

MoneySavingExpert.com

Ofgem – helping consumers make informed choices

MoneySavingExpert.com welcomes the opportunity to provide this short response to this consultation. We have focused on core elements that we believe are important.

We note Ofgem’s proposal to move from detailed rules to principles. We are not opposed to this, with the exception of where people are trying to compare one provider with another. For example, while principles might work for issues affecting general communication, if trying to compare one tariff or supplier to another then consistency is vital. This will enable consumers to draw a true comparison between one tariff and another whatever channel they choose to use.

Chapter 2: Changes to the RMR rules

Personal Projections

We are grateful that the Personal Projections formula will be removed because of the consumer detriment it has caused, including the fact it has potentially led to examples of over-inflated savings and mis-switching. However, we think the idea of this becoming a Wild West of firms able to choose their own methodology does not help the consumer. The answer is quite simple. Consumers should be given savings based on both tariffs – the current price and the go to price.

For consumers on a variable tariff

Projections should state that they are on a variable tariff, but at the current rates, they will pay £xxxx. If there has been any announced price rise then the projection should give the price until the increase, and the price after.

For consumers on a fixed tariff

Projections should be based on the fixed tariff costs. Consumers on a fixed deal that is ending within the next 12 months should be given the savings based on the current deal AND the rate they will go to after the fix ends - if it is variable that should be stated.

The consultation notes that the new approach creates a risk of inconsistency between suppliers, and presents this as the ‘trade-off’ between uniformity from detailed rules, and innovation which the consultation assumes is best achieved by principles. This does not mitigate our concern that numerous methodologies will simply replace one cause of confusion with another.

Cheapest Tariff Message

There is no issue per se with retaining the Cheapest Tariff Message, but as it is being kept on the basis of the new personal projection definition, the same caution over the consequences of conflicting methodologies should apply.

Tariff Comparison Rate

This has not worked and Ofgem should be congratulated for removing the Tariff Comparison Rate (TCR). This is very confusing to have on a comparison site because the TCR gives an average – but comparison sites are personalised. Removing it is a very positive move.

Tariff Information Label

The TIL is useful and we agree with the decision to keep it as a central source of key information. As long as it is clear and understandable, giving consumers more information is positive.

Rolling onto fixed-term contracts

We note some concerns about this. It is not yet clear that the proposal to roll customers at the end of a fixed-term contract onto another fixed-term contract is meaningfully different from the status quo.

Rolling people onto cheaper tariffs is of course a good thing. But if there is no definition of how much cheaper than an evergreen it is, and it is only trivially cheaper, this will make people think they are now on a good deal because they continue to be on a fix. People associate fixing with cheapness, when the two are not, by definition, the same. This proposal could have the detrimental consequence of seeing fewer people switching to truly cheaper tariffs and causing more inertia in an already sticky market.

Also, automatically putting consumers onto a fixed-term tariff that is free to exit could be quite a confusing message.

We are concerned about the implications of this proposal. It has to be managed very carefully, or it could have substantial unintended consequences.

Chapter 3: Informed Tariff Choices

There is an assumption that competition is the solution to the problems in the market. We are not necessarily committed to that viewpoint, but as the proposals are based on that assumption, we broadly agree that it is necessary to better inform and engage consumers.

Tariff comparability

We note narrow Principle 2 “*The licensee must ensure that its Tariffs are easily distinguishable from each other*”, but this may not go far enough. A simple and common problem is that tariff names on people’s bills do not match up with the names of tariffs on price comparison sites. This problem arises because suppliers dictate tariff names to PCWs but then don’t use the same name on customer bills – even though it’s the same tariff. This means consumers using PCWs are often unable to identify the tariff they are on, and have to guess. This is a huge problem that we have flagged to the regulator and industry bodies many times. Very similar tariff names is also a big problem. Some

suppliers have more than 10 versions of the same tariff with wildly different unit rates – this should be banned.

About MoneySavingExpert.com

MoneySavingExpert.com is the UK's biggest consumer website dedicated to saving people money on anything and everything by finding the best deals, beating the system and campaigning for financial justice. It's based on detailed journalistic research and cutting edge tools, and has one of the UK's top ten social networking communities.

During August 2016 the site had 14.5 million users visiting the site, 25.7 million times and looking at almost 62.2 million pages. Over 11 million people have opted to receive our free weekly email and more than 1.5 million users have registered on the forum.

About Cheap Energy Club

Cheap Energy Club is part of MoneySavingExpert.com. Over 2.2 million consumers have signed up to Cheap Energy Club since its launch in February 2013. It is more than just a comparison site. Cheap rates normally only lasts 18 months or so before the price is increased. That means it is hard work to stick with the cheapest. So we do that work for consumers using a three step process:

- Step 1. We find consumers the cheapest deal. They register for the Club and we check they are on the cheapest deal. If they are, great – it's on to step 2. If not, we'll do a full market comparison to find the cheapest (with lots of guidance) and we'll handle the switch. Plus there's up to £30 cashback if consumers switch via the Club, which is not available direct with suppliers.
- Step 2. In the background, each month we do a comparison for consumers. Energy prices change - theirs may hike, others could get cheaper. So without consumers doing anything, whether they switched or not, from then on we do a comparison for them in the background each month to check they're still on the cheapest deal.
- Step 3. Alert consumers when it's worth switching again. Consumers tell us what 'worth it' means. If they tell us they want to save £100/yr, once they can we'll email them; and without them entering new information (unless it's changed), we'll tell them what the cheapest deal is, and let them shift at speed.

We have replied to the consultation based on what is best for consumers.

In the event of any queries, please contact:

Will Barnes, External Affairs and Campaigns Officer, william.barnes@moneysavingexpert.com

Archna Luthra, Head of Clubs, archna.Luthra@moneysavingexpert.com