



Making a positive difference
for energy consumers

Domestic energy suppliers,
consumer groups and other
interested parties

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Date: 7 March 2016

Improving consumer communications and the value of trials

Ofgem is committed to ensuring that consumers have the information they need to fully engage with the market and to make well-informed decisions about their energy supply. Over recent years we have taken steps to make sure consumers receive the information they need in bills and other communications, and to provide prompts to engage in the market.

We see significant potential for innovation in communications to meet consumers' needs more effectively, improve the consumer experience and increase the effectiveness of prompts. This potential was highlighted by the views expressed at a stakeholder workshop we held in November 2015.¹ Concerns were raised around how the volume of information required to meet Ofgem, government and EU requirements can reduce the effectiveness of communications and lead to consumer disengagement, as well as how detailed requirements can impede innovation.

To enable innovation by suppliers, while providing comprehensive protection for consumers, we are reviewing the regulatory arrangements that apply to customer communications. We are committed to removing as much prescription as possible from the licence and to setting detailed requirements only where needed to ensure prompts are given and are effective, or where consistency across suppliers is vital. This will give suppliers more freedom over the design of bills and other customer communications, to support tailoring of information and the use of new communication channels. This will be a key part of our ongoing work on the future of retail regulation.²

We are considering Ofgem-led trials on consumer communications. We think there is huge scope to use trials to refine and improve prompts to engage and consumer information, and to help gain better insight into what works best for which consumers and in what format. We also await the Competition and Markets Authority's proposed remedies, which may have relevance for billing or other consumer communications.

Ahead of reforms to the licence, we understand suppliers might want to use trials to improve their own communications and tailor information for their customers. We are willing to support suppliers undertaking such trials, including by granting permission where these trials involve bills or other communications which are not compliant with current licence conditions.

¹ <https://www.ofgem.gov.uk/publications-and-updates/effective-billing-and-information>

² <https://www.ofgem.gov.uk/publications-and-updates/future-retail-market-regulation>

At this stage, we are open to suppliers trialling changes in the format, placement and wording of information on bills and other communications. However, prompts to engage and other mandated information for consumers, such as the cheapest tariff message, must remain.

It is important that any trials are robust and provide meaningful results if they are to inform policy development. To support this, we have developed a high-level set of expectations for trials, set out in the Annex accompanying this letter.

The derogations process will continue to be the appropriate route for those seeking exemption from market rules to conduct trials. We stand ready to work with any suppliers who request a derogation for this purpose.

It is essential that suppliers build consideration of ethics and consumer protection into the design of trials. In granting any derogations, we will expect suppliers to monitor closely the impact of trials on consumers, so that any negative impact on consumers would be quickly identified and addressed. We will also expect the results of these trials to be shared with Ofgem to inform and support policy development.

Do contact my domestic consumers team (Stephen Bass, 0207 901 7285) if you wish to discuss possible trials. As noted in the Annex, we expect to develop and refine our expectations over time and will provide updates on our website in due course.³

Yours sincerely

Neil Barnes
Associate Partner

³ <https://www.ofgem.gov.uk/gas/retail-market/market-review-and-reform>

ANNEX- High-level expectations for trials on consumer information & billing

It is important that trials are well designed, well executed and well reported. This annex sets out Ofgem's high-level expectations on trials as of 7 March 2016. These are provided as guidance and are intended to support good practice in trialling. We expect to refine these as we learn from future trials, and through our work moving away from prescription. We will provide any further updates on our website if needed.⁴

High-level expectations

1. **Development of a strong theoretical framework** – we expect there to be a trial plan that sets out clearly:
 - a. what the objective of the trial is;
 - b. why a trial is the right approach;
 - c. what the aims of the intervention are;
 - d. what decision-making process the trial results will feed in to;
 - e. the components of the intervention; and
 - f. who it is targeted at.
2. **Clear consideration of ethics and consumer protection** – upfront consideration of ethics and consumer protection is essential, and must be factored in at design stage. Any negative impacts should be quickly identified and addressed. This includes consideration of any consumer detriment caused by:
 - a. testing an intervention that aims to improve one aspect of consumer experience at the expense of wider consumer information needs, e.g. improving customer satisfaction with a bill, but achieving this through the use of misleading or incomplete content; or
 - b. testing an intervention that is known to meet the needs of some consumers but not others, this is particularly important in relation to vulnerable consumers.
3. **Determine measurable outcome(s)** – once you have decided on the specific intervention to be evaluated it is important to identify the key outcomes and ensure that these are measurable. For example, if the purpose of trialling different bill formats is to assess consumer engagement then there should be a way of measuring this effectively.
4. **Design an effective sampling strategy** – it is important to consider the sampling methodology for the trial. Randomised controlled trials are not always practical, ethical or appropriate, other trial designs can be considered depending on circumstances. To the extent suppliers use a randomised control trial, considerations that would be expected are:
 - a) **Inclusion of a control group** - The primary goal of conducting a randomised control trial is to test whether an intervention works by comparing it to a control condition, usually either no intervention or an alternative intervention, therefore the inclusion of a control group is essential.
 - b) **The sample size** – this needs to ensure that the groups will be large enough to allow statistical tests to be used robustly. An insufficient sample size may undermine the trial and run the risk of not being able to draw conclusions.
 - c) **How to maximise the equivalence of groups** in order to avoid any major bias and ensure the research is robust, it is expected that random allocation to intervention and control groups would be used. Where a randomised control trial is not appropriate or possible it may be useful to consider matching techniques

⁴ <https://www.ofgem.gov.uk/gas/retail-market/market-review-and-reform>

- d) **Length of the trial** – consideration should be given to how long you need to run the trial in order to obtain sufficient results.
5. **Monitor and evaluate throughout the trial** – monitoring should focus on checking what has been delivered, to whom and whether it has been delivered as intended. There should be no exposure to the intervention among the control group. Consider supplementary qualitative research to help understand why a particular intervention is more/less effective.
6. **Plan the analysis and reporting** – consider how the trial will be evaluated and the statistical approach for analysing the data.