



By Email

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3 March 2017

Dear Clem,

Statutory Consultation: Enabling consumers to make informed choices

The following constitutes npower's response to the above statutory consultation, published on 30th January 2017. It does so on behalf of all our UK retail energy supply activities within the Npower Group PLC.

Summary

Generally we welcome the contents and intent of the statutory consultation and the proposed changes that will flow from it, in particular moving (through Standard Licence Condition 25 (SLC 25)) from prescriptive regulatory rules to a principles based approach.

In particular we like the drafting of the principles in recognising the need, when presenting and promoting tariffs to customers through sales activities, to take stock of their characteristics and/or preferences. It is important that we seek to land on appropriate tariff arrangements and outcomes for customers, taking account of these unique requirements, rather than defaulting to the cheapest tariff option.

Similarly we are in agreement with the specific recommendation to remove the requirements around the Tariff Comparison Rate (TCR) in their entirety. Our only surprise being that Ofgem did not take the opportunity, as with the removal of the RMR related tariff requirements, to highlight at this stage that given the wholesale support of removal of the TCR, that no enforcement action would be taken against any suppliers who acted quickly, prior to the formal implementation of the change, through the licence.

Below we provide responses against specific questions you pose.

Question 1: Do you have any specific concerns with our proposal to remove prescription from standard licence condition 25 and rely on the proposed package of principles?

As stated above we welcome the removal of prescription from SLC 25 and going forward the reliance on the stated principles. We also look forward to much more interaction with you as we transition to this new regulatory approach. It will enable us, where the rule based framework didn't, to better respond to customer insights and

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feedback and promote and signal tariffs in line with their stated needs and preferences.

This element of the principles (taking account of customer characteristics and/or preferences) whether through the information or tools to enable customers to compare, or in how we recommend products/services, does require careful consideration in terms of your potential oversight. It goes to the heart of how we express/present tariff choices to customers, that going forward may effectively involve a form of decision tree approach to tease out from customers what options, choices best fit them. In essence “recommend” in this context, might start with a supplier’s wider portfolio of tariffs, but conclude in more detail with a narrower set of options in line with customers’ requirements and needs.

We would also welcome clarity/guidance around the scope of “Recommend”. While the title of SLC 25 has always been about the marketing of energy to customers, in reality its requirements have related to sales activities, via face-to-face or the telephone to date, and online interactions going forward. While appreciating this draws in the promotion of tariffs and collateral designed to do that, it has never had within its scope marketing materials that are not a direct part of the sales transaction. They are covered under SLC 25C the SOCs, general consumer law and in particular the requirements overseen by the Advertising Standards Authority.

Further clarity around this would be helpful, perhaps even involving a renaming of SLC 25 to better reflect its scope, intent, particularly with the onset of the new principles, and the extension out from just sales activities to incorporate those related to tariff comparability as well.

Delivery of these principles also needs to recognise that there may potentially be different business models operating under the same licence, where separate brands and different IT platforms might be involved, and again where the approach to what is recommended and how it is recommended might differ. Specifically, in the context of a dynamic market, this might involve each brand, under a single licence, competing independently for customers.

In short your oversight of the principles needs to recognise such different business models in the context of the relevant SLC 25 principles and should not be interpreted as or translate into the requirements for tariff comparability to apply across the distinct offerings under the same licence, if the uniqueness of the brands and tariff structures can be evidenced.

We have previously held discussions with you and been transparent about the Powershop, 100% digital, product and the concept of greater customer engagement it seeks to foster around their energy use and how to change their behaviour. It is sufficiently unique we believe that the principles around how tariffs are presented to customers and recommended should not extend to the wider npower portfolio and vice versa.

We recognise that suppliers should show a range of prices based on complete and transparent calculation methodology. In arriving at any range of prices the behavioural changes required by the customer to achieve these prices should be clearly highlighted and in doing so would hope TPIs would be comfortable showing the potential benefits customers can achieve through their interaction with this concept.

Finally on the principle to ensure that tariffs are easily distinguishable from each other we would hope that some further guidance might be forthcoming from Ofgem. This would ensure suppliers have a clear understanding of the principle and so that from a customer perspective the potential confusion that might arise where tariffs have a single name, and then v1, v2, etc. attached to it, is averted.

Question 2: Do you have any specific concerns with our proposals to amend the RMR Clearer Information tools?

We have already welcomed the proposed removal of the TCR and look forward to early detail from Ofgem on the timeframes for implementing this change, and the associated changes to the Tariff Information Label. We have already noted surprise that you have not signalled that suppliers are free to remove references to the TCR earlier than formal implementation without fear of enforcement actions, similarly to removal of the tariff choice rules from the licence.

Our other concern with regards to the RMR Clearer Information tools, is that Personal Projection (PP) and Cheapest Tariff Messaging (CTM) rules have been backed off to a later phase of consultation and by extension implementation of any change. We would hope you address these at your earliest opportunity, in particular because of examples of poor customer outcomes, particularly in relation to PPs where customers are drawing to the end of fixed term contract arrangements and misleading savings messages being given where the defaulting to the cheapest evergreen tariff is a factor.

CTM is another area that requires attention in the shorter rather than the longer term to ensure it is fit for purpose in prompting customers to engage, given the changes to the rules around the form, number, range of tariffs now available.

From our perspective the current CTM rules are also limiting for the different form of business model we have already outlined, where the potential benefit from tariffs are linked to customers changing the way they engage and meet their energy needs, through more regular purchasing activity. The way CTM is currently structured does not work well with this business model, where the prompts to engage, interact and purchase are more frequent and communication takes a less prescriptive form, i.e. a range of prices and discounts being available, but subject to customer engagement and action

We look forward to you moving onto the next stage of reviewing the Clearer Information tools brought in by RMR, at your earliest opportunity.

To conclude this response we welcome the changes brought forward by the Statutory Consultation, specifically a principles-based SLC 25 and the formal removal of the Tariff Comparison Rate and associated references in the energy supply licences. Our response indicates that in the application of the principles within SLC 25 due consideration needs to be given to whether some further detail or guidance is required from Ofgem to ensure there is no misunderstanding from a compliance perspective, particularly given the growth in the range and form of tariffs and the existence of newer unique business models.

If you require any clarification on any of the above please do not hesitate to contact me,

Yours sincerely,

Alan Hannaway

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Regulation