements we would create regulatory uncertainty for suppliers. Given the small number of cases and the practical challenge involved we have decided to exempt unmetered supply from certain provisions and to apply greater flexibility in our rules.

*Summary of proposals for specific heating systems*

4.38. Our proposals to accommodate specific heating systems are set out below:

- **Tariffs for heating systems:** given the bespoke nature and inherent complexity associated with existing heating system arrangements, we propose to define separately heating system supply arrangements and treat these arrangements separately from the five categories of metering arrangements identified for the purposes of the tariff cap, as per the below.
- **Exemptions:** we propose to exempt the tariffs for heating systems from the tariff cap and the requirement to have only one unit rate at any point in time (but we maintain the prohibition on unit rates that vary by the level of consumption). We also propose to exempt such tariffs from the TCR requirements. Heating systems arrangements would still be required to comply with all of the remaining tariff rules (including in relation to discounts, bundles and reward points).
- **TCR and personal projection:** where a heating system supply arrangement contract requires a heating tariff to be taken in conjunction with another tariff, or the heating system tariff and another tariff operate jointly under a single contract, we propose that suppliers will be required to calculate a single personal projection. However, we would not require a TCR to be calculated in this circumstance.<sup>86</sup> Where such arrangements constitute supply under more than one contract, we propose that suppliers will be required to calculate a personal projection and a TCR for each contract.
- **Tariff Information Labels:** in March we proposed a requirement that Tariff Information Labels (TILs) are made available for all tariffs, including those tariffs with existing consumers. This requirement includes those consumers on tariffs with heating system arrangements. We would like to clarify that one TIL should be provided per contract. Where a contract requires a heating tariff to be taken in conjunction with another tariff, a single TIL should be generated. This should display all applicable unit rates, and where appropriate, all associated tariff names.
- **Cheapest Tariff Messaging:** in the March consultation we proposed requirements for how information on lower priced tariffs must be communicated to consumers. We also proposed rules that suppliers must follow to calculate the savings available from switching tariffs. One of these rules required suppliers to only offer cheaper tariffs to consumers for which suitable time of use data is available to calculate the savings. This effectively means that, with the exception of PPM, consumers will only be offered tariffs that their meter can support. We would now like to clarify this also applies to those consumers on heating systems supply arrangements, where heating systems are tied to a particular meter. The

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<sup>86</sup> A single TCR would require assumptions to be made about the consumption split. We intend, therefore, to take this issue forward with industry and other stakeholders as part of a TCR workgroup we propose to establish immediately after RMR publication.



tariffs included in the savings calculation must be compatible with the two meters in a property. We recognise there may be some practical difficulties for some suppliers with the rules we are proposing to apply to heating systems supply arrangements. If this remains a material issue, suppliers can now apply for derogation from these rules, for our consideration.

*Summary of proposals for unmetered supply arrangements*

4.39. Our proposals to accommodate unmetered supply arrangements are set out below:

- **Defining unmetered supply:** we are now defining separately unmetered supply arrangements and exempting them from the RMR proposals on tariff structure, the tariff cap, and the rules on discounts, bundles and reward points.
- **Clearer information requirements:** we are requiring suppliers to comply with all the other RMR requirements in relation to these unmetered supply arrangements. This includes the requirements on the TCR, Personal Projection and CTM.<sup>87</sup>
- **Principles approach:** we acknowledge that these types of arrangements may also include features which may not be RMR compliant. We therefore propose a principles-based requirement for suppliers to comply with the RMR rules, namely by considering the information that is relevant and applicable to unmetered arrangements specifically, and by enabling the assessment of these tariffs in a way that does not disadvantage consumers on these tariffs.

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<sup>87</sup> See above the section on Clearer Information proposals for further details on the proposals on information, TCR, Personal Projection and CTM.

# Appendices

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Supplementary appendices published separately (Ref 95b/13 and 95c/13)

Supplementary Appendix	Name of Appendix
1	NOTICE OF PROPOSED MODIFICATIONS OF THE STANDARD CONDITIONS OF THE ELECTRICITY SUPPLY LICENCE
2	NOTICE OF PROPOSED MODIFICATIONS OF THE STANDARD CONDITIONS OF THE GAS SUPPLY LICENCE

## Appendix 1 - Consultation Response and Questions

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1.1. Ofgem would like to hear the views of interested parties in relation to any of the issues set out in this document.

1.2. Responses should be received by **23 July 2013** and should be sent to:

[RMR@ofgem.gov.uk](mailto:RMR@ofgem.gov.uk)

Or in writing to:

Retail Market Review  
Ofgem  
9 Millbank  
London  
SW1P 3GE

1.3. Unless marked confidential, all responses will be published by placing them in Ofgem's library and on its website [www.ofgem.gov.uk](http://www.ofgem.gov.uk). Respondents may request that their response is kept confidential. Ofgem shall respect this request, subject to any obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004.

1.4. Respondents who wish to have their responses remain confidential should clearly mark the document/s to that effect and include the reasons for confidentiality. It would be helpful if responses could be submitted both electronically and in writing. Respondents are asked to put any confidential material in the appendices to their responses.

1.5. Next steps: Having considered the responses to this statutory consultation, the Authority will make a decision whether to proceed with the making of the modifications proposed in the Appendices on the precise legal provisions to give effect to the final proposals contained in this document. The timing of this decision is subject to the nature and volume of responses received.

1.6. Any questions on this document should, in the first instance, be directed to [rmr@ofgem.gov.uk](mailto:rmr@ofgem.gov.uk), or in writing to:

David Hunt  
Retail Markets  
Ofgem  
9 Millbank  
London  
SW1P 3GE

## Appendix 2 - Application of some proposals to non-domestic suppliers

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As Ofgem has indicated in previous consultation documents, in order to transpose the RMR domestic proposals there are some proposed minor and clarificatory changes to licence conditions which affect both domestic and non-domestic suppliers. The main relevant changes are as follows:

- Changes to the part of the existing definition of Principal Terms which refers to contract duration.
- Changes to the existing definition of Charges for Supply of [Gas/Electricity].
- Changes to the existing definition of Holding Company.
- Changes to the existing definition of Subsidiary.
- One of the changes to the existing definition of Termination Fee.
- The insertion of the defined terms "Standing Charge" and "Unit Rate".
- The insertion of a new paragraph 2.5A in standard condition 2.
- The insertion of new paragraphs 7.6A, 7.11, 7.12, 7.13 and 7.14 in standard condition 7.

Given the above proposed changes and the proposed insertion of new domestic-only standard conditions, Ofgem has served proposed modification notices to both non-domestic and domestic supply licence holders.

## Appendix 3 – Statutory Consultation Notices for Gas and Electricity Supply

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**The Statutory Consultation Notices and supporting schedules for Gas and Electricity supply can be found in the supplementary appendices to this document.**

## Appendix 4 – Implementation Timescales

The table below provides a general overview of the main implementation dates of certain of our proposals. The table is only intended to provide a rough guide to the main implementation dates and therefore should not be relied on for the fully precise and correct position. It excludes information on exceptions.

For exact and detailed information on the implementation dates for all the licence modifications that transpose our proposals, please refer to the statutory consultation notice for gas and electricity. For further information on the proposals please refer to the main body of the Consultation Document. Day 1 is the 56<sup>th</sup> day after the date on which the Authority's decision is published.

	<b>Proposal</b>	<b>SLCs where the key requirements can be found</b>
<b>Day 1</b>	<b>Definitions</b>	
	- Most new definitions and amendments to existing definitions – with exceptions	<b>SLC 1</b>
	<b>Tariffs-related consumer protection measures</b>	
	- 28 days notice to terminate evergreen contract	<b>SLC 7</b>
	- Prohibition of termination fees for Deemed contracts	<b>SLC 23</b>
	- Provision of Principal Terms	<b>SLC 24</b>
	-	
	<b>Price increase and adverse unilateral variations</b>	
- Ban on price increase and adverse unilateral variations – with exceptions to existing fixed term contracts	<b>SLC 22C</b>	
- Requirement to notify any changes to the disadvantage of the customer – with exceptions in relation to the notice content	<b>SLC 23</b>	
<b>Process of switching supplier and tariff</b>		
- Requirements on termination fees and switching	<b>SLC 24</b>	
<b>Mutual variations</b>		
	<b>SLC 23A</b>	
<b>At the end of a fixed term contract</b>		
- Prohibition of auto-rollovers		
- Requirement to notify customers of the switching window	<b>SLC 22C</b>	
- Requirement to default customers to an evergreen contract (cheapest evergreen by 31 March 2014)		
<b>Dead tariffs</b>		
- Prohibition of new dead tariffs		
- If suppliers decide to make changes to Dead tariffs:		
o Tariff simplification rules	<b>SLC 22D</b>	
o TCR, Personal Projection		
o TIL, CTM		
o Clearer information requirements for the Dead Notice		
<b>Start of temporary provisions applied to White Labels</b>		
	<b>SLC 31D</b>	
<b>31 December 2013</b>	<b>Tariff Cap</b>	<b>SLC 22B</b>

## The Retail Market Review – Final proposals for domestic customers

	<p><b>Standardise tariff structures</b></p> <ul style="list-style-type: none"> <li>- Except earlier implementation for Dead tariffs</li> </ul>	<b>SLC 22A</b>
	<p><b>Rules on bundles, discounts, reward points</b></p> <ul style="list-style-type: none"> <li>- Except earlier implementation for Dead tariffs</li> </ul>	<b>SLC 22B</b>
	<p><b>Tariff Comparison Rate, Tariff Information Label</b></p> <ul style="list-style-type: none"> <li>- Except earlier implementation for Dead tariffs</li> </ul>	<b>SLC 31C</b> <b>SLC 31B</b>
<b>31 March 2014</b>	<p><b>Personal Projection</b></p> <ul style="list-style-type: none"> <li>- Except earlier implementation for Dead tariffs</li> </ul>	<b>SLC 31E</b>
	<p><b>Clearer Information requirements for:</b></p> <ul style="list-style-type: none"> <li>- Cheapest Tariff Messaging (except earlier implementation for Dead tariffs)</li> <li>- Routine Communications: Bill, Annual Statement, Price Increase Notification, and End of Fixed Term Notice</li> </ul>	<b>SLC 31E</b> <b>SLC 31A</b> <b>SLC 22C</b> <b>SLC 23</b>
	<p><b>Fixed term - Auto-rollover and Switching Window</b></p> <ul style="list-style-type: none"> <li>- Default to cheapest evergreen</li> </ul>	<b>SLC 22C</b>
<b>From day 1 to 30 June 2014</b>	<p><b>Ban on expensive dead tariffs</b></p> <ul style="list-style-type: none"> <li>- Migrate customers from expensive Dead tariffs to cheapest evergreen</li> </ul>	<b>SLC 22D</b>
<b>31 December 2014</b>	<b>End of the temporary provisions for White Labels</b>	<b>SLC 31D</b>
<b>30 June 2015</b>	<b>First Dead tariffs annual check</b>	<b>SLC 22D</b>

## Appendix 5 – Other Associated documents

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- RMR policy intent and legal drafting workshop: TCR and Personal Projection presentation, 10<sup>th</sup> May 2013.<sup>88</sup>
- The Retail Market Review – Final non-domestic proposals, March 2013, Reference: 38/13.
- The Retail Market Review – Impact Assessment for the final non-domestic proposals, March 2013, Reference: 38a/13.
- Review of Ofgem’s enforcement activities – consultation on strategic vision, objectives and decision makers, March 2013, Reference: 43/13.
- Boag McCann, Ofgem RMR Consultation Visuals, Forthcoming.
- Boag McCann, Ofgem Information Improvements: Implementation Guidelines, October 2012.
- 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, October 2012.
- Insight Exchange, Consumer research and collaborative engagement on the proposed Standards of Conduct – Domestic Customers, October 2012.
- Ipsos MORI, Consumers’ views of price comparison guides and tariff structures, October 2012.
- Ipsos MORI, Prompting engagement with and retention of written customer communications, Final report prepared for Ofgem, October 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.
- The Standardised Element of Standard Tariffs under the Retail Market Review, February 2012, Reference: 11/12.

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<sup>88</sup> For more information see the following link:  
<http://www.ofgem.gov.uk/Markets/RetMkts/rmr/Documents1/TCR%20and%20PP.pdf> .



- Ipsos MORI, Ofgem Consumer First Panel Year 4, Findings from first workshops (held in October and November 2011), January 2012.
- 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 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.
- 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.
- 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.
- 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.

- Energy Supply Probe - Proposed Retail Market Remedies, August 2009, Reference: 99/09.
- Energy Supply Probe - Initial Findings Report, October 2008, Reference: 140/08.

## Appendix 6 – Glossary

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### A

#### Annual Statement

A written document that suppliers must provide to each customer, each year. The Annual Statement contains a range of key tariff information, including tariff name, consumption over the previous 12 months, estimate of annual cost for the next 12 months and details of any premium or discount that applies to the tariff.

#### Automatic contract rollover ('auto-rollover')

Where, due to the terms of a contract, a supplier has the ability to extend the duration of an existing Fixed Term tariff or apply a new Fixed Term tariff without consumer's positive assent.

#### Annual Bill

The amount that a customer would have to pay for gas and/or electricity over one whole year.

#### Authority

The Gas and Electricity Markets Authority

### B

#### Barrier to entry

A factor that may limit a firm's ability to enter the market.

#### Barrier to expansion

A factor that may limit a firm's ability to increase in size.

#### Big 6

The name collectively given to the six companies that hold supply licences and supply most of the energy to domestic households in the GB market. They are: Centrica plc (three retail brands, British Gas, Scottish Gas and Nwy Prydain in England, Scotland and Wales respectively), E.ON UK, Scottish and Southern Energy (SSE), RWE npower, EDF Energy and ScottishPower.

#### Bundled Products (Bundles)

An 'opt in' bundle for the purpose of this proposal is when consumers can add on additional services/products to their energy offering.

A 'tied' bundle for the purpose of this proposal is a form of pure bundling where it is tied/mandatory to buy the entire bundle to receive all the products and services offered, ie the specific energy offering is only available with this particular bundled form.

An 'opt out' bundle for the purpose of this proposal is a when a consumer is presented with an entire bundled product and they are required to 'opt out' of the additional services if they wish to only purchase the energy element of the bundle or if they wish to 'opt out' of any one of the elements of the bundled product.

## **C**

### **Code of Practice**

A set of guidelines and principles to be followed by members of some profession, trade, or group.

### **Cooling-off period**

Usually refers to a period of time after the consumer has entered into a contract or signed up to a tariff during which they can reverse their decision without incurring any cancellation fees.

### **Core tariff**

The charges for supply of electricity/gas combined with all other terms and conditions that apply, or are in any way linked, to a particular type of contract for the supply of gas/electricity to a domestic customer excluding certain matters such as dual fuel discounts, variations in charges relating to payment method, appropriate surcharges and optional additional services.

### **Cross subsidise**

The part financing of one product or activity by another.

## **D**

### **Dead tariff**

An Evergreen Tariff that is not an Open Tariff.

### **Deemed Contract**

A contract deemed to be in place pursuant to paragraph 8 of schedule 2B to the Gas Act 1986 and/or paragraph 3 of schedule 6 to the Electricity Act 1989, eg where a customer takes a supply of electricity and/or gas otherwise than under a contract that has been expressly entered into with a supplier.

### Department for Energy and Climate Change (DECC)

The UK government department responsible for energy and climate change policy.

### Derogation

An exemption from or relaxation of a rule.

### Direct debit (DD)

A method of payment where a fixed or variable amount is taken from a bank account each month, quarter or year.

### Domestic customer

A customer that uses energy for non-commercial purposes.

### Domestic energy suppliers

Companies who sell energy to and bill domestic customers in Great Britain.

### Dual Fuel (DF)

A type of energy contract where a customer takes gas and electricity from the same supplier.

### Dynamic Teleswitching (DTS)

A particular type of electricity meter where the tariffs have a control unit that allows the supplier (or distribution company) to switch the metered supply remotely by radio teleswitch. The Radio Teleswitching Access Provider controls the radio switches, and therefore heating load, following instructions from the supplier.

## **E**

### Economies of scale

The efficiency gains made when the average cost of producing a good or providing a service falls as output increases.

### Economy 7 / Economy 10

A type of tariff that has different unit rates for consumption during the day and during the night. The number following 'Economy' refers to the number of hours for which night-time rates are available.

### End of Contract Notification

A communication from a supplier to a consumer, indicating that the fixed term period of the consumer's energy supply contract is due to expire, and setting out the

arrangements that the consumer will default to and the options available to the consumer to act in response to this notification.

#### Evergreen contract

A supply contract of indefinite duration which may be terminated by the customer by giving notice in accordance with the contractual terms, eg 28 days' notice

#### Ex-PES

The previous Public Electricity Supplier (PES) for one of the 14 electricity regions in England, Wales and Scotland. From privatisation in 1990 until 1998 the ex-PES had a monopoly of electricity supply and distribution in their designated areas. Local distribution is still a monopoly regulated by Ofgem, however, competition has been introduced in supply, and so these 14 suppliers (consolidated now into five) are known as ex-PES suppliers. The 14 regions are detailed below, together with the name of today's ex-PES company for each region.

Region	Supplier Group
London	EDF Energy
Seeboard	
SWEB	
East Midlands	E.ON UK
Eastern	
Norweb	
Midlands	RWE npower
Northern	
Yorkshire	
Scottish Hydro	SSE
Southern	
Swalec	
Manweb	Scottish Power
Scottish Power	

## F

#### Fixed price tariff

A tariff that guarantees that the price paid per unit of gas or electricity used will not change for a given period of time.

#### Fixed term tariff

A tariff with a fixed end date.

#### Fuel poverty

Households who need to spend more than 10 per cent of their annual income on fuel to maintain an adequately heated home.

## **G**

### [Green Deal](#)

A scheme that allows householders to improve the energy efficiency of their homes and repay the cost through energy bills.

### [Green tariff](#)

A tariff that is promoted primarily on the basis of its association with renewable energy sources and/or climate change mitigation

## **I**

### [In-area customers](#)

Customers of an electricity supplier who are located within the supplier's original ex-PES region.

### [Incumbent suppliers](#)

See ex-PES suppliers

### [Intermediary](#)

An organisation that can help consumers to switch energy tariffs

## **K**

### [kWh](#)

Kilowatt-hour is a unit used to measure energy consumption in both electricity and gas.

## **L**

### [Loyalty discount](#)

A discount that is paid at a pre-specified point in time if the consumer does not switch energy suppliers.

## **M**

### [Market segmentation](#)

The process of splitting customers, or potential customers, in a market into different groups, or segments.

### Market share

The proportion of total customers (usually as proxied by the number of meter points) within a market that are registered to a particular supply group.

### Mutual variation

An amendment to the terms and/or conditions (including price) of a consumer's energy supply contract, agreed with the consumer. The consumer would not be obliged to accept the proposed variation. The variation can only be binding following express agreement from the consumer.

### MWh

A megawatt hour. Equal to 1000 kWh.

## N

### New entrant

An entrant that does not have an incumbent customer base.

### Non Time of Use tariff (Non-ToU)

A tariff that is not a Time of Use (ToU) tariff.

## O

### Office of Fair Trading (OFT)

The body established by the Enterprise Act 2002 (which replaced the office of Director General of Fair Trading) with functions that include enforcing consumer protection law and competition law, reviewing mergers and conducting market studies.

### Ombudsman Services: Energy

Ombudsman Services: Energy means the Ombudsman Services provided to Energy Suppliers and Energy Network Operators. The Ombudsman's principal aim is to receive complaints made by complainants in accordance with the *Ombudsman Services Terms of Reference* and to consider and, where appropriate, investigate such complaints in order to encourage and/or facilitate the terms of their resolution, settlement and/or withdrawal.

### Online tariff

A tariff for the supply of electricity/gas which may only be entered into via a website, and/or a tariff which must be managed fully or partly by a customer via a website.



### Open tariff

A Tariff that is available to new and existing customers at any given time.

### Out-of-area customers

Customers of an electricity supplier who are located outside of the supplier's original ex-PES region.

## P

### Personal projection

The estimated cost of energy to a consumer over a 12 month period, based on a specified methodology and the best available information about that consumer's consumption.

### Prepayment

A method of payment where consumers pay for credit to their account. Their meter deducts credit from the account based on the amount of energy used by the consumer and the rates that apply to the consumer's tariff.

### Price Increase Notification (PIN)

If a supplier increases the price of a tariff, then under Ofgem's licence obligations it must notify the consumer at least 30 days in advance of the date on which the price increase takes effect.

## S

### Self regulation

Industry regulation without Ofgem's binding licence conditions. However, if self regulation is not operating as Ofgem would hope, licence conditions may be introduced.

### Smart meter

A meter that provides measured gas or electricity consumption data for multiple time periods, and is able to provide the relevant supplier with remote access to such data.

### Small suppliers

Suppliers which operate in the domestic gas and electricity market but do not hold significant market share. This can refer to all suppliers other than the Big 6.

### Standards of Conduct (SOC)

A written policy and procedure that outlines broad standards of integrity and business ethics.

### Standard credit

A method of payment where the consumer receives a bill for their energy use over a number of months and pays their bill by cash or cheque.

### Standing charge

In respect of the supply of gas/electricity to a customer's premises, a monetary amount that is continuously chargeable to a customer on a daily basis and which is chargeable in addition to charges arising on the basis of a unit rate.

### Standard Licence Conditions (SLCs)

The legally binding conditions that licensed gas and electricity suppliers must meet to supply to domestic and non-domestic customers, in accordance with the Gas Act (1986) and Electricity Act (1989).

### Surcharge

An additional and exceptional charge added to the usual charge(s).

### Switching

The process of changing gas or electricity supplier, or changing to a new tariff with the same supplier.

### Switching window

The period in which a consumer is eligible to switch supplier, in response to an End of Contract Notification, in which they will not be subject to any Termination Fees or be required to notify their supplier of their intention to switch.

## T

### Tariff

The charges for supply of electricity/gas combined with all other terms and conditions that apply, or are in any way linked, to a particular type of contract for the supply of electricity/gas to a domestic customer.

### Tariff Comparison Rate (TCR)

A metric that would allow consumers to compare the price of energy tariffs on a like-for-like basis using a typical consumption figure.

### Tariff Information Label (TIL)

A table of key facts that would allow consumers to compare the price and non-price features of energy tariffs on a like-for-like basis.

### Tariff structure

The way in which a tariff's charges are structured. For example, currently some tariffs have a single unit rate whilst others have more than one unit rate (multi-rate).

### Termination (exit) fees

Where part of their contract, these are the contractually agreed price a customer must pay if they terminate their contract before the agreed contract end date.

### Third Package

The term 'Third Package' refers to a package of EU legislation on European electricity and gas markets that entered into force on the 3rd September 2009. The purpose of the Third Package is to further liberalise European energy markets. DECC is primarily responsible for its transposition in Great Britain and must do this by the 3rd March 2011.

### Time of Use tariff (ToU)

A tariff where the charges vary by the time when the energy is consumed, for example through different unit rates for energy consumed during the day and during the night.

### Tracker tariff

Currently, this is a tariff where the price per kWh for gas/electricity will vary in reference to other prices or indices. For example this can be the price of another tariff from another supplier. In this consultation we are proposing to change the scope of fixed term tracker tariffs. These tariffs will no longer be able to track the price of tariffs offered by suppliers, but only a published stock exchange quotation or index or a financial market rate over which the supplier has no control.

## U

### Unilateral variation

An amendment to the terms and/or conditions (including price) of a consumer's energy supply contract, which is provided for in the contract and is at the sole discretion of the supplier.

### Unit rate

The monetary amount that is chargeable in respect of each unit of gas/electricity consumed.

**V**

Variation

An amendment to the terms and/or conditions (including price) of a consumer's energy supply contract.

**W**

White label tariff

A tariff offered by a licensed energy supplier but uses the brand name of a non-licensed entity (excluding a brand name of the corporate group to which the licensed supplier belongs). The price and terms of the tariff may replicate those of the licensed supplier or may be modified to suit the specific needs of the brand. The legal relationship between the customer and the licensed energy supplier remain unchanged irrespective of the brand utilised for sales and marketing purposes

## Appendix 7 - Feedback Questionnaire

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1.1. Ofgem considers that consultation is at the heart of good policy development. We are keen to consider any comments or complaints about the manner in which this statutory consultation has been conducted. In any case we would be keen to get your answers to the following questions:

1. Do you have any comments about the overall process, which was adopted for this statutory consultation?
2. Do you have any comments about the overall tone and content of the report?
3. Was the report easy to read and understand, could it have been better written?
4. To what extent did the report's conclusions provide a balanced view?
5. To what extent did the report make reasoned recommendations for improvement?
6. Please add any further comments?

1.2. Please send your comments to:

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