**Notice of reasons[[1]](#footnote-1) to issue directions pursuant to Standard condition 32A – direction for participation in the Beta Test (database service) and directions for provision of information pursuant to participation in the Beta Test**

This letter sets out the reasons for the decision of the Gas and Electricity Markets Authority (“the **Authority**”) to issue directions pursuant to standard licence condition (“**SLC**”) 32A (*Power to direct suppliers to test consumer engagement measures*) of the electricity and gas supply licences of *[supplier name redacted]* (the “**Supplier**”)*.*

The following directions were issued to the Supplier in connection with the Beta Test (database service):

* Direction issued to the Supplier on 7 August 2017 for participation in the Beta Test (the “**Beta Test Direction**”); and
* Directions issued to the Supplieron 12 October 2017[[2]](#footnote-2) and 22 November 2017 for provision of information pursuant to participation in the Beta Test (the “**Beta Information Directions**”).

*Background to, and rationale for, the directions:*

In its Final Report on its Energy Market Investigation, the Competition and Markets Authority (“**CMA**”) made a number of recommendations to the Authority to address the adverse effects on competition (“**AEC**”) it identified in the gas and electricity markets.[[3]](#footnote-3) This included recommendations in respect of the Domestic and Microbusiness Weak Customer Response AECs. In particular, the CMA recommended that the Authority:

1. establish an ongoing programme to identify, test and implement measures to provide domestic customers with different or additional information with the aim of promoting engagement; and
2. develop and test proposals concerning a priority list of measures, including changes to the information provided to customers on the availability of cheaper tariffs in the markets.

In addition, the CMA made a series of recommendations to the Authority to implement a database remedy to prompt engagement within the domestic and microbusiness sectors. This included:

1. developing, operating and maintaining a secure cloud database to hold domestic and microbusiness data relating to consumers which have not actively engaged in the market during the previous three years;
2. testing the operation of the database to identify and address any potential operational problems and ensure data security; and
3. monitoring the impact of the database with a view to maximising its effectiveness as regards improving engagement.

In response to the above recommendations, and following a smaller scale trial at the beginning of 2017, the Authority considered it appropriate to beta test a digital service. This seeks to address the CMA’s finding of an AEC arising because of an overarching feature of weak customer response, which in turn gives energy suppliers a position of unilateral market power concerning their inactive customer base. The digital service is designed to prompt engagement from consumers who have not recently switched energy supplier or tariff.

The Authority issued the **Beta Test Direction** to require the Supplier to carry out and refrain from certain activities in relation to the Beta Test. The Supplier’s participation in the Beta Test trial was on a voluntary basis and the Beta Test Direction provided a framework for the collaborative work of the Supplier and the Authority in implementing the Beta Test trial.

The **Beta Information Directions** were issued pursuant to the previous Beta Test Direction. The Authority issued the Beta Information Directionsto require the Supplier to provide specified information to a third party in order to facilitate the assessment of feedback gathered from the Beta Test, which the Supplier participated in by virtue of the Beta Test Direction.

On 27 October 2017 an amendment was made to the Beta Information Direction dated 12 October 2017. The reason for the amendment was to refer to the method of transfer of data being a secure method which is compliant with the Data Protection Act 1998.

The Beta Information Directions require the Supplier to provide specified information in accordance with SLC 32A to a third party agency with the intention of conducting qualitative telephone interviews with trial subjects from the Beta Test. The Directions provided that relevant data should be provided in the format specified in the schedules to each of the Beta Information Directions in order to facilitate compliance with the Beta Test Direction.

Yours faithfully



**Paul Fisher**

**Associate Director,**

**Consumers and Competition**

Signed on behalf of the Authority and authorised for that purpose.

1. As required by s. 49A Electricity Act 1989 and s. 38A Gas Act 1986 [↑](#footnote-ref-1)
2. An amendment was made to this direction on 27 October 2017 regarding the method of transfer of data. [↑](#footnote-ref-2)
3. <https://assets.publishing.service.gov.uk/media/5773de34e5274a0da3000113/final-report-energy-market-investigation.pdf> [↑](#footnote-ref-3)