MoneySavingExpert.com Cheap Energy Club

Domestic third party intermediaries (TPIs): Confidence Code and wider issues

Executive Summary

We generally support the Confidence Code, however we believe some of its rules are too prescriptive and could result in TPIs giving misleading information to consumers. Some of the rules seem to be more about ticking boxes than creating innovation. We would be happy to be accredited under the Code if some of the rules were amended though we feel we have built up more confidence with our users by doing things the right way. TPIs should be given the freedom to do things differently provided they can justify to Ofgem that it's in the consumer's best interest.

Overall we believe the Code should require TPIs to include all information for consumers to be able to make an informed decision, the results should be fair and not misleading, and TPIs should not allow commercial influences to affect the information they give. We follow these overarching principles and as a result, consumers place trust in us, despite the fact that we are not being accredited under the Code.

Our main concern with Ofgem's proposals is the requirement for TPIs to use the personal projection methodology when calculating the cost of a tariff. We believe this methodology is harmful to consumers as it gives extremely misleading information and many consumers agree with this. We would urge Ofgem to remove personal projections as a requirement altogether, as quickly as possible.

We are also concerned with a current requirement around uploading rate changes when they are announced. When someone enters their tariff details and enters usage as a pound value, comparison sites calculate their kWH using the cost of those unit rates (e.g. spend/unit rate cost). This is problematic when prices change because if someone is entering usage this way for an old bill based on rates before the price change, the calculator will end up underestimating usage. The solution would be to allow different unit rates for input prices to output prices so that input prices are based on former prices and output prices are based on new prices. This would mean consumers would get an accurate estimate of usage without affecting the new tariffs they see on the results page.

Response

Q4. Do you agree that domestic intermediaries should provide an independent, transparent, accurate and reliable service to their customers?

Yes, services should absolutely be independent, transparent, reliable and accurate.

Q5. Are you aware of potential challenges for particular types of TPI models in embedding any of the principles? How might these challenges be addressed?

Accuracy and reliability often depend on the information being received by suppliers. It is not always accurate plus there can be differences between suppliers, for example in how they apply VAT. Some requirements should be placed on suppliers to ensure they're giving the correct information.

Information that suppliers give to TPIs can differ from what they use themselves on their own sites or bills. This inconsistency causes mistrust on the consumer's part.

Q6. We have identified information exchange and face-to-face services as priority areas for our consideration. Are there other areas you think we should be focusing on in the near future?

We believe that offline information exchange should be via telephone rather than face-to-face, as this has the ability to cost-effectively reach more people.

Q7. Are you aware of barriers to effective information exchange between suppliers and TPIs which impact on services to consumers? If so, how might these barriers be addressed?

As stated above, information can often be inaccurate and slow in being passed on from suppliers. The feedback after a consumer has applied for a switch can be very poor. For example if a switch is rejected, not all suppliers are clear about the reasons why – consumers should have access to this information so they can rectify it where appropriate. If they have switched via a TPI they expect that TPI to provide the information. It can also take a long time for a TPI to hear back from a supplier about the confirmation of a switch – this makes it very difficult for a service like Cheap Energy Club because we can't give the consumer the updates they expect from us, and there is a delay in tracking the new tariff they're on (and therefore a delay on the alert if they're overpaying).

Some requirements should be placed on suppliers to ensure this is accurate and timely. We suggest to:

- Use APIs to transfer information about tariff rates as well as the status of consumers' switches to TPIs.
- Force suppliers to provide TPIs with valid reasons for why a switch has been rejected so this can be relayed to consumers.
- Give suppliers a time limit within which they should feed back on the status of a consumer's switch.
- Ensure there is a standard way in which VAT is applied to rates, eg. different rounding can affect prices and results.
- Ensure rates and tariff information given to TPIs match what suppliers are using on their own sites and on bills that consumers are seeing. For example, suppliers often require TPIs to refer to tariff names in a particular way, yet they call the tariff something different on the bills the consumer receives. This makes it very difficult for consumers to find the right tariff on comparison sites and it undermines the switching process. This is a huge problem.

Q9. What are your views on our proposal to increase the transparency of sites' commission arrangements with suppliers and the impact this has on the results a consumer will see?

We agree that commission arrangements should be clear to consumers and we are already very clear about which switches we get paid for and which we don't. This is something that has been core to our ethos from the very beginning, and continues to be so. Commercial arrangements don't affect what results a consumer sees on Cheap Energy Club. We believe this should be the case for all TPIs.

However, we believe Ofgem's proposal that the list of suppliers with commission arrangements should be two clicks from the homepage will not increase the transparency of commission arrangements to consumers. TPIs who do not want to be transparent and/or let commission arrangements affect what consumers see can easily hide or disguise this so consumers never click on the information. TPIs who put consumers' interests first, like Cheap Energy Club, will already be transparent about their arrangements.

If Ofgem wants a way of improving TPIs' transparency we would suggest changing this proposal to require TPIs to show the commission arrangements at the point consumers click on the supplier – otherwise this proposal becomes a box ticking exercise.

Q10. Do you agree that sites should direct consumers to the sources of independent advice identified? Are there other sources you would suggest?

Cheap Energy Club is part of MoneySavingExpert.com and as an editorial website we want consumers to have access to information that will help them make switching choices and we already do this for our own users. We already go to great lengths to ensure our content is easy to understand, comprehensive and wholly unbiased. This is our expertise as highly trained, independent journalists - so our preference will always be to link to our own help and information. Where we don't cover a topic or if there's better information out there, we will always direct consumers to the best source as we see fit. We believe our content is more useful and helpful than the websites proposed by Ofgem. We'd prefer to be able to exercise our own judgement here and therefore other TPIs should be able to do the same, as long as they give clear and unbiased information or can signpost accordingly.

Q13. What timeframe would you propose for implementing our proposals in relation to site independence?

These are not difficult things to do, so it should be relatively quickly. This could be done in a matter of months.

Q14. Do you agree with our proposal to increase consumer awareness of the availability of whole of market comparisons? Are there better alternatives?

Yes - the key is to make it easy to understand for consumers.

Collective switch tariffs also should be addressed. Consumers need to be able to do a comparison based on a collective switch tariff they are on. This is currently not always possible as suppliers don't always share their existing collective tariff rates.

Q15. Do you agree with our proposal to allow sites to compile their own supplier ratings? Are there factors other than those set out that sites should consider when formulating their ratings methodology?

Yes, we broadly agree with this. However, while we are happy to share our own methodology with Ofgem, we don't think this should be made available to suppliers, as they will simply try to manipulate the criteria.

Q16. Do you think there is benefit in exploring further the criteria for filtering or categorising green and environmental tariffs on comparison sites? Do you have suggestions for the best way to define these criteria?

Yes, the current clarification isn't clear for consumers. There seem to be very few suppliers with green tariffs that match the current criteria. Yet there are tariffs that are advertised as 100% green – this is confusing. There should be a consistent and independent definition of what a green tariff is.

Q18. Do you agree with our proposal for sites to use the Personal Projection methodology when calculating the cost of a tariff?

No, we fundamentally disagree with this and believe it is an extremely damaging policy leading to misleading information for consumers. The particular issues we have are:

- Current tariff costs shown are not in line with consumer expectations. For example, if their account is set up with direct debit amounts, they expect to see their current cost as 12 x their direct debit, but as we have a blended calculation the figure will be higher. This leads to consumer complaints and a loss in confidence in the accuracy of results.
- The savings figures shown are based on a theoretical scenario, rather than what the consumer will actually save.
- Due to the blended tariff, our notifications advise consumers that they can save money by switching. This is true over a 12 month period, but they would save even more by switching at the end of their current fix. This calculation can also lead them to believe they should switch sooner than might be the case.
- Consumers on a fixed tariff tend to be more energy-savvy and are less likely to slip onto a standard tariff, therefore they feel that this type of calculation is not relevant.
- Where a consumer has, for example, six months left on their fixed tariff, showing a blended rate can encourage them to switch too early, as the high proportion of the standard rate overinflates the savings they will make. This is effectively giving them information that will mean they lose out in the long run.
- Even worse, suppliers do not currently need to do this. This means that a consumer may go to a comparison site and see one comparison figure, yet go to the supplier’s site, ask for the same quote but get a different answer. This is very confusing for consumers.

We can understand why this methodology might be used on marketing material, but to use it on a comparison site, where consumers are actively looking to switch and therefore unlikely to go on to the standard rate, is misleading. TPIs should not use the personal projection methodology.

We receive scores of emails weekly from consumers around this issue. A selection is included from page 8 onwards.

What we would like to be able to do for our users is to say something like: “For the next four months while you are on the XYZ Fixed tariff you will pay the equivalent of £1,000 a year. If you do nothing and don’t switch you’ll be moved to its standard tariff which will cost you £1,200 a year”. The current rules do not allow this.

Q19. Do you agree with our proposal to require sites to display a Tariff Information Label for each of the tariffs on their site?

Yes, this is a good RMR change.

Q20. Should we seek to ensure consistency of tariff cost results across the industry? Or should we allow room for suppliers and TPIs to differentiate by adopting their own methodologies?

We generally believe there should be consistency across the industry. However we strongly disagree with tariff comparison rates and believe these are misleading for consumers, much like APRs for borrowing. Consumers will never pay this rate and is therefore not helpful for comparison purposes. If the Code is not amended to remove this requirement, TPIs should be allowed to adopt their own methodology if they can justify that this is in the consumer's best interest. By keeping this prescriptive requirement we believe the Code is stifling innovation.

Q22. Do you agree that we should introduce principles from the complaints handling standards into the Code? Are these the right principles to introduce?

In principle, introducing complaints handling standards is a good idea. We already go over and above on most of these points to ensure our users are helped in the best way possible. However, most complaints stem from issues with suppliers so Ofgem must put pressure on the energy firms themselves to deal with enquiries and issues from TPIs within a set timeframe. Examples of the issues we see are:

- Not getting an update on a consumer's switch within an acceptable timeframe – this also impacts cashbacks or incentives being paid in an acceptable timeframe.
- Not being told why a consumer has been rejected.
- A switch being processed slowly.
- Setting direct debits at incorrect levels.
- When a consumer switches via a TPI and then calls the supplier for an update, they're often told there is no record of the switch, when in fact, it's just because the supplier hasn't uploaded it quickly enough, or their 'new customer' systems aren't linked.

Importantly, we believe that TPIs should not have to publish complaints where the energy firms are at fault or necessarily treat these in the same way as 'true' complaints. Otherwise this will create an untrue picture of complaints against TPIs.

Q23. Do you support our proposal to introduce messaging and links to Warm Home Discount information as a requirement of the Code? Do you have specific views regarding where and how this information should be presented to consumers?

We support this proposal and it is something that we already do. There should, however, be some consistency in how it's displayed. It would also be good if suppliers were clearer about eligibility criteria (of the wider award) and shared the detail of this information with TPIs. Even better would be an industry-wide guarantee that if you already get the WHD, the new supplier you're switching to promises to give this in at least the first year you are with them. This would reassure those that don't want to lose out on the WHD when switching.

Q24. Do you agree that we should set up a working group to discuss site accessibility guidelines?

Rather than a working group, it may be more efficient to consult organisations like RNIB or Age UK to understand the key accessibility issues. An expert spending time doing the ground work would probably be more constructive then lots of people discussing it in a room.

Q26. Do you agree with our proposals to allow a broader range of comparison sites to become accredited under the Code?

We agree that Ofgem should remove requirement three in order to allow broader access to accreditation. This would allow us to be eligible for accreditation, however we would only be happy to be accredited if some of the rules we've previously mentioned were amended. We also believe TPIs should be given the freedom to do things differently provided they can justify to Ofgem that it's in the consumer's best interest.

About Cheap Energy Club

Cheap Energy Club is part of MoneySavingExpert.com, the UK's biggest money website dedicated to saving consumers money on anything and everything by finding the best deals, beating the system and campaigning for financial justice. Its content is based on detailed journalistic research and cutting edge tools and the site has one of the UK's top ten social networking communities.

During the month of August 2014 MoneySavingExpert.com had more than 15 million users, visiting the site 25 million times and looking at more than 70 million pages. More than 9 million people have opted to receive our free weekly email and more than 1 million users have registered on the forum.

Over 1 million consumers have signed up to Cheap Energy Club since its launch in February 2013. It is more than just a comparison site. Its aim is to protect consumers who risk switching tariff to then find that their new provider has increased its rates. Even if providers don't do this, the cheap rate normally only lasts 18 months or so before the price is increased. That means it is hard work to stick with the cheapest. So we do that work for consumers using a three step process:

- **Step 1. We find consumers the cheapest deal.** They register for the Club and we check they are on the cheapest deal. If they are, great – it's on to step 2. If not, we'll do a full market comparison to find the cheapest (with lots of guidance) and we'll handle the switch. Plus there's up to £30 cashback if consumers switch via the Club, which is not available direct with suppliers.
- **Step 2. In the background, each month we do a comparison for consumers.** Energy prices change - theirs may hike, others could get cheaper. So without consumers doing anything, whether they switched or not, from then on we do a comparison for them in the background each month to check they're still on the cheapest deal.
- **Step 3. Alert consumers when it's worth switching again.** Consumers tell us what 'worth it' means. If they tell us they want to save £100/yr, once they can we'll email them; and without them entering new information (unless it's changed), we'll tell them what the cheapest deal is, and let them shift at speed.

Although we are impacted by Ofgem's proposals, we have replied to the consultation based on what is best for consumers.

Consumer feedback

"Hi. I have taken the advice of your Cheap Energy Club and swapped my electricity and gas to save £220 per year. To do this I have incurred a £60 early leaving charge with First Utility, although I will get £30 back with the new company (Sainsbury's) when I have been with them for 3 months.

I have now gone back and had another look at your advice and notice that to work out my energy saving you have taken my current tariff for the remainder of that tariff, 8 months and 21 days but then worked out the remaining time with me on a standard tariff (3 months and 10 days). This is crazy as I would never go onto a standard tariff and so this saving is not slightly realistic. You should have worked out my tariff per day for 8 months and 21 days and then worked that against a new tariff for 8 months and 21 days. What comes after that time is not relevant at the moment, because you have no idea what I will move to, or what tariffs will be available at that time.

So to work out my actual costs I have looked at the standing charges and cost per kWh of my old tariff against the new one that you have recommended.

First Utility (currently with)	Standing Charges 19.96 electricity, 19.94 gas
Sainsbury's (Moving to)	Standing charges 26.008, electricity 26.008 gas
First Utility	Price per Kw (currently with) electricity 10.975, gas 3.689

Sainsbury's (moving to) electricity 9.807, gas 3.633

So when I look at the figures, and based on the Kw consumption figures you have (Gas 2063 kWh per month and Electricity 546 kWh per month) I will save on gas £1.15 per month and electricity £1.86 a total saving of £36.18. My net deficit after my cost to leave first utility and my gain from joining Sainsbury's is £30, so my total saving for the year, based on the figures you have, will be £6.18. Some way off the £220 you claimed!

Now in a rising market I could accept that maybe to swop earlier and fix for longer may be the way to go, however we are currently not in a rising market and you seem to have presented the figures in a very deceiving way, to be clear, I would not have swapped for a £6.18 saving. It feels to me that Martin's Money, a website that I have always trusted have got me to switch for their own gain and with little or no benefit to me. In fact if prices continue to drop I could easily end up paying another £50 to exit Sainsbury's when I really shouldn't have been advised to sign up with them in the first place.

Of course you might say that there is some other charge that I haven't taken into account, and to be honest I really hope there is, because I don't want to lose faith in the Martin Lewis brand, so I would like you to come back to me and explain where this saving is. However I don't think you will, more likely you will tell me that this way of working out tariffs is an industry standard and there is no other way of doing it, and in a rapidly rising market, perhaps you are right, but in the current market your savings are exaggerated and very misleading.

I will wait for your response and then I imagine I will be cancelling my switch."

"Misleading Energy Club Alert savings –

I have just changed supplier based on the savings shown by the Energy Club Alert but now realise they are based on a misleading calculation. I'd want to move if the amount I pay per month would be significantly lower. I now realise that the annual saving you calculate assumes I move to the standard variable tariff of my current supplier when my current fixed rate tariff ends. Since this is always a lot higher than alternative tariffs I would definitely not have done this. I now realise that the saving I will make over the eight months that my current fixed rate tariff has to run are very small, much less than the exit penalty I'll be paying. I do think you should, as a matter of urgency, change your comparison so that it just compares the current rate of any fixed-term tariff with alternative tariffs, extrapolating the customer's current tariff where necessary for 12 months even if this takes it beyond the end of the fixed term. The current form of calculation could be retained as an option for those that wanted it, but it is important that you change the default so that the savings shown are real rather than notional."

"I have just looked at the energy comparison you generated. I'm very surprised at you Martin as I thought you were on the consumer's side.

You used the last 5 months of my current contract plus 7 months of a notional standard contract (WHICH I DO NOT HAVE) to compare to others. How is that a fair comparison? It assumes that I am stupid enough not to look round for a better contract when current one comes to an end and take on a more expensive one? It's like saying I can save £10000 by not buying a new car?? Not very transparent is it?

So the honest comparison is the last 12 months of my contract with 12 months elsewhere. If that is done the saving disappears especially when fee is paid to break current contract.
So Martin what is going on here? I'm losing confidence in your advice if you cannot provide me with a sensible answer. I thought this sort of nonsense juggling with numbers was the sort of thing you were against."

"Your site is wholly misleading. I don't care what you say about this being the way that you have present the results, the fact is that it is entirely untrue that I will save the amount of money that you suggest and to send emails with this false information is deliberately misleading.
You should be ashamed of yourselves."

"How can I trust your figures when you think that £23 x 12 = £286 a year? That's the figure you use for comparisons against my current spend, so I have to deduct £10 from your findings! If your system can't make a simple calculation, why should I bother to use it when every other site can handle basic arithmetic. I'll go elsewhere for reliable results until you fix this error."

"I appreciate that you can't cover all scenarios, but I think you should put in a warning that it may not work out cheaper to switch from a fixed deal at the moment. I have just run the figures for my actual usage, which is higher than the normal comparison figure. I am currently on EDF's fixed rate until March 2015. Your calculator worked out that I could be saving up to £200 per year with a change to different suppliers, or moving tariff within EDF. Having looked closely at the way you run your calculations, you assume that I will not switch when my current deal runs out and will revert to the standard tariff for the rest of the year. However, I plan to reassess the situation at the end of March and not revert to a standard tariff.
When I calculated a full year's cost at my current tariff, to get a fair comparison, I found that I would only save £8 by switching to Scottish Power and would actually pay £44 more by switching now to the EDF fixed tariff Feb 2016, than I am paying on my current tariff, so there is no compelling reason for me to switch before my tariff runs out.
You may wish to point this out on your page and suggest that people do their own calculations, based on their usage, against the tariffs shown as the savings may not be as great as indicated unless you are already only on a standard tariff. Alternatively you could provide a second comparison in which someone could enter their current tariff prices to see how they stack up at the moment, based on their normal usage, to determine whether a switch is really worthwhile, although cashback and vouchers might be sufficient to sway them even if the total bill is similar."

"I really feel that the way you are presenting the figures is very misleading. If you feel that Ofgem have got it wrong then you should be clearly showing the figure that a customer would save per month alongside the Ofgem totally unrealistic figure, all you need to do is compare the month we are in of course this can easily be worked out and displayed, this is very simple functionality, and could be implemented this week, if not sooner. kWh supplied, divided by 12 months for current provider and then shown how much each provider would charge for the next 30 days, this is then a direct comparison for a month without factoring in a tariff that I will never go onto. If you have to legally show the Ofgem figure as well, then show it for the ridiculous figure that it is under another heading.

Adding in a much higher tariff for an ever increasing part of the term is misleading and ridiculous it seems to me to be a good way of making customers switch suppliers and make you money.

One of the problems I have with this is that Martin Lewis is always telling us to switch, telling us to check the figures and basically kick the energy companies, as such, as consumers we believe that Martin Lewis is a good guy, giving good solid consumer advice. Whilst I realise that he sold the website to a third party, you are still running your business on his brand. However the information you are supplying to us is basically useless and designed to make us switch. You claim I would be up to £220 better off, where the figure is actually somewhere between £30 and £6, but if energy prices drop further then I will have to switch again and that will cost me £50 in exit fees. Even if they stay the same I would be better holding off switching, and so getting a longer fixed rate later on in the year, better still sticking with First utility and saving £60 in exit fees and making £30 to switch later. So even on your figures (which I disagree with) I stand the very real chance of being between £90 and £20 worse off. If energy prices go up, then yes I accept that this may be the best deal for me as it is for a longer term, but that isn't happening at the moment and you have no idea if it's going to. If I had the complete, honest facts I could make the decision whether to switch or not to.

So it seems to me that the only way that any consumer can check what is the best tariff to be on is by manually going through every tariff, looking at standing charges and cost per kWh and then comparing themselves. If that was the advice that Martin Lewis gave then that would be fine, but he's not, he's saying "trust me, better still use my Energy Club and you will always save money", and as I pointed out with my colleague, he would actually be £57 worse off when the rebates and exit fees were taken into account simply by following your advice. Basically we, as consumers cannot trust your savings and I wonder how many other consumers are relying on your website and switching not realising how you are working out your figures?

As you say this is Ofgem’s fault I will forward this email trail on to them outlining my total dissatisfaction with the way that the figures are being presented and see what their response is.”