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By email: [DomesticRetailPolicy@ofgem.gov.uk](mailto:DomesticRetailPolicy@ofgem.gov.uk)

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Dear Fiona

I'm writing to you regarding Ofgem's approach to mandatory supplier testing of the consumer engagement remedies proposed by the CMA, as set out in the two open letters published in October.

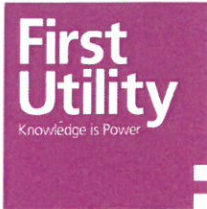
As a challenger business, First Utility contacts our customers every single month to see if they could be on a better deal. The result is that just 18% of our customers are on the SVT, and for a matter of weeks rather than months. We want to see a similar transformation of the incumbents' business models in order to open up the energy market for the 70% of their customers trapped on the worst possible deals, and look forward to working closely with Ofgem to achieve this.

Your first open letter set out criteria for selecting suppliers for the testing programme, such as: customer base; whether the supplier has the capabilities to undertake a trial and whether the burden of the trial is proportionate to a particular supplier. First Utility believes this overall approach seems sensible.

In terms of customer base, as well as considering the proportion of disengaged customers per supplier, we suggest that any trials should also include:

- dual Fuel customers, where both fuels are with the same supplier;
- single Fuel customers, where gas and electricity are with different suppliers, particularly incumbents, as this suggests that a customer may not have moved since privatisation; and
- the impact of having another product or service with a supplier e.g. boiler cover with British Gas.

We also note that, although the aim is to test measures to foster engagement amongst those customers who have not so far engaged (those 70% on their supplier's Standard Variable Tariff (**SVT**) or equivalent), the trial process could derive interesting counter-checks by including those customers who *have* engaged, although this may be by other research methods rather than a Randomised Control Trial.



Trials should therefore include newer entrants as well as established players. As Ofgem notes, this could require several suppliers to build new capability and, as that may be the case, time in the market should not be particularly relevant when it comes to selecting suppliers to test relevant remedies.

In terms of proportionality, we believe this should be assessed per trial, as well as taking into account the burden incurred by a supplier or suppliers across all trials. It would be useful for planning purposes to track other programmes and any delivery or other deadline so as to avoid clashes.

Your second open letter set out details for what Ofgem proposes to test initially, and how trials and information gathering and publication will be managed.

First Utility supports Ofgem's priority list of interventions. In order of priority, we believe the focus should be to test the following - not only by themselves but also in conjunction:

1. changing the name of the SVT to 'out of contract';
2. tests to determine the frequency and volume of prompts; and
3. tests to determine the optimum channel mix, including face-to-face information.

We also note that the Smart Meter Rollout could be a good opportunity for suppliers to provide tailored "Cheapest Tariff Information" a few months after installation, helping bolster support for the programme, and this could also be tested.

Finally, we believe that DWP and the Department for Health should commit to a testing programme of their own, and seek Ofgem's support in moving this forward. Government could and should work with the Behavioural Insights Team to trial nudges and prompts for recipients of Warm Home Discounts; Winter Fuel Payment recipients; JSA claimants; and women receiving Maternity Allowance.

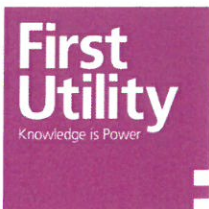
In terms of the licence condition itself, we do have concerns that its structure is extremely broad in scope and not limited to implementation of the CMA recommendations: the powers are also not time-limited.

The breadth of these powers plays out in the powers that Ofgem is considering, including information-gathering powers. We note that, as currently drafted, Ofgem could, in effect, compel a company to take on specific functions, build new systems and processes and take on or otherwise source personnel at very short notice.

In order to understand if requests are proportionate, Ofgem must take full account of all the pressures facing suppliers asked to participate in trials, even where these are not directly related to the potential trial.

As a quid pro quo, suppliers must commit to being open and transparent with all relevant information - and not to drag their feet.





Finally, we are keen to see as much progress as possible in the trials programme in as short a timescale as is practicable. It would be helpful, including in the context of supplier commitments mentioned above, if Ofgem in its response to this consultation sets out a firm timetable to ensure this programme moves at pace. This timetable could include:

- criteria for success of the trials (which we believe should include non-switchers moving off the SVT);
- a date by which the first trials should be underway (or completed as the case may be);
- a date by which trials should be finished, data analysed and a report published; and
- a date by which Ofgem then expects to amend licence conditions to mandate the most successful “nudges” trialled.

We also believe it is important that Ofgem manages the trial process directly. Suppliers must not be allowed to mark their own homework.

If you have any queries or need any further information, do let me know. We are keen to do what we can to aid and support the trial programme as this will speed more effective and targeted means of engagement into the market for the benefit of those consumers who have so far not benefitted from the opening up of the market.

Yours sincerely



**Natasha Hobday**  
**Group Director of Policy and Regulation**

