



Neil Barnes  
Ofgem  
9 Millbank  
London  
SW1P 3GE

18 November 2016

Dear Neil,

**Statutory Consultation on the introduction of SLC 32A: Power to direct suppliers to test consumer engagement measures**

The principle underpinning SLC 32A is to test the adequacy, robustness and completeness of supplier's consumer engagement measures.

Acknowledging the fact that these are all worthy measures, further questions need addressing to establish which consumers are being targeted within this overarching Licence Condition? It could be argued that all consumers are in scope, however this statement in itself brings a number of other challenges to the practicalities and focus which any survey could most usefully deliver.

It is our view that customer engagement, whilst an important principle should be primarily focussed on those customers who have *never* changed supplier (or not for at least 3 years to align with CMA thinking).

This definition of not changing can be further distilled by focusing on those consumers who have never moved from their incumbent gas (British Gas) or regional Electricity provider. One could term these hard core sticky customers. One layer down from this are customers who moved one of their fuels so as their gas and electricity provider was the same, but this was a single fuel switch to join their historic incumbent other fuel provider. Any customer not captured by these categories has demonstrated at least once that they have understood and utilised the switching option away from their historic pre-competition suppliers.

It could also be argued that the primary *raison d'être* of all non-big 6 suppliers is to secure the switch of these big 6 customers. Any supplier's consumer engagement measures to secure these customers is of paramount importance and those suppliers who fail to do so appropriately will not prosper. It could also be argued that these non-big 6 businesses are very much better placed to carry out and understand the drivers for customer's engagement than Ofgem. Fundamentally, securing, and as importantly retaining these customers is the lifeblood of these challenger supplier businesses. It is important to recognise that suppliers like Flow Energy have customers *more* likely to switch away than the big 6. This fact is one of the primary concerns we have about being obliged to participate in trials with our hard-earned customers which may negatively impact on their view of Flow Energy, based on communication and messages driven by Ofgem.

Given this point, we do have several concerns about the practical implementation of some of these measures highlighted in the consultation.

The two-tier approach to customer engagement (Ofgem led or supplier led) needs very careful consideration to avoid any unintended consequences

**Flow Energy Ltd**

North Felaw Maltings  
48 Felaw Street  
Ipswich  
Suffolk IP2 8PN

robert.cameron-higgs@flowenergy.uk.com  
+44 (0)20 3137 4466  
www.flowenergy.uk.com





Existing consumer engagement strategy is planned, budgeted, and scheduled in a multi-faceted way many months in advance to ensure a cohesive brand and brand message. Ofgem led customer liaison takes this control out of suppliers control placing such messages at risk. It is counter-productive to our customers' experience, that Ofgem therefore can exercise its power to direct one or more suppliers to test/trial the consumer engagement measures that Ofgem specify, subject to being given at least one month's prior notice.

Linked to this concern is the concept of Ofgem's RCT's. It is not clear in the consultation if Ofgem considers using this double blind/control group concept across suppliers (with one as placebo type message). If this is the intent, then Ofgem is sending two deliberately different messages (even if one is no message) with no real concept or view as the possible consumer response. One consequence of course could be that a consumer feels ready to change from that supplier based on an engagement not initiated by its incumbent supplier. This may be viewed as an extreme scenario, but it is a real one which suppliers must be able to necessarily guard against.

One area suppliers need to be aware of is over communicating with its customers.

Targeting communication with key customers is the most significant factor here, and in our view, one that would engage and educate the (still) significant minority of customers disengaged by the switching options available. How is this best served? It's recognised that vulnerable customer groups are also viewed as sticky customers. Ofgem may consider liaising with councils/social housing groups to promote and test the messages it wishes to promote and capture views on through RCT's etc. We recognise that Ofgem cannot oblige such organisations through licence to do these things, and it adds a layer of complexity when establishing feedback and results. That said, it may still be a better approach than merely relying on the blunt tool of a licence obligation when ultimately these customers are known to be harder to engage with via supplier led engagement alone.

Complying with Regulation is not a cost-free zone, and Suppliers accept such costs as a business cost which underpins its ability to operate. The open-ended nature of these potential regulatory interventions is of concern however.

On a practical level, we are mindful of the impact of unknown RCT's driven by Ofgem outside of the real risk of disenfranchising our own customers by over communication or what could be argued are mixed or different messages. Such practical impacts include;

- Increased call volumes to our call centre resulting in lost calls from new and existing customers (poor customer experience, complaints, potential increase in cost overheads to manage such peaks):
- Increased internal training to front line staff to brief employees on rationale and messages in (Ofgem led, Flow branded) mail or email campaigns: and
- System requirements to capture discreet feedback and output from such trials. This cost should not be underestimated and it is also true that any new data capture fields may not be available for a period of months.

The above three bullet points are not exhaustive but serve to illustrate the complexity and cost even simple messages and trials present.

We urge Ofgem to very carefully consider the targeting of such customer engagement measures and to gain a full appreciation of costs and practical implementation of such approaches.

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I trust our feedback is viewed as constructive and helpful in establishing the optimum solutions to appropriately measure relevant suppliers' engagement measures with key customer groups.



Yours sincerely,

Robert Cameron-Higgs

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