

Consumer Futures

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Dear Jemma

Monitoring Retail Market Review Impact

Consumer Futures is broadly supportive of the general analytical approach to be taken by Ofgem and agree it will be very difficult to isolate impacts. A key challenge for Ofgem will be how to clearly separate out causation versus correlation given the likelihood of continued political and media interest in the sector.

Ofgem's reporting structure must be able to monitor both positive and negative indicators associated with the Retail Market Review. The document is clear on what Ofgem views as positive outcomes of the RMR. It would be helpful if there was more detail provided both on what Ofgem views as negative outcomes associated with the RMR and how it intends to monitor these impacts on an ongoing basis. We would be interested in viewing a draft of the consumer survey, as this may address our concerns.

In particular, Consumer Futures believe it would be helpful if any future reports specifically explore whether there has been a greater degree of price convergence since the RMR changes came into effect, and what impact this has had on competition in the market. With the crackdown on bait pricing, confusing tariffs and loss leader tariffs, we would expect to see greater price convergence but it is unclear whether this will be counter-acted by other RMR related changes such as clearer information for consumers.

Another area where it would be helpful to monitor impacts is exploring whether the frequently of billing has a discernible impact on consumer reactions to the cheapest tariff prompts on their bills. At present suppliers send out bills monthly, quarterly, six monthly or annually in the case of many PPM customers.

Where possible, it would be helpful to build up an understanding of which groups of consumers have derived the most potential benefits from the RMR versus those groups who've derived less benefits or none at all. Ofgem's previous research report Beyond Average Consumption¹ would be a useful place to start. In particular we'd like Ofgem's monitoring framework to take account of the impacts on prepayment meter users, electricity only households and very low

¹ <https://www.ofgem.gov.uk/ofgem-publications/75556/beyond-average-consumption.pdf>

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users. Ofgem will be aware of Consumer Futures' existing concerns about how the withdrawal of two tier tariffs and the impact this has had to date on very low users of gas.

Consumer Futures commissioned an experimental piece of research exploring consumers' hierarchy of priorities. It is our expectation that Ofgem will be very interested in the results and we will endeavour to share a copy of the final report as soon as possible.

Best regards,

Gillian Cooper

Head of Retail Energy Markets