

## **Domestic third party intermediaries: Confidence Code and other issues**

**13<sup>th</sup> November 2014**

ofgem



## **Welcome and Introduction (10:00)**

### **Session 1 – Domestic TPI strategy: our priorities (10:10 – 12:15)**

Presentation on our work to date and findings from recent stakeholder engagement

Breakout groups / Q&A session

### **Session 2 – Confidence Code (13:00 – 15:30)**

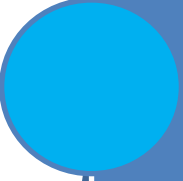
Update following the summer consultation document on the key policy items

Breakout groups

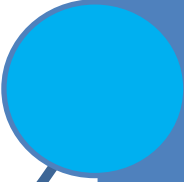
# Aims of the event



Provide an update on our review of arrangements for domestic TPIs and findings from our latest consultation



Seek further engagement from you on options for our priority issues: face to face services and information flows



Seek input from you on the best way forward on key Confidence Code policy items

### Why?

- Growing and evolving market
- Critical in engaging consumers in switching
- We committed to wider review of arrangements for TPIs in our Forward Work Plan this year

### What?

- Targeting our work at areas likely to give most benefit to consumers
- Ensuring a coherent, long term approach
- Close links with our work on non domestic TPIs

# Vision and principles for domestic TPIs

*Domestic consumers are empowered to engage confidently with the energy market, assisted by an innovative range of good quality, trusted intermediary services.*

Independence

Transparency

Accuracy

Reliability

# Our priorities

- We highlighted two overarching priorities for our focus: information flows and face to face services



- Information flows were viewed as a key priority by almost all of the respondents to our consultation



- Integral part of good quality intermediation
- Stakeholders raised a number of barriers to good information flows that affect the consumer journey before, during and after the switch

# The consumer journey: What does good look like?

## Before the switch

- Confident that information is accurate
- Information on the same tariff is consistent
- Comparison is simple and reliable

## During the switch

- Able to contact TPI and get updates on how their switch is going
- Switch progresses smoothly without errors or delays.

## After the switch

- If a switch is refused, the consumer understands why
- Option of ongoing tailored information from the TPI





# Barriers to achieving a good consumer journey

## Before the switch

- Lack of access to historical tariff data
- Systems lack some data transfer capability
- Inconsistency between TPIs

## During the switch

- Inability to provide consumer with updates on their switch
- Erroneous transfers

## After the switch

- Inability to explain reasons for unsuccessful switch
- Information on TPI site not updated
- Lack of follow up service



# What's needed to overcome these barriers?

**TPIs' access to data?**

**Format in which  
information  
shared?**

**Method of  
receiving  
information?**



# Whose responsibility is it to address these barriers?

# Group breakouts: questions for discussion (20 minutes)

- Are there any key types of information we've missed?
- What's needed to overcome the key barriers identified?
- Whose lead responsibility is it to address the different barriers?

# Face to face

No one face to face service model

Group sessions

1 on 1 outside  
person's home

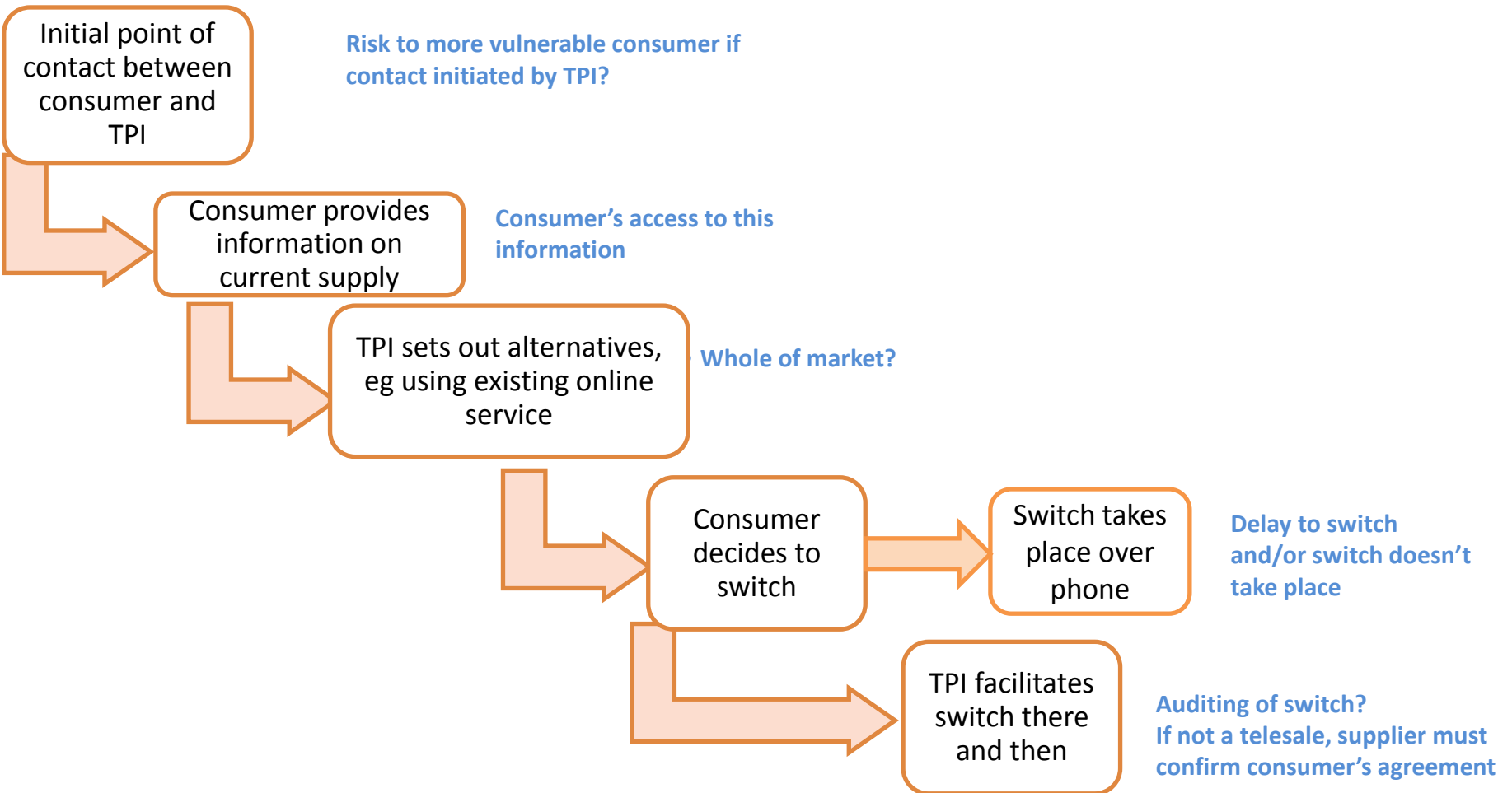
Doorstep

Telephone

## Consultation feedback

- Support us taking forward work on face to face
- Mixed interest from both suppliers and TPIs over extent to want to engage with providing face to face
- Role of not for profit services v for profit?
- Telesales as important area

## The face to face process and challenges raised



# Our initial response

- No one fixed solution
- Protecting consumers from misselling critical but shouldn't be used as excuse
- Potential for range of different providers in face to face activities
- Requires active engagement from TPIs and suppliers



## Energy Best Deal – aims to

- make people aware of the savings that can be made by switching fuel providers or negotiating with existing providers
  - provide information about help available from energy suppliers and government for people struggling to pay their gas and electricity bills
  - inform consumers about how they might save money by using less energy, and sources of advice and help around energy efficiency
- Delivered in Group sessions (one hour presentation, with an information leaflet to hand out)
- aimed at low income consumers and front-line staff
- signposts to a range of further help with issues such as fuel debt, benefits entitlement and energy efficiency.



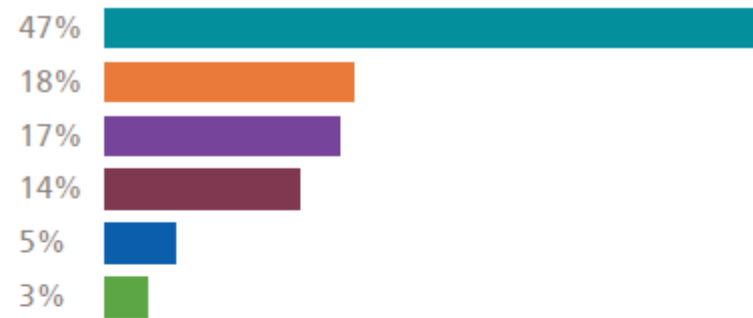


## Who benefits?

In 2013/14 there were 200 delivery partners in GB (England, Scotland and Wales)

1,484 sessions directly reaching:

- 10,349 consumers
- 5,408 frontline workers (each estimated to reach a further 15 consumers)



- 47 per cent were retired
- 18 per cent were unemployed
- 17 per cent were working
- 14 per cent were disabled or long term sick
- 5 per cent were carers
- 3 per cent were students

*Note: many people chose more than one option (for example a student and carer) and so the total comes to more than 100 per cent.*



## Energy Best Deal – Extra

- Offers face to face support and coaching
- Focus is on help with getting consumers onto the right tariff but also energy efficiency, access to grants/benefits, energy debt advice.
- Aimed at most vulnerable consumers
- Run in pilot 2012/13 and 2013/14 using EDF fine money
- £3.5million fine money (EDF and SP) enabled greater provision for 2014/15

## Impact – Pilot sessions

- Ninety-nine Citizens Advice covering 4,318 clients.
- Fifty-two people took part in evaluation
- Forty-eight people (92%) said that they found the advice appointments helpful.
- Twelve people interviewed switched supplier or tariff as a result of the advice appointment and two people switched from prepayment meters to credit meters. Six people had applied for and received the Warm Home Discount.

# Group breakouts: questions for discussion (25 minutes)

- What are the key components of a high quality face to face process from a consumer perspective?
- What is it which creates a barrier to your involvement?
- Whose responsibility is it to address these barriers?

## Confidence Code review

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## Agenda

This session will cover:



- (1) Overview of recent consultation on proposed changes to the Confidence Code and Q&A**
- (2) Transparency of commission arrangements and consumer awareness of whole of market comparisons
- (3) Warm Home Discount information display
- (4) Summary and next steps



## What the Confidence Code is:

- Voluntary code of practice for domestic price comparison sites.
- Currently has 11 accredited sites.
- Transferred from Consumer Focus to Ofgem in March 2013.

## Our review of the Code:

- No significant changes when the Code was transferred.
- Signalled our intent to review its terms to ensure it aligns with the aims of the Retail Market Review (RMR) and with Ofgem's responsibility towards consumers more generally.

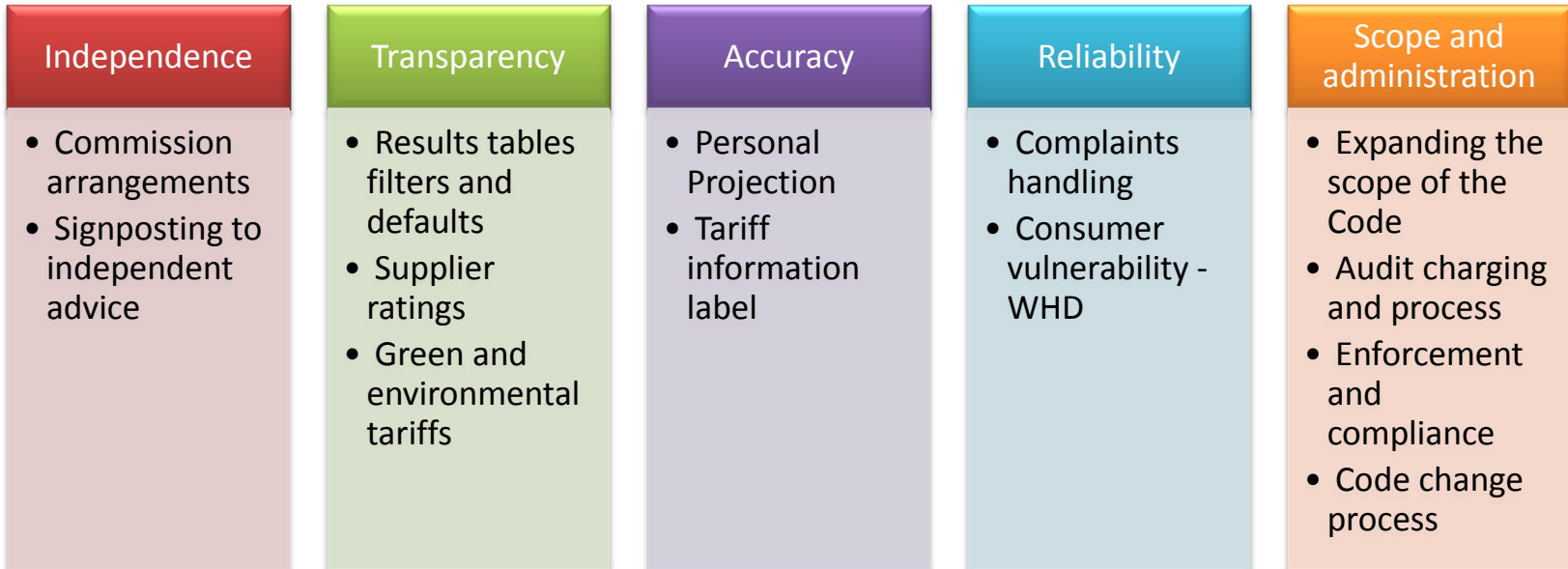


Consultation published in August 2014, setting out a range of proposals to ensure the Code fits with our principles of good intermediation

- Independence
- Transparency
- Accuracy
- Reliability

We also consulted on proposed changes to the way in which we administer the Code, and the scope of services it covers

## Main proposals



## Further work areas





Overall, stakeholders were positive about the changes we proposed

In particular, there was broad support for:

- Increased transparency of commission arrangements
- Better transparency around whole of market comparisons
- Clear presentation of Warm Home Discount information

Mixed views on:

- Personal Projection requirements
- Supplier ratings
- Green/environmental tariff display

Consultation responses have reaffirmed our direction of travel on certain key issues, which we intend to push ahead with

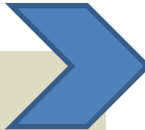
Further research, in conjunction with consultation responses, has highlighted that some other areas require further consideration before the Code is amended

- Most prominently, there are a variety of different ‘white label’ site models
  - We are still in favour of broadening the scope of the Code to allow a greater array of sites to become accredited
  - However, we want to ensure we fully understand the models that exist so that we can effectively manage accreditation of new sites and oversee compliance so that the high standards we expect do not slip

# Questions?

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-  (2) **Transparency of commission arrangements and consumer awareness of whole of market comparisons**
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# Discussion outline

- Summary of proposals to improve transparency & independence in the TPI market
- Summary of consultation responses to proposals
- Current policy objectives
- Discussion groups

## Independence

Desired Outcome



Display and messaging of commission arrangements

Key Issue  
addressed



TPIs to display list of suppliers  
they have commission  
arrangements with, within 2  
clicks of TPI home page

Clear messaging of how  
arrangements will influence  
search results, within 2 clicks  
from TPI home page

**Consultation  
proposals**

## Feedback on commission arrangements proposals

- Responses were broadly in favour of increasing transparency of commission arrangements across stakeholders
- Mixed opinion on displaying commission arrangements ‘two-clicks’ from home page – potential to obscure this information were consumers are unlikely to see it.
- Concerns over how messaging is displayed, and encouragement to move away from confusing phrases
- Majority did not mention the inclusion of specific commission amounts; those who did questioned the benefit this would bring to consumers
- Several switching sites raised concerns that these proposals might cause unnecessary restrictions on business models

# Summary of proposals to improve transparency in the TPI market

## Transparency

Desired Outcome



Whole of market / part of market comparisons

Key Issue  
addressed

Strengthen requirements to ensure consumers can quickly and easily compare the whole market, and are aware they can do so

We propose sites can continue to display only tariffs a consumer can switch to through their site as default, however messaging/filtering should be prominent and informative



**Consultation  
proposals**



## Feedback on whole of market proposals

- Most stakeholders agreed in principle that consumers should be aware of the availability of whole of market comparisons and that increasing this awareness would assist in further consumer trust in the energy market
- Those in favour were varied in the extent to which they thought whole of market comparisons should be promoted:
  - Several suggested having a whole of market as default
  - Others argued that whole of market as a default would limit sites' ability to enter into commission arrangements with suppliers
- Some suggested sites should prompt the consumer to select an option (whole of market or site-tailored view) at the outset, rather than having a default option either way

## Objectives for whole of market and commission

1. Consumers should be aware of how the tariffs displayed on the results page will be influenced by commission arrangements and should be able to easily identify which suppliers the site has commission arrangements with.
2. Consumers should be aware if the results they are viewing are whole of market or partial market.
3. The wording and implementation of any messaging regarding commission arrangements or whole of market comparisons should be prominent and clear.

Our “minded to” approach for both commission and whole of market comparisons is to put in place strong principles-based requirements that fulfil the objectives above, while allowing flexibility in how the information is communicated

**Topic #1:** Do you agree with our objective with regard to commission arrangements and whole of market comparisons?

**Topic #2:** What are the key messages that should be communicated to consumers to ensure transparency of commission arrangements and the availability of whole of market comparisons?

**Topic #3:** At what point in the 'consumer journey' through a site should the message(s) be communicated?

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## We asked the question

Do you support our proposal to introduce messaging and links to WHD info?

## Why did we ask this?

To ensure that those consumers in receipt of the Warm Home Discount benefit (£140 pa) make an informed decision when switching. We want to ensure they do not **accidentally lose** this benefit when switching suppliers.

Majority supported messaging after data entry stage (ie tariff results page or later).

Limited suggestions around content due to complexity of scheme.

Approx 1/3 suggested **upfront**

*'retention/loss of the WHD could have a significant impact on choices'*

Approx 2/3 suggested **later**, either in the tariff results page or after a tariff choice has been made

*'avoid consumer confusion', 'ensure consumers were not dissuaded from switching', 'only a small % of overall consumers are affected by WHD'*

Several suggested a **targeted approach**

ie consumers indicate receipt of WHD at tariff input page and see a warning message at results stage.

A couple suggested the sites should have **flexibility** on messaging to test

## WHD: Messaging needs to consider situations where WHD could be lost

Assume a consumer applies and is accepted for WHD in April, they would normally expect to receive payment between Sep-Mar.

If they switch prior to receiving the payment they may lose £140 because of:

Participation in the scheme (ie those that are part of the WHD scheme versus those that aren't)

Eligibility criteria for the broader group

Timing

- NB:**
- They may also lose out in the future years for all of the above.
  - However, the point on timing also applies if they stay with their current supplier as they need to make a fresh application each year.
  - £140 may negate the switching benefit in some circumstances but not all.

### Views and recommendations required on:

- Do you agree with our objective?
- General vs Specific Messaging
- Suggested wording and location on page.
- Prescriptive or allow sites to 'trial'

***NB: To start the discussions, our favoured initial approach is targeted at those who could lose***

***WHD:***

***So an initial question at data entry Stage eg Have you received (or do you expect to receive) a WHD payment before the end of March this year? (Y/N/Don't know)***


***THEN***

***General OR specific message***



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