

Workshop on face-to-face intermediary services

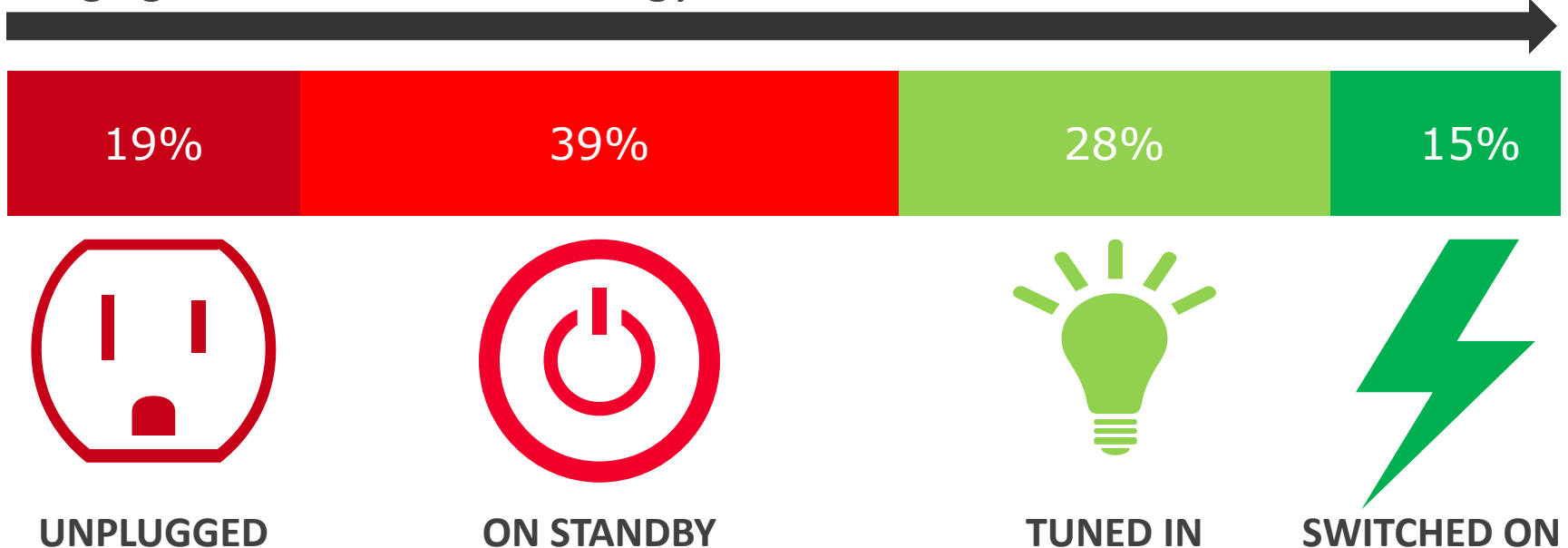
30 April 2015

Ofgem offices, 9 Millbank, SW1P 3GE

ofgem

10.00 – 10.20	Our work and today's objectives
10.20 – 10.45	Outcomes and risks
10.45 – 11.45	Understanding SLC 25 and other SLCs
11.45 – 12.00	<i>Break</i>
12.00 – 12.50	Delivering compliance with SLC 25 and other SLCs
12.50 – 13.20	Potential solutions
13.20 – 13.30	Wrap up

Engagement with the energy market



Source: TNS BMRB, 2014. [Retail Market Review Baseline Survey: Report Prepared for Ofgem](#)

- Face-to-face (F2F) services provided by Third Party Intermediaries (TPIs) can be a powerful way to engage consumers, especially those that are hard-to-reach

- We understand that some TPIs want to offer F2F services
- However, some suppliers will not agree commercial terms citing Standard Licence Condition (SLC) 25
 - SLC 25 regulates F2F and telephone marketing and sales activities with domestic customers by suppliers and their Representatives
 - Suppliers are concerned about compliance with SLC 25
- Stakeholders have also identified commercial barriers to the offer of F2F services

- Our aim is to identify the steps we should take to facilitate provision of F2F services by TPIs
- In facilitating provision of F2F services, we are committed to:
 - ensuring consumers have the information they need to make good choices
 - protecting consumers from misleading sales activities
- In considering any next steps, we will assess the extent to which they are likely to deliver benefits for consumers

IN SCOPE

- TPIs (non-exclusive intermediaries)
- Domestic sector
- F2F services

OUT OF SCOPE

- Suppliers and suppliers' agents
- Non-domestic sector
- Telephone & online services

- **For the purposes of this project, a TPI is:** A non-exclusive intermediary between a supplier and a consumer that give advice, information or assistance in relation to supply contracts
- **Scope of F2F services:** There is no single TPI service – but our focus is on tariff advice or switching services



Our project is one of a package of measures to help hard-to-reach consumers and those in vulnerable circumstances get the best deal

- Energy Best Deal
- Collective switching
- Debt Assignment Protocol



Competition and Market Authority's (CMA) [updated issues statement](#) found disengaged consumers may insulate suppliers from competitive pressures

- Significant numbers of consumers are inactive
- Big savings possible from switching



Ofgem accredits online comparison sites that adhere to defined standards

- 11 accredited comparison sites
- Reassures consumers about the independence, transparency, accuracy, and reliability of the service



In 2014, explored options for improving standards of behaviour in the non-domestic TPI market

- Set out principles we expect TPIs to adhere to
- Published factsheet with Citizens Advice

**Consultation on domestic TPIs
(August 2014)**

*Sought views on steps to
facilitate F2F services*

**Workshop on domestic TPIs
(November 2014)**

*Covered a range of policy issues
relating to domestic TPIs,
including F2F services*

Views from stakeholders to date:

- Recognition of potential benefits for consumers of F2F services, though some concerns around the risks associated with doorstep selling
- Distinction made between commercial and not-for-profit providers
- Suppliers concerned about compliance with SLC 25; commercial barriers also identified

- Develop a shared understanding of what 'good' looks like in the provision of face-to-face intermediary services
- Seek views on the way in which the current regulatory framework may affect realisation of consumer benefits
- Gather views on possible solutions to any regulatory problem(s) identified

Outcomes and risks

25 minutes

- Come to a shared understanding of what ‘good’ consumer outcomes look like in the delivery of F2F services
- Understand how different types of F2F services could help achieve good consumer outcomes and where the risks might lie

There are different types of F2F services could be provided

- The location of the F2F service could vary. For example, it might take place:
 - in shops or shopping centres
 - on the doorstep
 - at organised energy or personal finance events
- The process of the face-to-face service could also vary. For example, TPIs could offer:
 - face-to-face personal recommendation and initiation of switch
 - two stage: initial face-to-face interaction and then telephone call or email to initiate switch

- Consumers make informed switching choices
- Consumers understand who they are dealing with both directly and indirectly
- Consumers are able to complain to and gain redress from the appropriate parties when needed
- Services are designed to be sensitive to consumer vulnerability



Consumer outcomes:

- Lower bills
- Quality of service
- Benefits for society

Q: Does the group agree that these are the consumer outcomes that should be delivered by provision of F2F TPI services?

- Any intervention must identify and seek to mitigate risks to the consumer outcomes in context of cross-sector protections
- Potential risks include:
 - TPIs misrepresent tariffs and deals
 - TPIs misrepresent their supplier coverage
 - TPIs engage in aggressive selling practices

Q: What benefits and risks might different types of F2F services pose to achieving the consumer outcomes we have identified?

Understanding SLC 25 and other relevant SLCs

60 minutes

- Set out our guidance on the interpretation of SLC 25 as it applied to TPIs providing F2F services
- Seek views on why stakeholders have concerns about different interpretations of SLC 25 as it applies to TPIs providing F2F services
- Seek views on whether similar concerns apply to other relevant licence conditions

- SLC 25 applies to all domestic supply licence holders and their Representatives in respect of Marketing Activities and Telesales Activities
- SLC 25 sets out a general objective for Marketing Activities and Telesales Activities
- SLC 25 also contains more detailed requirements relating to Marketing Activities, for example relating to:
 - selection and training
 - pre-contract obligations
 - obligations at the time of contract
 - post-contract obligations

‘We do not consider SLC 25 to have the effect of prohibiting TPIs from engaging with customers face-to-face to offer ‘across the market’ comparisons – if appropriate systems and processes are in place’

Ofgem, 2012. [Marketing of energy supply to domestic customers by Third Party Intermediaries \(TPIs\) – clarification of Standard Licence Condition \(SLC\) 25 of the gas and electricity supply licences](#)

- In October 2012, we published guidance on the application of SLC 25 to certain F2F activities undertaken by TPIs
- Where TPIs may be involved in provision of F2F services, we said that SLC 25 may apply principally depending on:
 - whether such TPIs are the licensee’s Representative;
 - and if so, whether such TPIs are engaged in Marketing Activities

Representative, in relation to the licensee, means any person directly or indirectly authorised to represent the licensee in its dealings with Customers

Paragraph 1.3 of SLC 1 of the electricity and gas supply licences

- We said in our guidance that, in the context of SLC 25, the types of commercial relationships between a licensee and a person captured by the definition include situations where:
 - a person gains a financial or non-financial benefit from a licensee
 - the licensee agrees to make a financial payment where there was no pre-existing contractual relationship

“Marketing Activities” means any activities of the licensee that:

- (a) take place with the simultaneous physical presence of the licensee or any Representative and a Domestic customer*
- (b) are directed at or incidental to identifying and communicating with Domestic Customers for the purposes of promoting the licensee’s Domestic Supply Contracts to them and includes entering into such contracts with such customers’*

Paragraph 17 of SLC 25 of the electricity and gas supply licences

- Stakeholders have told us that different interpretations of SLC 25 make it difficult for TPIs to provide F2F services

Q: What specific aspects of SLC 25 are being interpreted differently as it applies to provision of F2F services by TPIs?

Q: Why do different interpretations affect provision of F2F services?

- Other SLCs introduced by Ofgem's Retail Market Review may also apply to F2F services provided by TPIs, including:
 - SLC 31C: Provide or display the Tariff Comparison Rate whenever information on charges is given
 - SLC 23: Notify Principal Terms of the contract before entering into one
 - SLC 31E: Provide the Tariff Information Label and Personal Projection when providing information on the Principal Terms of a contract

Q: Do different interpretations of other relevant SLCs affect provision of F2F services?

Q: If so, why?

BREAK

15 minutes

Delivering compliance with SLC 25 and other relevant SLCs

60 minutes

- Set out stakeholders' views to date on the challenges to delivering compliance
- Hear from one TPI on its approach to auditing F2F services during a trial
- Seek views on how compliance can be delivered

- Some stakeholders have told us that the burden of complying with SLC 25 adds to the costs of providing F2F services
- Some stakeholders have also said that auditing of F2F services is more difficult in comparison to other channels
 - Driver is the ‘lack of visibility’ of F2F interactions

Q: How can effective auditing of compliance of F2F services be achieved?

Q: What other issues do you face in delivering compliance, if any?

Potential solutions

30 minutes

Aim of the discussion is to seek views on our early thinking

- Share our early thinking on the range of high-level options for how Ofgem might facilitate the provision of F2F services by TPIs.
- Gather stakeholders' views on these options to inform subsequent analysis.

30 minutes

TPIs are regulated in different ways in other contexts



In energy, we accredit TPIs that provide domestic online price comparison services through the Confidence Code. This is a voluntary scheme



In energy, non-domestic TPIs are currently not regulated by Ofgem. (We are currently considering our regulatory approach)



In telecoms, the regulator Ofcom has a voluntary accreditation scheme for price comparison services that are provided online and by phone



In financial services, most TPIs (eg, insurance comparison services) are directly regulated by the FCA. Current and savings account comparison services are not specified regulated activities

- Non-sector specific consumer protection law may also apply to provision of F2F services by TPIs.
- Examples include:
 - Consumer Protection from Unfair Trading Regulations 2008
 - Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013

We have identified three high-level solutions

1. We could adapt the existing regulatory framework, for example by modifying SLC 25 (and other relevant SLCs)
2. We could develop a new regulatory framework
3. We could rely on existing cross-sector consumer protections

Q: What are the advantages and disadvantages of the options?

Q: Are there other options that we could consider?

Next steps

10 minutes

- Today's workshop is an input to further thinking on:
 - The issue and its materiality
 - The role that Ofgem can play to address the issue
- Any next steps will take account of the wider context:
 - Ofgem's wider work on domestic and non-domestic TPIs
 - The CMA's market investigation

Thank you for your participation at today's workshop