

Mr Paul Finch
Regulation, Npower
Windmill Hill Business Park
Whitehill Way, Swindon
Wiltshire SN5 6PB

Date: 15 May 2017

Dear Mr Finch

Request for derogation – Statement of Renewal Terms trial

This letter sets out the decision of the Gas and Electricity Markets Authority (the “Authority”) to grant the following companies under Npower Group PLC: Npower Limited (company number 3653277); Npower Northern Limited (company number 3432100); Npower Northern Supply Limited (company number 2845740); Npower Yorkshire Limited (company number 3937808); Npower Yorkshire Supply Limited (company number 4212116); and Npower Gas Limited (company number 2999919), all together the “Licensee”, a temporary and limited derogation from various elements of standard licence condition (SLC) 22C and SLC 31C of its electricity and gas supply licences. This derogation will enable the Licensee to conduct a time-limited trial of a new version of its Statement of Renewal Terms on a limited number of its domestic gas and electricity customers.

The relevant Directions are attached and will be published. They shall be effective from 12 May 2017 and shall remain in force until 19 May 2017 unless revoked earlier or varied in writing by the Authority. Any change in circumstances relevant to the Directions must be reported to the Authority as soon as possible.

This letter constitutes the Notice, under section 49A of the Electricity Act 1989 and section 38A of the Gas Act 1986, of the reasons for the Authority’s decision to issue the attached Directions. Capitalised terms used in this letter, which are not defined herein, have the meaning given to them in the standard licence conditions of gas and electricity supply licences.

Background to the derogation request

The Authority received a written application from the Licensee on 31 March 2017 for a derogation to exempt the Licensee from the requirement to comply with certain elements of SLC 22C and SLC 31C to allow it to conduct a trial for a new Statement of Renewal Terms (referred to by the Licensee in their application as Product End Notification (PEN) letter) (the “Statement of Renewal Terms Trial”).

The Licensee has indicated that it has conducted its own research (and considered feedback from customers), which showed that the current Statement of Renewal Terms based on the prescription by the SLCs is too long, contains too much information and is difficult for customers to understand. The Licensee is concerned that the nature of the current Statement of Renewal Terms reduces its effectiveness and leads to disengagement. As such, the Licensee wishes to trial an improved statement of renewal which it believes will better facilitate customer engagement and deliver a positive experience, in line with their customers’ needs and expectations.

The Licensee indicates that it will closely monitor customer responses and feedback to the trial to enable it to identify and address any negative impact. Based on its customer research already undertaken, the Licensee considers that it is highly unlikely that any negative impacts will occur. As such, the Licensee considers that it will ensure that the expected level of consumer protection and ethics are met and will mitigate any risks to customers. The Licensee has also indicated that it has designed its trial in accordance with the criteria set out by Ofgem in an open letter on 07 March 2016¹ and has identified a set of measurable outcomes which it will track during the trial and share the information with Ofgem.

Without derogations from certain elements of SLC 22C and SLC 31C, the Licensee would not be able to conduct its proposed real-world trial on its customers, which it considers essential for delivering a better and more engaging customer experience.

In order to proceed with the trial, the Licensee has requested derogations from the following licence conditions to allow the changes it intends to make to the Statement of Renewal Terms.

- 22C.3 (b) which requires the Licensee to include a prominent title in the Statement of Renewal Terms that clearly informs the Domestic Customer that the fixed term period of their existing Fixed Term Supply Contract is due to end and they need to consider their options. The Licensee would like to test the following call to action in the title: “tell us what you’d like to do next”, rather than a reference to consumers considering options. However, the Licensee will include a reference to considering options in the first paragraph of the trial Statement of Renewal Terms, along with a prominent switching prompt on page 1.
- 22C.3 (c) which requires the Licensee to only include the information listed in 22C.3 (c), in the Statement of Renewal Terms. The Licensee would like to include additional information in the trial Statement of Renewal Terms: a Personal Projection for the cheaper of either the Relevant Cheapest Tariff or the Alternative Cheapest Tariff, for ease of comparison with the Personal Projection for the customer’s current fixed tariff; and a simpler, shorter variant of the Tariff Information Labels.
- 22C.3 (c) (ii) which requires the Licensee to include the following statement, “Remember – it might be worth thinking about switching your tariff or supplier”, in the Statement of Renewal Terms, and to present it in a manner which is readily distinguishable from the other text presented in the Statement of Renewal Terms. The Licensee would like to instead test the following shorter, simpler switching prompt, “Want to Change Supplier”. The Licensee will include a prominent switching prompt on page 1 of the Statement of Renewal Terms.
- 22C.3 (c) (iv) which requires the Licensee to include a statement in the Statement of Renewal Terms explaining that, if the Domestic Customer does not change supplier or does not expressly agree a new Evergreen Supply Contract or a new Fixed Term Supply Contract or a further fixed term period for a Fixed Term Supply Contract by the date the fixed term period of the existing Fixed Term Supply Contract is due to end, the Domestic Customer will become subject to the Relevant Cheapest Evergreen Tariff. The Licensee would like to test the following shorter, simpler statement: “If you do nothing, we’ll automatically switch you to our Standard Variable Tariff”.
- 22C.3 (c) (v) (1), which requires the Licensee to include a statement in the Statement of Renewal Terms, explaining that the Principal Terms that currently apply to the Domestic

¹ See Ofgem open letter on “Improving consumer communications and the value of trials” <https://www.ofgem.gov.uk/publications-and-updates/effective-billing-and-information>

Customer is provided in a separate part of the Statement of Renewal Terms. The Licensee would like to test an option consisting of providing a URL link on the Statement of Renewal which will allow the Domestic Customer to access the Terms that currently apply to their contract which would be available on its website. The Licensee has also confirmed that customers will still be given the Principal Terms of any tariff over the phone or by post upon request. The Licensee has also reiterated that customers will be presented with full Principal Terms at point of sale.

- 22C.3 (d) (i) which requires the Licensee to include in the Statement of Renewal Terms, a separate part, which provides the Principal Terms that currently apply to the Domestic Customer, in a form that is easily comparable and clearly illustrates, the main differences in the Principal Terms. The Licensee would like to test an alternative option which consists of achieving the comparison by providing shorter variants of the Tariff Information Label (TIL) which include the tariff names, tariff types, payment methods, unit rates, standing charges and any exit fees in a table that compares this information across the current tariff, the Relevant Cheapest Evergreen Tariff and either the Relevant Cheapest Tariff or the Alternative Cheapest Tariff depending on which is cheaper for that particular customer.
- 22C.3 (e) which requires the Licensee to include in the Statement of Renewal Terms, a separate part which contains the TIL for each set of Principal Terms provided. The Licensee would like to test a variant of the TIL which is shorter and includes the key information on the tariffs listed in SLC 22C.3 (e), which it considers to be simpler.
- 22C.3 (viii) and (ix) which require the Licensee to include in the Statement of Renewal Terms, the Exact Tariff Names and Estimated Annual Savings of both the Relevant Cheapest Tariff and the Alternative Cheapest Tariff compared to the Relevant Cheapest Evergreen Tariff. The Licensee would like to only show either the Estimated Annual Savings for the Alternative Cheapest Tariff or the Relevant Cheapest tariff based on which one is cheaper for the customer.
- 31C.1 which requires the Licensee to display the Tariff Comparison Rate (TCR) in all circumstances when the Licensee or any Representative provides or is required to provide information about the Licensee's Charges for the Supply of Electricity. The Licensee would like to remove the TCR prior to implementation of licence changes by Ofgem on 23 June 2017.

The Authority's Decision

Having regard to our principal objective and statutory duties,² and based on the information submitted by the Licensee, we consider that granting a time-limited derogation to allow the Licensee to proceed with the trial to test consumer engagement with its new Statement of Renewal Terms does not undermine the objectives of our retail market policies, in particular the objective of clearer information.

The Retail Market Review (RMR) rules were introduced to increase consumer engagement in order to stimulate competition in the energy market. In this case, we do not consider that the changes proposed by the Licensee will hamper the consumer decision-making process and the RMR objective of clearer information to help consumers make informed choices. We have recently made significant changes to the RMR rules following recommendations by the Competition and Markets Authority (CMA). In light of this, we also indicated in our open letter on improving consumer communications

² Including, amongst other things, our duty to protect consumer interests, promote competition and consider the need to contribute to the achievement of sustainable development.

and the value of trials that we are committed to ensuring that consumers have the information they need to fully engage with the market and to make well-informed decisions about their energy supply. The Licensee has indicated that it will share the results of the trial with Ofgem, which would assist our ongoing policy work as we consider further changes to the remaining RMR rules and as we implement our current policy to rely more on principles in the way we regulate the energy retail market.³

Therefore, the Authority grants the Licensee a temporary derogation from SLC 22C.3 (b), 22C.3 (c), 22C.3 (c) (ii), 22C.3 (c) (iv), 22C.3 (c) (v) (1), 22C.3 (d) (i), 22C.3 (e), 22C.3 (viii), 22C.3 (ix) and 31C.1 of its gas and electricity supply licences to trial its new Statement of Renewal Terms with effect from the date of, and subject to the terms of, the attached Directions.

We would like to emphasise that we expect the Licensee to meet the conditions specified for open trials in our 07 March open letter. This includes our expectation that suppliers monitor closely the impact of trials on consumers so that any negative impact on consumers is quickly identified and addressed. Particularly when this involves vulnerable customers. We also expect the results of the trial to be shared with Ofgem to inform and support policy development.

If you have any questions about this request, please contact my colleague, Jibirila Leinyuy (Jibirila.Leinyuy@ofgem.gov.uk) on 0203 263 7000 or Derogations@ofgem.gov.uk.

Yours faithfully,

Anthony Pygram

Partner, Consumers & Competition

Signed on behalf of the Authority and authorised for that purpose

³ See Ofgem's decision of 27 April 2017 - Final Decision: Enabling consumers to make informed choices, <https://www.ofgem.gov.uk/publications-and-updates/final-decision-enabling-consumers-make-informed-choices> .

ATTACHMENT 1: Electricity Supply Licence

The Company Secretary, Npower Group PLC
Windmill Hill Business Park
Whitehill Way, Swindon
Wiltshire SN5 6PB

Direction issued to Npower Limited (company number 3653277); Npower Northern Limited (company number 3432100); Npower Northern Supply Limited (company number 2845740); Npower Yorkshire Limited (company number 3937808); Npower Yorkshire Supply Limited (company number 4212116), all together the “Licensee” by the Gas and Electricity Markets Authority (the “Authority”)

1. The Authority issues this direction pursuant to Standard Licence Condition (“SLC”) 22C.10 of the electricity supply licence granted under section 6(1)(d) of the Electricity Act 1989 to the Licensee.
2. Capitalised terms used in this Direction which are not defined in this Direction shall have the meaning given to them in the Licence.
3. SLC 22C.10 provides that the Authority may issue directions relieving the Licensee of its obligations to comply with specified parts of SLC 22C to such extent and subject to such conditions as the Authority may direct.
4. The considerations and rationale of the Authority’s decision are set out in the accompanying letter to the Licensee, dated 15 May 2017.
5. Subject to the conditions in this Direction, including the Schedule hereto, the Authority directs that in relation to the Statement of Renewal Terms Trial only the Licensee is relieved on a temporary basis of certain obligations of its Licence, as described in the Schedule hereto.
6. The Licensee is required to report any change of circumstances relevant to this Direction to the Authority without delay.
7. In this Direction, “**Statement of Renewal Terms Trial**” means the Licensee’s proposed trial of a new format for the SLC 22C Statement of Renewal Terms, as described in the Licensee’s letter to the Authority of 7 April 2017 (the “**Derogation Letter**”), with a trial group of c4,000 customers and a control group of c7,500 customers.
8. This Direction shall be effective from 15 May 2017 and shall remain in force until and including 19 May 2017, unless revoked earlier or varied in writing by the Authority.

Dated: 15 May 2017

Anthony Pygram

Partner, Consumers & Competition

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

Schedule – Derogations from electricity supply Standard Licence Conditions

Area	Standard Condition	Effect of derogation direction in respect of the Statement of Renewal Terms Trial
Title informing the customers that the fixed term period is coming to an end	22C.3(b)	<p>The Licensee is permitted to use alternative wording instead of a reference to the customer considering their options, provided that the title is prominent and clear.</p> <p>The alternative wording that the Licensee is allowed to use is: “tell us what you’d like to do next”.</p> <p>The Licensee will include a reference to considering options in the first paragraph of the Statement of Renewal Terms trial, along with a prominent switching prompt on page 1.</p>
Information to be included in the SLC 22C Statement of Renewal Terms	22C.3(c)	<p>The Licensee is permitted to add in the Statement of Renewal Terms Trial letter:</p> <ol style="list-style-type: none"> 1. The Estimated Annual Costs (or Personal Projection) for the cheaper of either the Relevant Cheapest Tariff or the Alternative Cheapest Tariff, depending on the individual Domestic Customer’s circumstances. 2. A table, which is a shorter variant of the Tariff Information Labels, as described in the Derogation Letter and its annexes.
Prompt to change supplier	22C.3(c)(ii)	<p>The Licensee is permitted to use the statement “Want to Change Supplier” instead of “Remember – it might be worth thinking about switching your tariff or supplier”, provided this statement is presented in a manner that is readily distinguishable from the other text in the Statement of Renewal Terms.</p>
Consequences if the Domestic Customer does nothing	22C.3(c)(iv)	<p>The Licensee is permitted to use the statement, “If you do nothing, we’ll automatically switch you to our Standard Variable Tariff”, instead of referring to the specific circumstances that would result in the Domestic Customer being subject to the Relevant Cheapest Evergreen Tariff, which are: if a Domestic Customer does not change supplier or does not expressly agree to a new Evergreen Supply Contract, a new Fixed Term Supply Contract or a further fixed term period for a Fixed Term Supply Contract by the date the fixed term period of the existing Fixed Term Supply contract is due to end.</p>

Statement that Principal Terms are to be provided for the tariff that currently applies	22C.3(c)(v)(1)	The Licensee is allowed to include a statement signposting that the Principal Terms that currently apply to the Domestic Customer is available online. The Licensee must specify that the Domestic Customer can find the Principal Terms on the following URL: npower.com/terms .
Principal Terms of the current tariff to be provided in Statement of Renewal Terms	22C.3(d)(i)	<p>The Licensee is allowed to omit from the Statement of Renewal Terms Trial letter, the Principal Terms that currently apply to the Domestic Customer, provided that the Licensee has included a statement in the letter explaining that Principal Terms are available online, on a URL specified by the Licensee, in line with the Licensee’s derogation from SLC 22C.3(c)(v)(1) above.</p> <p>In addition, the Licensee shall provide shorter variants of the TIL which include the tariff names, tariff types, payment methods, unit rates, standing charges and any exit fees in a table that compares this information across the current fixed tariff, the Relevant Cheapest Evergreen Tariff and either the Relevant Cheapest Tariff or the Alternative Cheapest Tariff depending on which is cheaper for that particular customer, in accordance with the derogation granted for SLC 22C.3(e) below.</p>
Tariff Information Labels	22C.3(e)	<p>Where the Licensee is required to provide a Tariff Information Label (TIL) under 22C.3(e), the Licensee is permitted to use a variant of the TIL which is shorter and includes key information on the tariffs listed in SLC22C.3(e), as was illustrated by the Licensee in the annex of the Derogation Letter.</p> <p>In the Statement of Renewal Terms Trial, for the purposes of SLC 22C.3(e), the word “provided” includes circumstances where the Principal Terms are signposted online in accordance with the derogation granted in respect of 22C.3(c)(v)(i) and (d)(i).</p>
Cheapest tariff savings message	22C.3(c)(viii) and 22C.3(c)(ix)	The Licensee is permitted to only show the Exact Tariff Name of the cheaper of either the Domestic Customer’s Relevant Cheapest Tariff or the Domestic Customer’s Alternative Cheapest Tariff.

		<p>The Licensee is permitted to only show the Domestic Customer's Estimated Annual Savings for the cheaper of either the Domestic Customer's Relevant Cheapest Tariff or the Domestic Customer's Alternative Cheapest Tariff, based on the premise that the Domestic Customer is now subject to the Relevant Cheapest Evergreen Tariff.</p> <p>If the Licensee includes information relating to the cheaper of either the Domestic Customer's Relevant Cheapest Tariff or the Domestic Customer's Alternative Cheapest Tariff, as described above, the Licensee is permitted to not include information on the more expensive of the two tariffs.</p>
<p>Tariff Comparison Rate requirements</p>	<p>31C</p>	<p>The Licensee is permitted to not include information on the Tariff Comparison Rate in the Statement of Renewal Terms Trial letter.</p>

ATTACHMENT 2: Gas Supply Licence

The Company Secretary, Npower Group PLC
Windmill Hill Business Park
Whitehill Way, Swindon
Wiltshire SN5 6PB

Direction issued to Npower Gas Limited (company number 2999919), Npower Northern Limited (company number 3432100), Npower Yorkshire Limited (company number 3937808), together the "Licensee" by the Gas and Electricity Markets Authority (the "Authority")

1. The Authority issues this direction pursuant to Standard Licence Condition ("**SLC**") 22C.10 of the electricity supply licence granted under section 7A(1) of the Gas Act 1986 to the Licensee.
2. Capitalised terms used in this Direction which are not defined in this Direction shall have the meaning given to them in the Licence.
3. SLC 22C.10 provides that the Authority may issue directions relieving the Licensee of its obligations to comply with specified parts of SLC 22C to such extent and subject to such conditions as the Authority may direct.
4. The considerations and rationale of the Authority's decision are set out in the accompanying letter to the Licensee, dated 15 May 2017.
5. Subject to the conditions in this Direction, including the Schedule hereto, the Authority directs that in relation to the Statement of Renewal Terms Trial only the Licensee is relieved on a temporary basis of certain obligations of its Licence, as described in the Schedule hereto.
6. The Licensee is required to report any change of circumstances relevant to this Direction to the Authority without delay.
7. In this Direction, "**Statement of Renewal Terms Trial**" means the Licensee's proposed trial of a new format for the SLC 22C Statement of Renewal Terms, as described in the Licensee's letter to the Authority of 7 April 2017 (the "**Derogation Letter**"), with a trial group of c4,000 customers and a control group of c7,500 customers.
8. This Direction shall be effective from 15 May 2017 and shall remain in force until and including 19 May 2017, unless revoked earlier or varied in writing by the Authority.

Dated: 15 May 2017

Anthony Pygram
Partner, Consumers & Competition
Signed on behalf of the Authority and authorised for that purpose.

Schedule – Derogations from gas supply Standard Licence Conditions

Area	Standard Condition	Effect of derogation direction in respect of the Statement of Renewal Terms trial
Title informing the customers that the fixed term period is coming to an end	22C.3(b)	<p>The Licensee is permitted to use alternative wording instead of a reference to the customer considering their options, provided that the title is prominent and clear.</p> <p>The alternative wording that the Licensee is allowed to use is: “tell us what you’d like to do next”.</p> <p>The Licensee will include a reference to considering options in the first paragraph of the Statement of Renewal Terms trial, along with a prominent switching prompt on page 1.</p>
Information to be included in the SLC 22C Statement of Renewal Terms	22C.3(c)	<p>The Licensee is permitted to add in the Statement of Renewal Terms trial letter:</p> <ol style="list-style-type: none"> 1. The Estimated Annual Costs (or Personal Projection) for the cheaper of either the Relevant Cheapest Tariff or the Alternative Cheapest Tariff, depending on the individual Domestic Customer’s circumstances. 2. A table, which is a shorter variant of the Tariff Information Labels, as described in the Derogation Letter and its annexes.
Prompt to change supplier	22C.3(c)(ii)	<p>The Licensee is permitted to use the statement “Want to Change Supplier” instead of “Remember – it might be worth thinking about switching your tariff or supplier”, provided this statement is presented in a manner that is readily distinguishable from the other text in the Statement of Renewal Terms.</p>
Consequences if the Domestic Customer does nothing	22C.3(c)(iv)	<p>The Licensee is permitted to use the statement, “If you do nothing, we’ll automatically switch you to our Standard Variable Tariff”, instead of referring to the specific circumstances that would result in the Domestic Customer being subject to the Relevant Cheapest Evergreen Tariff, which are: if a Domestic Customer does not change supplier or does not expressly agree to a new Evergreen Supply Contract, a new Fixed Term Supply Contract or a further fixed term period for a Fixed Term Supply Contract by the date the fixed term period of the existing Fixed Term Supply contract is due to end.</p>

Statement that Principal Terms are to be provided for the tariff that currently applies	22C.3(c)(v)(1)	The Licensee is allowed to include a statement signposting that the Principal Terms that currently apply to the Domestic Customer is available online. The Licensee must specify that the Domestic Customer can find the Principal Terms on the following URL: npower.com/terms .
Principal Terms of current tariff to be provided in Statement of Renewal Terms	22C.3(d)(i)	<p>The Licensee is allowed to omit from the Statement of Renewal Terms Trial letter, the Principal Terms that currently apply to the Domestic Customer, provided that the Licensee has included a statement in the letter explaining that Principal Terms are available online, on a URL specified by the Licensee, in line with the Licensee’s derogation from SLC 22C.3(c)(v)(1) above.</p> <p>In addition, the Licensee shall provide shorter variants of the TIL which include the tariff names, tariff types, payment methods, unit rates, standing charges and any exit fees in a table that compares this information across the current fixed tariff, the Relevant Cheapest Evergreen Tariff and either the Relevant Cheapest Tariff or the Alternative Cheapest Tariff depending on which is cheaper for that particular customer, in accordance with the derogation granted for SLC 22C.3(e) below.</p>
Tariff Information Labels	22C.3(e)	<p>Where the Licensee is required to provide a Tariff Information Label (TIL) under 22C.3(e), the Licensee is permitted to use a variant of the TIL which is shorter and includes key information on the tariffs listed in SLC22C.3(e), as was illustrated by the Licensee in the annex of the Derogation Letter.</p> <p>In the Statement of Renewal Terms Trial, for the purposes of SLC 22C.3(e), the word “provided” includes circumstances where the Principal Terms are signposted online in accordance with the derogation granted in respect of 22C.3(c)(v)(i) and (d)(i).</p>
Cheapest tariff savings message	22C.3(c)(viii) and 22C.3(c)(ix)	The Licensee is permitted to only show the Exact Tariff Name of the cheaper of either the Domestic Customer’s Relevant Cheapest Tariff or the Domestic Customer’s Alternative Cheapest Tariff.

		<p>The Licensee is permitted to only show the Domestic Customer's Estimated Annual Savings for the cheaper of either the Domestic Customer's Relevant Cheapest Tariff or the Domestic Customer's Alternative Cheapest Tariff, based on the premise that the Domestic Customer is now subject to the Relevant Cheapest Evergreen Tariff.</p> <p>If the Licensee includes information relating to the cheaper of either the Domestic Customer's Relevant Cheapest Tariff or the Domestic Customer's Alternative Cheapest Tariff, as described above, the Licensee is permitted to not include information on the more expensive of the two tariffs.</p>
Tariff Comparison Rate requirements	31C	The Licensee is permitted to not include information on the Tariff Comparison Rate in the Statement of Renewal Terms trial letter.