

# Domestic Third Party Intermediaries workshop

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On 13<sup>th</sup> November 2014, Ofgem held a workshop on a range of issues relating to Third Party Intermediaries. This is a note of the meeting.

From: Ofgem  
To: Gas and Electricity Suppliers, Third Party Intermediaries, Consumer Groups, Interested Parties  
Date: 13<sup>th</sup> November 2014

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## 1. Background

1.1. On 7<sup>th</sup> August 2014, we published our consultation [Domestic Third Party Intermediaries: Confidence Code and other issues](#). In this consultation, we identified information exchange and face-to-face services as priority areas for our consideration alongside broader reforms to the Confidence Code.

1.2. To support our evidence gathering, we held a workshop on 13<sup>th</sup> November to discuss these areas in more detail. Below is a summary of the group discussions held on the day.

## 2. First morning session: information exchange

2.1. Issues identified by attendees fell into two main categories – those relating to customer information during the switch and those relating to access to historical tariff information.

### Customer information during the switch

2.2. There was broad agreement amongst attendees that the quality of information flows to and from the customer during their switch affects the entire customer journey. Suppliers, Third Party Intermediaries (TPIs) and consumer groups broadly agreed that there is scope to improve current practices in relation to the transfer of customer switching information between suppliers and TPIs. In turn, this would enable TPIs to help consumers see what is happening during their switches.

2.3. Suppliers and TPIs broadly agreed that current practices often involve suppliers sending ad-hoc updates on the progress of customer switches to TPIs. The frequency and quality of these updates can vary, depending in part on the commercial relationship between the TPI and the supplier.

2.4. Stakeholders had differing opinions on the level of detail a TPI should be able to provide to the customer, for example, information regarding the progress of the customer's switch, the supply start date etc. Some suppliers argued that they should act as the single point of contact for consumers. Others suggested that TPIs could call the supplier on the customer's behalf to get information on the switch. Some TPIs felt that they should be able to access or be provided with live updates on the status of switches. However, it was noted that setting up the technical arrangements to facilitate this could be burdensome on both TPIs and suppliers, and in particular may have a negative impact on smaller TPIs.

2.5. Some TPIs also emphasised the potential benefits of standardising the approach to the formatting of customer transfer information between TPIs and suppliers, as well as the regularity with which TPIs were updated on switching progress. This included the reduction of erroneous transfers and an ability to respond promptly to queries about the progress of switches. Looking at what happens in other sectors (such as insurance) was noted as potentially helpful.

## **Historical tariff information**

2.6. In general, TPIs expressed a lack of certainty as to the tariff information suppliers were required to provide, especially in the context of historical and collective switching tariffs. More established TPIs felt that it was not too difficult to obtain information on closed fixed term tariffs as they had previously held this. Some TPIs and suppliers noted that new entrants to the TPI market would not have the same advantage as market incumbents.

2.7. Some stakeholders argued that the interpretation of tariff data presented more of an issue than its availability, and pointed to the variations in tariff names as another significant issue. Some TPIs pointed to inconsistency in the way tariff information is provided or available leading to errors when compiling a database of historical tariff information.

2.8. In response to this, some stakeholders proposed requiring suppliers to provide information in a standardised format. Some suppliers also raised the potential disadvantages of requiring such an approach, most notably the additional resource requirement it would require, which would disproportionately affect the smaller suppliers.

2.9. There was also discussion on whether a central tariff repository could help solve problems around accessibility of historic tariff information. However, questions were raised over who would run, manage and bear the cost of this database. Some TPIs pointed out that existing tariff information could be considered as a commercial asset.

2.10. A further solution proposed was that TPIs could set up Application Programming Interfaces (APIs) to allow them to receive information more easily and in a standardised format. It was noted, however, that this could form a barrier to entry for new TPIs. Other stakeholders also commented that suppliers should be able to specify how they want their information to be displayed in order to differentiate themselves, and TPIs should be able to adapt to this.

## **3. Second morning session: face-to-face**

3.1. In our second session, stakeholders discussed the key components of a high-quality face-to-face interaction, the barriers to TPI involvement in face-to-face sales and the varying responsibilities stakeholders have to address these barriers.

3.2. Stakeholders noted that face-to-face sales could involve more general provision of information and suggestions on how the customer could save money on their energy. The relative merits of different models of face-to-face selling were also discussed, including doorstep selling compared to more public forms, for example in shopping centres. It was noted that in the latter, the customer may not have sufficient billing information to make a well-informed switch.

3.3. A number of TPIs and suppliers felt that face-to-face sales should be a two-step process, with the customer being provided information face-to-face and then completing the switch online or over the phone. They argued that this would both lead to a higher quality consumer experience and would allow suppliers to monitor whether sales were compliant with SLC 25.

### **Impact of SLC 25**

3.4. In terms of barriers to provision of TPI face-to-face services, suppliers voiced concerns that compliance with SLC 25 was acting as a key barrier. Some suppliers commented that more of the compliance burden would need to fall directly on TPIs to facilitate more face-to-face selling arrangements. TPIs mentioned that some trials have

already taken place, and that they considered that other trials could go ahead under the current rules.

3.5. Various ways forward suggested by stakeholders included:

- i. a two-step approach, which would involve an initial discussion about energy tariffs in a face-to-face setting with the customer speaking to the TPI over the phone to complete the actual sale;
- ii. finding a way to monitor the sale, with Ofgem auditing the face-to-face part of the sale and suppliers responsible for the actual switch;
- iii. using the face-to-face interaction to get the customer on the phone, and SLC 25 would not apply until the phone call, which would be recorded;
- iv. Ofgem creating a period of relaxed enforcement of SLC 25, such as that during Big Energy Saving week, to allow suppliers and TPIs to see if a workable model can be developed and help suppliers feel more confident in continuing face-to-face sales after the period;
- v. face-to-face sales being covered by the Confidence Code or another separate code; and,
- vi. making the current rules less onerous on suppliers and/or TPIs.

#### **Other factors**

3.6. Another barrier raised by some TPIs was that face-to-face selling is more costly per customer than online sales. However, some TPIs noted that they are interested in exploring ways in which face-to-face sales can be both beneficial to consumers and commercially viable.

3.7. It was noted by TPIs that the elderly, who form a large part of those who could benefit from face-to-face interactions, are in no cold-calling zones and would therefore be out of reach to TPIs.

## **4. First afternoon session: Whole of market / commission arrangements**

### **Agreement of objectives**

4.1. Stakeholders were generally in favour of our objectives in this area. Several TPIs stated their preference for a principles-based approach in order to achieve these objectives, and suggested that there was limited evidence in support of Ofgem taking a prescriptive approach.

4.2. Some stakeholders suggested that there may be benefit in conducting consumer research into how and where messaging on whole of market comparisons and commission arrangements should appear, providing an evidence base for TPIs to best fulfil these objectives. This could include acquiring an understanding of consumer preferences with regard to whole of market or partial market comparisons.

## **Key messages to be communicated to consumers**

### *Whole of market comparison*

4.3. Concerns were raised by some suppliers regarding how well consumers actually understand the phrase 'whole of market'. Some stakeholders suggested that messaging should explain explicitly what a 'whole of market' view means.

4.4. One supplier noted that current messaging used by some TPIs can be easily misunderstood. The phrase 'deals you can switch to today' was identified as a potentially confusing or misleading message. The supplier encouraged the use of clearer messaging that identified that this filter will show only tariffs that can be switched to through that site.

4.5. One supplier encouraged Ofgem to put forward the 'key messages' we wish to see on whole of market comparisons, with accompanying guidance on how these messages should appear. The aim of this would be to make the consumer aware of what they are viewing whilst providing flexibility to allow for branding and company specific mechanisms (ie pop ups, links etc.). One stakeholder suggested wording as follows, "Here are the tariffs available that meet your search criteria that we can switch you to via our site". Some stakeholders supported this form of wording.

### *Commission arrangements*

4.6. Several stakeholders felt that messaging should make clear that commission arrangements will not influence the price that is displayed (i.e. the price paid by the consumer would be exactly the same if they dealt with the supplier directly).

4.7. One TPI suggested that tariffs that consumers are unable to switch to are 'greyed out' with a clearly visible "why can't I switch" flag. This flag would explain the various reasons why the customer might not be able to switch through that site (which may include the absence of commission arrangements).

4.8. There was general consensus that TPIs should not be required to display specific details on commission amounts, as there was no evidence to suggest this would have any consumer benefit. It was noted that displaying commission amounts might unintentionally lead to consumer confusion regarding the exact amount they will be charged, and that this uncertainty could have a detrimental impact on consumer engagement with accredited sites.

## **Location of messaging**

4.9. Stakeholders expressed different opinions regarding the level of prescription required. Some TPIs suggested it would be beneficial to have flexibility. However, several suppliers suggested that messaging should be required at the data input stage, noting TPIs could have flexibility where and how messaging is displayed within the data entry stage. Other stakeholders supported the requirement that this messaging be displayed on the results page, including the ability to switch between a full and partial market view.

## **Messaging defaults**

4.10. Stakeholders offered mixed views regarding defaulting to a whole or part of market view. Several TPIs noted that consumers generally use their services to switch and therefore it is in the consumer's interest to offer the partial market as default, so long as consumers are made aware that there may be other deals in the market they aren't able to view. Other stakeholders suggested that true comparison transparency required a whole of market view as default.

## **5. Second afternoon session: Warm Home Discount (WHD)**

5.1. In this session, stakeholders discussed our proposal to introduce messaging and links to the WHD; including how and where these should be displayed. In general, stakeholders supported the proposal to introduce messaging and links to WHD information that ensures customers don't lose this benefit accidentally when switching supplier.

5.2. Stakeholders recognised that the WHD is a complex scheme, and substantive difficulties may arise in attempts to ensure consumers are fully aware of their eligibility and the potential of losing this benefit by switching to another supplier. There was strong support for a principle based approach that could be amended over time.

5.3. One supplier noted that consumers eligible for the WHD might save more from switching supplier compared with the money received under the WHD. Based on this, they advised that care should be taken to ensure consumers are not 'put off' switching suppliers from such messaging.

### **General vs. Specific messaging**

5.4. A number of stakeholders noted that WHD eligibility is a complex area, and consumer awareness of the scheme and how it is implemented is quite low. Therefore, stakeholders generally agreed that while some consumers might benefit from specific messaging that dealt with these complexities, the majority would not. One supplier also noted that specific messaging might result in sites displaying this information inaccurately if they have not acquired all the relevant information from suppliers.

5.5. One TPI suggested that more information from suppliers regarding the WHD broader group eligibility criteria would be beneficial before a messaging strategy could be proposed.

### **Messaging wording and location**

5.6. One supplier suggested having the following wording at the data input stage: "are you eligible for warm home discount? Yes/no/not sure". This option would be defaulted to no, as is currently the case for economy 7. This provision of a yes/no/maybe question was discussed at length, with stakeholders raising a number of potential issues, including that:

- i. The question itself might create confusion
- ii. Consumers would be attracted to the word 'discount' without knowing what it is
- iii. What messaging would come up if a customer stated 'don't know'?
- iv. How would this choice impact on subsequent messaging e.g. on results page?

5.7. Another example of suggested wording stressed that consumers should contact their current supplier for more information on the WHD e.g. "have you enquired with your supplier about WHD?" This would be best displayed alongside brief information on the WHD.

5.8. One stakeholder suggested that during the data entry stage, if consumers tick yes to being in receipt of WHD, then a message should appear at that stage indicating that WHD eligibility may be lost whilst signposting them to DECC/Citizens Advice for more information.

### **Level of prescription**

5.9. There was general stakeholder agreement that sites should be offered flexibility in this area. TPIs in particular expressed strong support for a principles-based approach which set out a clear objective. This would allow TPIs – who are experts in developing price comparison websites – to innovate and adapt in what has been recognised as a tricky area.