



Response to Ofgem's Statutory Consultation on Default tariffs for domestic consumers at the end of fixed-term contracts

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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 2016, we helped seven million families save an estimated £1.8bn on their household bills, including 1.6m people who got a better deal on their finances and 600,000 households that switched their energy supplier.

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Response

Do you have any specific concerns with our proposal to allow suppliers, as a default and subject to the controls we outline in our recommendation, to roll customers on to further fixed-term contracts at the end of their existing fixed terms?

MoneySuperMarket is supportive of the principles espoused by Ofgem in this consultation, however we have concerns around the execution.

In particular, we are concerned that automatically rolling a large number of consumers on to a fixed term tariff, popularly believed to be significantly cheaper than Standard Variable Tariffs (SVT), will leave a large number of these consumers with the false impression that they remain on a competitive tariff.

We believe that the process of communicating the new tariff to customers is key, and is a subject on which the consultation is silent. Correspondence to customers from suppliers need to prompt customers to engage that the best way to save money on energy bills is to actively switch tariffs and/or supplier.

The overall aim of MoneySuperMarket is to save as many households as possible money on their household bills. This proposal will not maximise the available savings to consumers and will do nothing to help disengaged customers who are already on SVTs. Given the consequent fall in engagement which is likely to arise from such a policy and the corresponding increase in prices, we believe this policy needs enhancement in the following areas:

- In correspondence to consumers alerting them to the roll-over, consumers need to be clearly made aware of the differences between their previous tariff and new tariff and alerted that they remain free to switch without penalty. As this remains an optional policy for suppliers, consumers also need to be alerted as to whether they are being rolled on to a fixed term tariff or a standard variable tariff.
- To ensure switching is continued to be pursued, switched tariffs need to have a clear name to distinguish them from others in the market, such as an Out of Contract Tariff. This should apply to both fixed term tariffs and SVTs.
- The database of "sticky" customers who have languished on SVTs should be updated to reflect this change in policy. Customers who have been switched by their supplier to a fixed term tariff should also be included as this represents a lack of engagement. In some cases, it may also be that the new fixed term tariff is only marginally cheaper than a supplier's standard variable tariff.

We encourage Ofgem to introduce measures to obligate suppliers to demonstrably act in the customer interest when considering the type of tariff they should roll consumers on to. This extends to clarifying the length of tariff which consumers will be rolled on to.

Personal Projection/Estimated Annual Costs

In addition, we would welcome clarity on the methodology to be used around calculating personal projection and estimated annual cost. We look forward to Ofgem publishing the conclusion of this consultation.

We strongly disagree with Ofgem pursuing a policy which allows different suppliers and third parties to independently calculate figures. This will lead to a further fall in trust among consumers. Does Ofgem believe that if a customer undertaking a switch enters exactly the same information on Supplier A's website, PCW B's website and PCW C's website that they should receive three different sets of savings messages or exactly the same?

If entering the same information and not using an estimation tool then we are dealing with exact numbers in all cases which are not open to interpretation or manipulation. Allowing multiple versions of one true position is, we believe, highly likely to undermine trust in the energy market and specifically the comparison market.

The current Personal Projection methodology is not a perform solution. We will support Ofgem in steps to find a more suitable mandatory calculation methodology. However, we do have significant concerns over the current multi-methodology approach.