



MoneySuperMarket's response to Ofgem's Helping Consumers Make Informed Choices consultation

September 2016

About MoneySuperMarket.com:

MoneySuperMarket.com is the UK's leading price comparison website. We provide free, online tools to help people manage, save and grow their money, by enabling them to compare and switch Insurance, Money and Home Services products from nearly 700 providers.

MoneySuperMarket.com is part of the Moneysupermarket Group PLC, an established member of the FTSE 250 index. In 2015, we helped six million families save an estimated £1.6bn on their household bills, including 1.6m people who got a better deal on their finances and half a million households that switched their energy supplier.

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1.0 General remarks

MoneySuperMarket welcomes the removal of aspects of the simpler tariff choices rules, especially the relaxation of the four tariff rule. In turn, we understand the need to review relevant aspects of the clearer information tools and are pleased to have the opportunity to provide comment on Ofgem's proposals.

In Section 1 of this response, we first offer some general remarks on Ofgem's plans. In section 2, we provide answers to seven of the first eight questions posed by Ofgem in their consultation.

We broadly agree with many of the steps being proposed but we do have significant concerns about one aspect of Ofgem's plans - specifically the removal of the personal projection rules.

Whilst we understand the need to update the current personal projection in order to cope with new, more sophisticated tariffs, leaving suppliers to devise their own methodologies is deeply worrying to us. We believe it will lead to a lack of consistency in the savings that customers see for the same tariffs across the market and will breed confusion, increasing already low levels of trust in the energy industry. The original purpose of Ofgem's work in this area was to address low levels of consumer engagement but this measure will surely only serve to undermine this objective.

We think that there needs to be a uniform way of calculating savings that all of the main suppliers subscribe to and use. MoneySuperMarket would welcome an opportunity to work with industry partners, consumer groups and Ofgem to devise a new methodology that works in the best interest of consumers seeking to shop around and engage in the energy market.

If you have any questions about any of the information contained within this response, please do not hesitate to get in touch with Rob McNamara, MoneySuperMarket's Public Affairs Manager, at robert.mcnamara@moneysupermarket.com.

2.0 Questions & Answers

Question 1 (a) *Do you agree with the proposed requirement that any calculation by a supplier of the estimated annual cost figure should be internally consistent (ie calculated in the same way by any given supplier for all tariffs and for all customers over time)?*

Yes. We believe strongly in the need for internal and industry wide consistency in the way suppliers calculate the estimated annual costs of their tariffs. The use of different methodologies does little to help consumers and only serves to confuse them as to what product is best for their needs.

Question 1 (b) *Are there any circumstances in which suppliers should have the flexibility to provide an estimated annual cost figure to customers based on different assumptions or methodologies? Please explain your answer.*

No.

Question 2: *Do you support our proposal to require that, in the absence of a prescribed methodology, the estimated annual cost must be personalised, transparent, fair and as accurate as possible, based on reasonable assumptions and all available data?*

Yes, in the absence of a prescribed methodology, MoneySuperMarket agrees with this. However, we strongly recommend the adoption of a prescribed methodology.

Question 3: *Do you support our suggestion that, at the end of a fixed-term contract, consumers could be rolled onto another fixed-term (rather than evergreen) tariff, if the consumer were able to exit this tariff with no penalty and at any time?*

This would not be our preferred solution. Not only does it risk consumers being placed on tariffs that are bad value for them, but it also disincentives customers shopping around and searching for a better deal.

A better solution would be to ensure that all consumers on a fixed-term contract receive clear, advance notification about when their contract is coming to an end in order to encourage them to shop around for new deals. We have found, however, that there can be barriers to consumers receiving this information. For example, it is not uncommon for suppliers to insist on contractual restrictions preventing MoneySuperMarket from directly contacting customers at the end of their tariffs. This restricts our ability to engage with customers at the end of their fixed terms and stops us from encouraging them to shop around more widely.

Question 4: *Do you agree with our overall approach to managing the consequential impacts on the Clearer Information tools arising from the removal of the relevant Simpler Tariff Choices rules?*

We agree with elements of Ofgem's approach but have strong concerns about parts of it too. For example, we have significant concerns about the decision to remove the personal projection. For us, this is antithetical to developing the kind of consistency that is required across the industry and that breeds confidence amongst consumers. We believe that if a customer puts the same details into a PCW or supplier calculation tool, they should see the same projection and saving for the same tariff. Giving suppliers the freedom to develop their own personal projections risks the chances of this happening.

Question 5: *Have we identified the right benefits and risks associated with our preferred approach to managing the impacts of removing the relevant Simpler Tariff Choices rules on each of the Clearer Information tools?*

Yes, we broadly believe that Ofgem has identified the right benefits and risks associated with their preferred approach to managing the impacts of removing the Simpler Tariff Choices rules on each of the Clearer Information tools.

However, as previously mentioned, we do have concerns over the approach to the personal projection model. Whilst we accept that the current personal projection model might not cope well with the emergence of new, more complicated tariffs, we believe that leaving the suppliers to the devise their own new projections will have a negative impact on consumers by undermining customer trust and breed confusion.

Question 6: *Are there any potential unintended consequences associated with our proposed approach?*

N/A.

Question 7: *Do you agree that our proposed policy objective around informed choices is the correct one? Please explain your answer.*

Yes we agree with Ofgem's policy objective.

Question 8: *Do you consider that the proposed principles are a sensible way of achieving our policy objective? Please explain your answer.*

Yes, we agree that the proposed principles are a sensible way of achieving the policy objective.