

## Cashback and bundled products

11/03/14

ofgem



## Session 1

Welcome and Introduction	<b>14.00</b>
Presentation on Ofgem's views	<b>14.10</b>
Q&A session	<b>14.40</b>

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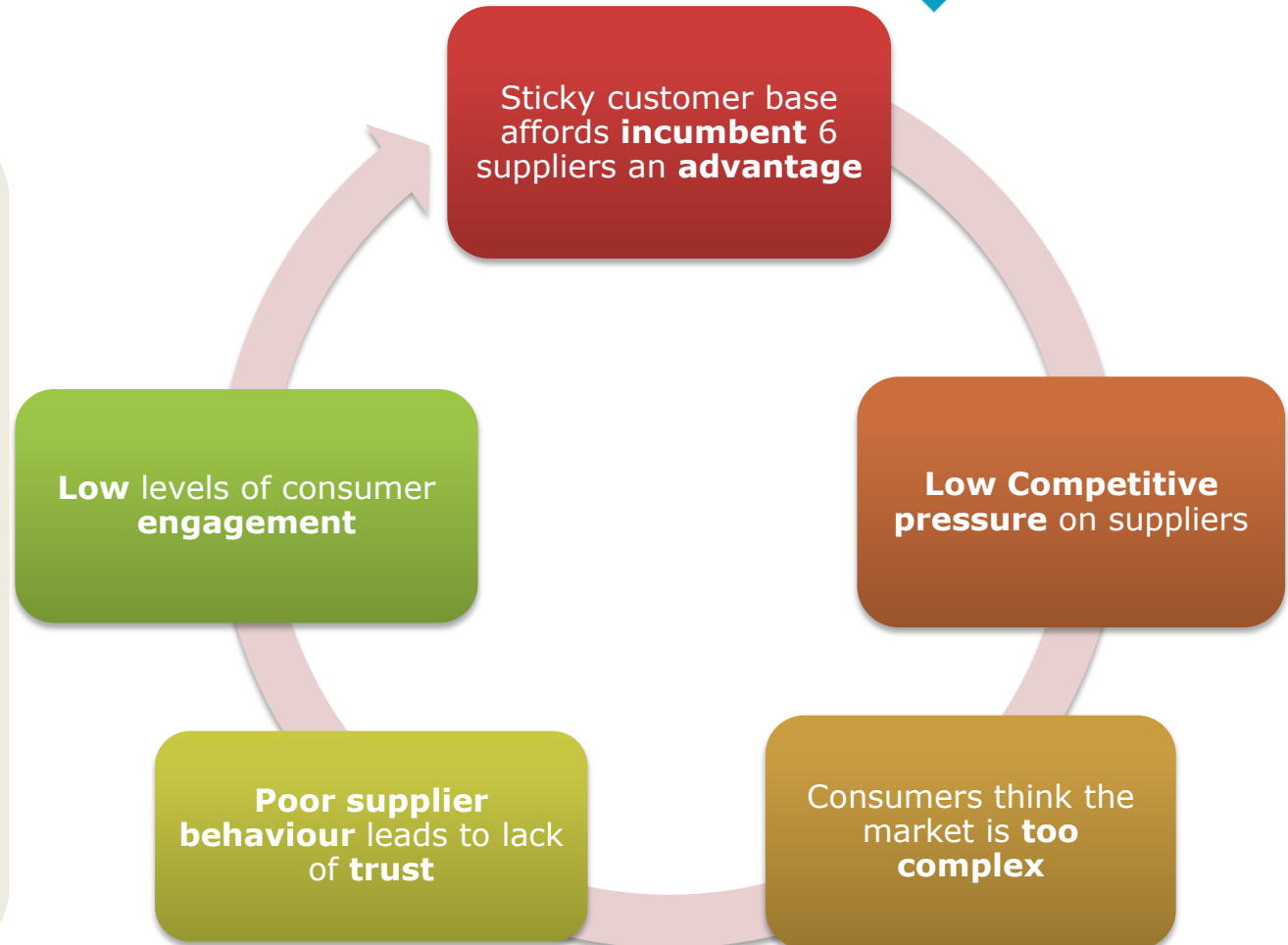
## Session 2

Breakout groups	<b>15.30</b>
Plenary discussion	<b>16.10</b>
Conclusion/wrap up	<b>16.55</b>

- RMR in context
- Ofgem's TPI programme
- Key principles
- Clarifying our rules
- Our desired policy outcome
- The way forward

## RMR in context

*"tariff opacity is the biggest concern in consumer protection and the biggest challenge facing the CMA. Dealing with it requires a fundamental rethinking of our understanding of competition"*  
John Kay, FT, 4 September 2013



**Self-reinforcing cycle of weakening competitiveness**

## RMR objectives

### Simpler Market

- Four core tariffs
- Simpler tariff structure
- New rules on discounts, bundles and reward points
- New rules on fixed term tariffs and variations.



### Clearer Market

- New communication tools to help consumers engage with the market.
- Making sure that existing communications are more useful and engaging



### Fairer Market

- Standards of Conduct requirement for improvement in supplier – consumer interaction
- Additional consumer protection measures for domestic and non-domestic consumers



## Ofgem's TPI programme

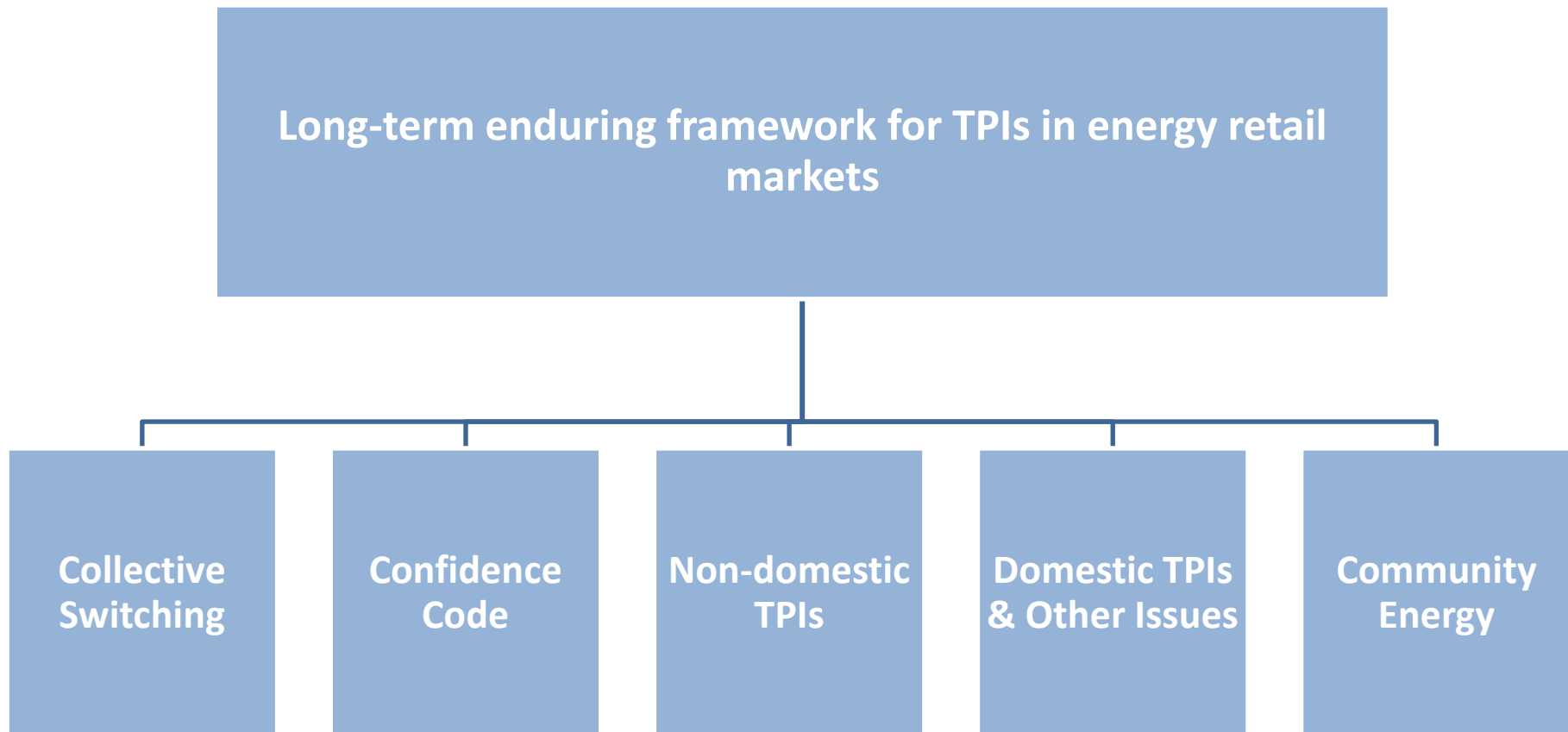
### Regulatory framework



**Using TPIs can add great value to  
both industry and consumers  
Present & Future**

**Ofgem's commitment to promote  
engagement and ensure consumers  
have a positive experience**

**Significant industry changes will  
increase the scope for interactions  
between TPIs and consumers**



## Our open letter



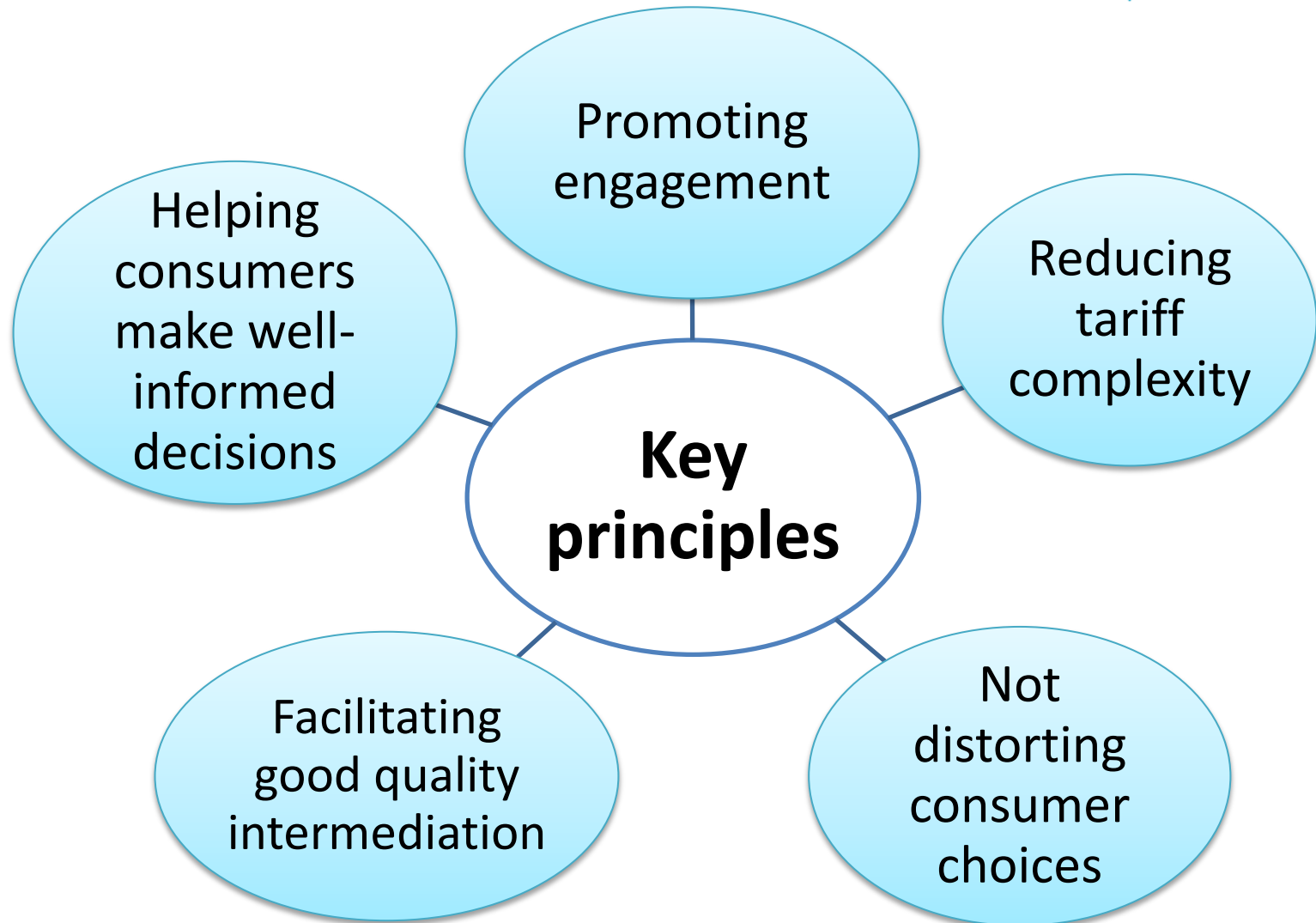
To clarify  
aspects of the  
RMR tariff rules  
that came into  
effect on 31st  
December 2013

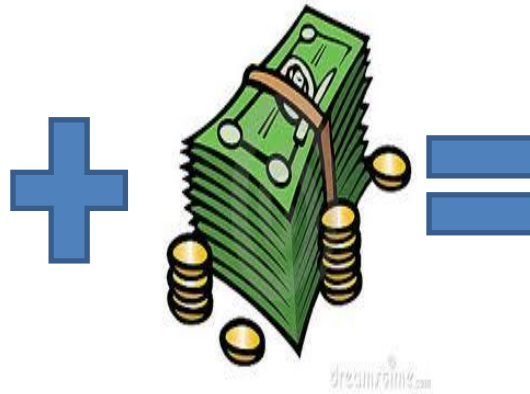
To consider the  
implications of  
the rules for  
third party  
intermediaries

To invite views  
on potential  
effects of the  
rules and  
consider the  
way forward



## Key principles





Cashback

- Cash discounts are prohibited in all but two cases: dual fuel and online account management.
- Suppliers are not allowed to offer cashback as we consider it to be a cash discount.



**Bundled  
product**

- Bundled products (including non-cash discounts) must be available to new and existing customers
- Bundled products must be available to customers irrespective of the medium through which they engage

## Our desired policy outcome

### Our desired policy outcome:

Allow TPIs to offer cashback or bundled products where:

- They act as a genuine inducement for consumers to engage
- They don't materially distort consumer choices between different tariffs



## Achieving our desired policy outcome



Possible conditions for TPIs to achieve our desired policy outcome include:

- Offering the same inducement irrespective of the tariff or supplier
- Offering a broad range of tariffs

- Which practices do not materially distort consumer choice and act as genuine inducements to engage?
- Are there any further key principles on which we should be focusing?
- How can we best achieve our policy intention?

**Ofgem is the Office of Gas and Electricity Markets.**

**Our priority is to protect and to make a positive difference for all energy consumers. We work to promote value for money, security of supply and sustainability for present and future generations. We do this through the supervision and development of markets, regulation and the delivery of government schemes.**

**We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.**