

Annex 2 – Summary of evidence used to inform our proposals

This document accompanies our [policy consultation](#) on domestic supplier-customer communications rulebook reforms. We summarise the most relevant and up-to-date evidence we have considered in developing our proposals for changing the rules around domestic supplier-customer communications. This evidence includes consumer surveys and research conducted by Ofgem and others. We thank stakeholders who have shared detailed evidence with us to inform our proposals over the past several months.

Due to the large scope of our policy changes, the quantity of different evidence available, and the fact that some evidence shared with us has been confidential, this summary does not include all evidence in relation to customer communications. If you are aware of additional evidence that you think we should take into account when finalising our proposals, please get in touch with the team at futureretailregulation@ofgem.gov.uk by 21 June 2018.

Structure of this document

This document follows the same policy areas as the consultation: encouraging and enabling engagement, assistance and advice, Bills and billing information, contract changes (price increases and end of fixed term contracts), and Annual Statements. For each area we summarise the key pieces of evidence we've considered as part of our policy development.

Encouraging and enabling engagement

To effectively engage with their energy supply, it is essential that consumers are encouraged and enabled to do so. They should have to hand information that helps them to understand their current circumstances and the options available to them, and to be able to assess these and make the right choice for them.

By "engagement" we don't just mean switching tariffs or supplier. Consumers may investigate other offers and conclude that they're already on the right deal for them. Equally, consumers may be interested in understanding more about their current deal or different facets of their energy supply, such as how much energy they use and whether there are ways they could reduce their consumption.

Overall engagement

Evidence suggests that the majority (86%) of consumers are aware they can switch supplier.¹ Switching rates have been increasing in recent years, with almost 17% of consumers switching supplier between July 2016 and June 2017, the highest rolling average annual switching rate since August 2011.² In addition, during the same period 27% of consumers switched tariff with their existing supplier.³ This is also an increase from the previous year.

However, a large proportion of consumers remain disengaged. According to our 2017 survey, 58% of consumers said they had never switched supplier or only switched once before.⁴ Many consumers perceive that switching is not worth the hassle – for example,

¹ GfK, [Consumer Engagement in the Energy Market 2017: Report on a survey of energy consumers](#), September 2017.

² Ofgem, [State of the energy market 2017](#), October 2017.

³ Ibid.

⁴ GfK, [Consumer Engagement in the Energy Market 2017: Report on a survey of energy consumers](#), September 2017.

42% of consumers said that it is too hard to work out whether they could save or not if they switched, and 46% said that switching is a hassle that they don't have time for.⁵ Some consumers are also happy with the deal they are currently on – of those who either shopped around but didn't switch tariff or supplier, or who didn't shop around at all in 2017, 33% said this was because their existing tariff/supplier was satisfactory.⁶ Of all consumers we surveyed, 56% were fairly or very confident they were on the best deal for them, taking into account the factors that matter most to them.⁷

Our research has consistently shown that those consumers who do not engage remain on poorer-value deals. As of September 2017, around 57% of consumers with the ten largest suppliers were on standard variable tariffs, which are amongst the most expensive.⁸

Tools to encourage and enable engagement

Tariff Information Label and "about your tariff" box

In 2017, 50% of consumers said that they were fairly or completely familiar with the features of their current tariff, and 48% said that they were not very or not at all familiar with them.⁹ In 2016, 78% of consumers found it very or quite easy to find information about their current tariff or energy use, and 75% found it easy to understand.¹⁰

Our research has shown that a growing majority of consumers look for information on their existing tariff or energy use when comparing. When comparing tariffs or suppliers in 2016, seven in ten respondents to our survey¹¹ also looked for more information about their tariff or their existing energy use, compared to 67% in 2015, and 60% in 2014. This highlights the need for consumers to have information that enables them to engage as simply and effectively as possible.

The Tariff Information Label and "about your tariff" box are two tools we introduced to help consumers find and understand information about their tariff. The Tariff Information Label includes key information about each tariff and was designed to make it easy for consumers to compare the features of different tariffs on a like-for-like basis. The "about your tariff" box includes key information a consumer needs to switch, including some key tariff information, and is included on every Bill.

Evidence about the success of the Tariff Information Label and "about your tariff" box is limited. In our 2017 Consumer First Panel¹², panellists spontaneously spoke of the desire to have clear tariff information throughout their contract period. They appreciated the information contained in the Tariff Information Label and "about your tariff" box when it was drawn to their attention. Anecdotal evidence from a smaller supplier suggests that consumers find the Tariff Information Label difficult to grasp just from reading it themselves, and they tend to need additional explanation from the supplier over the phone to understand what content such as the standing charge and unit rate really mean. In our 2017 Consumer First Panel¹³ we also found that the technical language and

⁵ Ibid.

⁶ GfK, [Consumer Engagement in the Energy Market 2017: Report on a survey of energy consumers](#), September 2017.

⁷ Ibid.

⁸ Ofgem, [Standard variable tariffs: Latest trends at September 2017](#), December 2017.

⁹ GfK, [Consumer Engagement in the Energy Market 2017: Report on a survey of energy consumers](#), September 2017.

¹⁰ TNS BMRB, [Consumer engagement in the energy market since the Retail Market Review: 2016 Survey Findings](#), August 2016.

¹¹ Ibid.

¹² Revealing Reality, [Ofgem Consumer First Panel, Year 9 Wave 1 – Understanding information needs](#), December 2017.

¹³ Ibid.

industry jargon used was among the largest issues consumers reported with their tariff information. This has been echoed in previous consumer research we've done.¹⁴

We've heard that the Tariff Information Label and "about your tariff" box have been particularly useful for third parties advising consumers on aspects of their energy supply. Having key tariff information grouped together in one place, in a standard format across all suppliers, allows frontline advisors to help consumers who may not know their exact tariff name, for example, as they can direct consumers to the first line of the box titled "about your tariff" on the second page of their Bill.

Cheapest tariff message

The cheapest tariff message requires suppliers to provide their customers with information about the cheapest tariffs available and how much they could save by switching to them. It was introduced following the Retail Market Review to raise consumer awareness that there may be cheaper tariffs for them with their current supplier.

In 2016, 34% of consumers recalled seeing a savings message on a communication from their supplier.¹⁵ Of these, the largest proportion saw it on their Bill (36%). Recall levels varied between consumer segments. Recall of the cheapest tariff message varies across consumer groups – from 62% among the most engaged to 11% among the least engaged.

Of those who remembered seeing the cheapest tariff message, 35% were encouraged to check their current tariff, 29% to compare their current tariff against others, and 25% to switch tariff and/or supplier. This means that around one in ten consumers were encouraged to take action as a result of the cheapest tariff message in 2016. In 2017, of all the consumers who actually switched gas or electricity supplier or tariff, or compared suppliers or tariffs in the past 12 months, 3% were prompted to do so by the cheapest tariff message.¹⁶

Consumers tell us that they find the cheapest tariff message valuable, but they are not always aware of it and they can find some of the jargon confusing – eg cheapest "similar" versus cheapest "overall".¹⁷ This is supported by anecdotal evidence from suppliers.¹⁸

Estimated Annual Cost

The Estimated Annual Cost is a projection of costs that a consumer is likely to pay on a given tariff, which is used by suppliers and price comparison websites.

In our 2017 survey¹⁹ 35% of respondents reported having seen a Personal Projection²⁰ before. The most common communications where consumers recalled seeing the Personal Projection were the Annual Statement (32%), and the Bill (26%). A similar proportion (34%) of consumers recalled seeing a version of their Estimated Annual Cost

¹⁴ For example Ipsos MORI (prepared for Ofgem), [Consumer engagement with the energy market, information needs and perceptions of Ofgem: Findings from the Ofgem Consumer First Panel](#), August 2012.

¹⁵ TNS BMRB, [Consumer engagement in the energy market since the Retail Market Review: 2016 Survey Findings](#), August 2016.

¹⁶ GfK, [Consumer Engagement in the Energy Market 2017: Report on a survey of energy consumers](#), September 2017.

¹⁷ Revealing Reality, [Ofgem Consumer First Panel, Year 9 Wave 1 – Understanding information needs](#), December 2017.

¹⁸ Ofgem, [Effective billing workshop](#), March 2016.

¹⁹ GfK, [Consumer Engagement in the Energy Market 2017: Report on a survey of energy consumers](#), September 2017.

²⁰ Suppliers previously had to refer to the Estimated Annual Cost as the "Personal Projection" but we removed prescriptive naming requirements as part of [recent changes](#): Ofgem, [Decision: Estimated Annual Cost for domestic consumers](#), December 2017.

in 2016. Of these, 31% were at least somewhat encouraged to check their current tariff, 27% to compare their current tariff with others, and 24% to switch tariff or supplier.

As with the cheapest tariff message, evidence suggests that it is the most engaged consumers who are likely to be more aware of the Estimated Annual cost. For example, in 2017 over half of Savvy Searchers (53%) reported having seen a Personal Projection before, compared to less than a fifth (18%) of Anxious Avoiders.

Assistance and advice

It is vital that consumers know who to contact when something goes wrong with their energy supply or if there is an emergency. They should also know who to contact if they have a query or complaint, or are seeking support or advice in relation to their energy supply.

Queries

Our 2017 Consumer First panellists noted that their most common contact with their energy supplier arose from the need to resolve problems or queries with their account.²¹ This is likely true for the majority of consumers. In our 2017 survey 17% of consumers said they had contacted their current or previous supplier in the last year, for a reason other than making a complaint or giving a routine meter reading.

Many of the Consumer First panellists had frustrations with the degree of time and effort involved in speaking to their supplier and easily finding and accessing information to help them better understand their situation.

The ease with which a consumer can contact his or her supplier varies widely. The Citizens Advice energy supplier performance ratings²², which measure average call waiting times, demonstrate this. A 2017 Which? snapshot investigation²³ also showed a wide variation in the speed of supplier response to consumer calls and email or online queries. It also showed that a small proportion of queries never get a response.

Through our compliance investigations we have seen evidence that some suppliers are not investing sufficiently in customer service contact arrangements. As a result, their customers find it difficult to contact them if they have an enquiry or wish to make a complaint (especially outside normal business hours) and, where the customer leaves a message, some suppliers take too long to respond to it. For example, we recently issued a Provisional Order²⁴ against one supplier to remedy customer service failings. We expect that other suppliers will review their customer service arrangements in the light of this Provisional Order and take on board the lessons from this case.

Making and escalating complaints, and seeking redress

Our evidence suggests that the majority of consumers are aware they can complain and find it easy to do so. In a 2016 survey 77% of domestic complainants said that it was either quite easy or very easy to find the right details to make a complaint, up from 65% in 2014.²⁵ The majority of these complainants looked to Bills or statements of account to find these contact details. Our 2017 consumer engagement survey²⁶ also showed that

²¹ Revealing Reality, [Ofgem Consumer First Panel, Year 9, Wave 1 - Understanding information needs](#), December 2017.

²² Citizens Advice, [Compare domestic energy suppliers' customer service](#).

²³ Which?, [How long does your energy company keep you on hold?](#), November 2017.

²⁴ The [Provisional Order](#) requires the supplier to (among other things) extend its in-house call centre opening hours, establish an efficient "ring back" service and reduce average call wait times.

²⁵ Quadrangle, [Customer satisfaction with energy supplier complaints handling 2016](#), September 2016.

²⁶ GfK, [Consumer Engagement in the Energy Market 2017: Report on a survey of energy consumers](#), September 2017.

three quarters of consumers felt either very confident (36%) or fairly confident (39%) making a complaint to their energy supplier.

However there is still room for improvement. Of those consumers who claimed that they had cause to complain in 2017, but did not, 14% said this was because they did not know how to make a complaint. Evidence from our 2017 Consumer First Panel suggests that the current messaging about raising complaints and settling disputes on Bills is not particularly effective, with almost no panellists being able to recall seeing this information on their Bill. Research conducted for Citizens Advice supports this –just 12% of consumers recalled seeing information about how to complain to their supplier on their Bill.²⁷ It is worth noting that many of our panellists said they were more likely to search for this information online than in their Bill (and are therefore less likely to have spotted it on their Bill if they had not read it in detail).

When it comes to escalating complaints, evidence suggests that consumers are less able to identify the most appropriate route. In research commissioned by Citizens Advice only 7% of consumers could recall seeing information about how to contact the Ombudsman Services: Energy on their Bill.²⁸ And in our 2016 complaints handling survey, only 23% of complainants recalled being told by their supplier that they could escalate their complaint, and 25% said they were told they could seek independent advice.²⁹

Many consumers contact the Ombudsman Services: Energy before their complaint is within the Ombudsman's terms of reference.³⁰ Between October 2015 and November 2017, 56% of complaints referred to the Ombudsman were done so before they were in the Ombudsman's terms of reference.³¹ And of those consumers who are eligible to refer their complaint to the Ombudsman Services: Energy, only a small percentage do so. Research conducted for Ofgem in 2013 showed that of approximately 88,000 8-week/deadlock letters sent to customers, only 7% of those eligible referred the complaint to the Ombudsman Services: Energy in the 12 months afterwards.³² This could suggest that existing supplier signposting to sources of assistance and advice is not clear enough.

Emergencies

It's vital that consumers know who to contact and how in the event of an emergency, such as a gas leak or power outage. From the available evidence, it's not clear that this is the case for the majority of consumers.

Research conducted for Utility Week³³ showed that there is a broad lack of knowledge among consumers in this area. 50% of consumers questioned were not sure or didn't know their local electricity and gas distribution companies (essential for power outages), and 50% didn't know the difference between their energy supplier and energy distributor at all.

In their report reviewing the customer communications rules, EnergyUK refer to research prepared for the launch of the 105 emergency number that revealed that a significant

²⁷ GfK, commissioned by Citizens Advice, 2015. Source: Citizens Advice, [Response to Ofgem's working paper on domestic supplier customer communications rulebook reforms](#), March 2018.

²⁸ Ibid.

²⁹ Quadrangle, [Customer satisfaction with energy supplier complaints handling 2016](#), September 2016.

³⁰ Citizens Advice, [Response to Ofgem's working paper on domestic supplier customer communications rulebook reforms](#), March 2018.

³¹ Data from the Ombudsman Services: Energy shared with Ofgem.

³² GfK, [Complaints to Ombudsman Services: Energy](#), 2013.

³³ Harris Interactive, commissioned by Utility Week, Supplier Awareness, Billing & Pricing, September 2017.

number of consumers are not confident about what to do in an emergency power cut and that too few people know that they should contact their network operator.³⁴

In addition, research commissioned by Citizens Advice in 2015³⁵ highlighted that less than a quarter (23%) of consumers recalled seeing any emergency telephone numbers on their Bill, only a third (34%) recalled seeing their meter number, and only one in five (21%) remembered seeing the number of their energy distributor.

Our 2017 Consumer First Panel research³⁶ suggested that many consumers would go online to find this information in the event of an emergency, though the panellists highlighted the importance of the information being accessible to those who aren't computer-literate too. The panellists thought that centralising this necessary contact information in one place (eg a welcome pack, card, sticker, magnet or booklet, etc) might better meet the needs of these consumers.

Accessing impartial advice

In 2016, fewer than one in four consumers believed that their energy supplier had ever offered them help and support and fewer than one in ten recalled ever being signposted or referred to a third party organisation.³⁷ Research from the debt sector also highlights that significant numbers of consumers in debt are not seeking help or advice.³⁸

Research commissioned by Citizens Advice in 2015 showed that only 3% of consumers recalled seeing contact details for the Citizens Advice consumer service (for information and advice) on their energy Bills.³⁹ Of all the energy cases handled by the Citizens Advice consumer service between October 2016 and August 2017, in just 12% of cases the consumer in question was aware of the service because of their Bill. A further 6% of consumers found out about the service from their supplier or supplier's website.⁴⁰ In comparison, nearly a third of consumers did an internet search or found Citizens Advice's website.

Some suppliers proactively provide some customers with information on how they can reduce their energy consumption, as well as signposting to energy efficiency advice as they are required to. In 2016, 9.8 million consumers benefited from this proactive energy efficiency advice.⁴¹ This was slightly lower than the previous year.

Bills and billing information

Overall engagement with Bills

In our 2017 consumer engagement survey, 71% of respondents recalled receiving at least one Bill or statement of account from their supplier in the previous 12 months, and 90% of those claimed they read it (43% in detail and 47% glancing or skim reading it).⁴²

³⁴ Energy UK, [Rules of engagement: Putting customers at the heart of communications](#), summer 2017.

³⁵ GfK, commissioned by Citizens Advice, 2015. Source: Citizens Advice, [Response to Ofgem's working paper on domestic supplier customer communications rulebook reforms](#), March 2018.

³⁶ Revealing Reality, [Ofgem Consumer First Panel, Year 9, Wave 1 - Understanding information needs](#), December 2017.

³⁷ GfK Consumer Panel, 2016. Cited by Citizens Advice, Good practice guide, 2016.

³⁸ Money Advice Service, [A Picture of Over-Indebtedness](#), March 2016.

³⁹ GfK, commissioned by Citizens Advice, 2015. Source: Citizens Advice, [Response to Ofgem's working paper on domestic supplier customer communications rulebook reforms](#), March 2018.

⁴⁰ Data from Citizens Advice shared with Ofgem.

⁴¹ Ofgem, [Monitoring social obligations: 2016 annual data report](#), October 2017.

⁴² GfK, [Consumer Engagement in the Energy Market 2017: Report on a survey of energy consumers](#), September 2017.

Of those who recalled receiving a Bill and had also switched supplier or tariff, or compared suppliers or tariffs in the previous 12 months, 12% were prompted to do so following receipt of a Bill or statement of account from their supplier. This compares to 18% that were prompted by notice Statement of Renewal Terms, and 17% by a Price Increase Notification.

Content

In our 2017 survey, 66% of respondents said they can very (26%) or fairly easily (40%) understand their energy Bill. However, our qualitative evidence has consistently suggested that many consumers find it difficult to understand their energy Bills. In our 2017 Consumer First Panel, even among those who regularly opened their Bills, many panellists said they never engaged with any information on the Bill beyond the cost. This is supported by uSwitch research that found that one in three consumers only look at the amount they need to pay for energy rather than paying any attention to the detail of their Bills⁴³, and British Gas research that shows that on average consumers spend 20 seconds reading their Bill.⁴⁴

Anecdotal evidence from suppliers suggests consumers can find the language used on the Bill complex, for example that used to explain how the Bill is calculated based on calorific values.

Evidence from the Consumer First Panel and research suppliers have shared with us suggests that consumers find the volume of information on Bills overwhelming. For example, 65% of consumers surveyed by SSE reported that they thought there was too much information on their energy Bill, with feedback suggesting that the Bill should be used mainly to check the amount due, help explain anything unexpected and retrieve information such as contact details.⁴⁵

Our Consumer First Panel⁴⁶ showed that when consumers studied their Bills in more detail, almost all panellists found information within the Bill that they felt would be useful to help them better manage their account. However, not all this information was deemed necessary at the same frequency as they receive their Bill. In general, panellists were hoping for a greater level of personalisation of billing information, recognising that their needs and interests might be different to others.

Format and layout

British Gas' research⁴⁷ shows that the first page of the Bill is particularly vital, as it's likely to be the one that customers spend most time on. Most consumers scan the content before deciding what to focus on, and dense bodies of text are particularly disengaging. Our Consumer First Panel research also found that disengaging presentation of Bills (including a proliferation of text) meant that most panellists failed to realise a lot of the information even existed.

Suppliers have told us⁴⁸ that the flow of information in a Bill can be disrupted by rules requiring that specific pieces of information appear in a certain position on communications. Testing by British Gas showed that positioning the cheapest tariff message in different parts of the Bill affected consumers' reaction to the messages.⁴⁹

⁴³ uSwitch, [Blanking bills: one in three consumers don't read energy bills](#), August 2015.

⁴⁴ British Gas research shared with Ofgem.

⁴⁵ SSE, Simple bill research, 2015.

⁴⁶ Revealing Reality, [Ofgem Consumer First Panel, Year 9, Wave 1 - Understanding information needs](#), December 2017.

⁴⁷ British Gas research shared with Ofgem.

⁴⁸ Ofgem, [Effective billing workshop](#), March 2016.

⁴⁹ British Gas research shared with Ofgem.

Many of the Consumer First panellists found paper Bills to be most useful – often making them more likely to open and read their Bill. Around half of the group reviewed their billing information either through email Bills or apps developed by suppliers.

A number of suppliers have trialled different Bill formats, often receiving positive feedback from consumers. For example, SSE's simpler Bill project used infographics and shortened the Bill to two pages.

Frequency and timing

The available evidence about frequency of billing suggests that there is no single frequency that is optimal for all consumers. Different consumers have different preferences depending on their circumstances.

Research commissioned by Citizens Advice in 2015 found that most consumers wanted Bills either quarterly (46%) or monthly (35%).⁵⁰ However, Consumer First Panel research conducted in 2015⁵¹ showed that for some consumers who don't receive regular monthly salaries (eg those who are paid four-weekly, receive benefits, or are self-employed), more flexibility in billing frequency would be beneficial in helping them manage their finances. Other research commissioned by Citizens Advice in 2016 found that monthly or quarterly Bills can be difficult for some consumers to manage on an ongoing basis, compared with those that were "little and often" like other household expenses.⁵²

Citizens Advice's research found that most consumers wanted Bills at their current frequency or more often, with very few consumers wanting less regular Bills. This was the case regardless of the consumer's current Bill frequency. Over half of prepayment meter customers who expressed a preference said that they would like to receive statements quarterly or monthly.

Changes to contracts

Statement of Renewal Terms

The Statement of Renewal Terms notifies consumers that their tariff is coming to an end, prompts them to consider their options, and informs them of what those options are (including switching suppliers).

The importance of this engagement opportunity is increasing. More and more consumers are switching to fixed tariffs (36% of consumers in October 2017, compared to 23% in 2013).⁵³ A number of suppliers have also announced their intention to phase out standard variable tariffs. So it is important to ensure that the Statement of Renewal Terms is as effective as possible in encouraging and enabling consumers to make active, informed choices and not to default onto poor value tariffs at the end of their fixed-term tariffs.

Overall engagement with Statements of Renewal Terms

In our 2017 Consumer Engagement Survey, 25% of respondents recalled receiving a Statement of Renewal Terms from their supplier in the previous 12 months.⁵⁴ Of these,

⁵⁰ GfK, commissioned by Citizens Advice, 2015. Source: Citizens Advice, [Response to Ofgem's working paper on domestic supplier customer communications rulebook reforms](#), March 2018.

⁵¹ Big Sofa, commissioned by Ofgem, [Consumer First Panel - Year 6 wave 3 - Smart billing](#), March 2015.

⁵² Collaborate Research, commissioned by Citizens Advice, [Current and potential future use of credit and smart data by energy suppliers in debt management](#), May 2016.

⁵³ Ofgem analysis of supplier data submissions.

⁵⁴ It is important to remember when considering this data that this figure represents the number of *all* consumers who recall receiving an SORT, not just those on fixed tariffs. In October 2017, the number of all domestic consumers on fixed tariffs was 36%.

92% said they read it in some amount of detail (56% in detail and 37% glancing at or skim reading it).

Of all consumers who reported having compared or switched their tariff or supplier in the previous 12 months, 18% claimed that they did so as a result of receiving Statement of Renewal Terms from their supplier. This is the most frequently cited reason of all for engaging, and proves the value of the Statement as a prompt to engage. Evidence suggests that Statements of Renewal Terms are particularly effective at prompting consumers to switch to another tariff with the same supplier – 36% of consumers who did this said they did so after receiving a Statement of Renewal Terms, compared to 17% of consumers who switched supplier and 18% who compared supplier or tariff but didn't switch.

Levels of consumer engagement at the end of fixed-term tariffs vary substantially across suppliers. Data we have collected from large and medium suppliers shows that, 90 days after the end of a fixed-term tariff, the proportion of non-prepayment consumers who rolled over onto a default tariff between August 2016 and October 2017 ranged from 0.2% to 75%.⁵⁵ The average rollover rate after 90 days across the 10 suppliers questioned was 28%. There is a large variation in practices between suppliers, with some only sending the mandatory Statement of Renewal Terms, and others sending up to eight additional communications through different channels. This huge variation in engagement with the Statement of Renewal Terms suggests that there could be room for improvement in some suppliers' notices.

Content

Of those that read their Statement of Renewal Terms, 85% thought that the information in it was presented either quite clearly (56%) or very clearly (29%).

Suppliers have shared feedback from their customers with us suggesting that the format of the Statement of Renewal Terms is too long, it contains too much information and is difficult for customers to understand. For example, research by one supplier in 2016⁵⁶ found that a third of the customers they surveyed found information in the Statement difficult to understand and unclear.

Format and layout

Scottish Power recently undertook some creative tests to increase consumer engagement with their Statements of Renewal Terms sent to online customers via email. Click-through results showed that the changes increased engagement with the email by between 8 and 11% (depending on the tariff), when compared to a "business as usual" template.⁵⁷ This indicates the potential for increasing engagement by changing the layout or format of communications.

Timing

Npower recently ran a trial⁵⁸ varying the timing of the Statement of Renewal Terms, with notification letters sent later than the normal 42-49 day window before the end of a fixed-term tariff. The results implied that consumers are more likely to take action if you send the Statement of Renewal Terms nearer the tariff end date.

As mentioned above, there are wide variations between suppliers in the rollover rates of consumers onto default tariffs at the end of fixed-term tariffs. On closer inspection, this may be in part due to the number and timing of other prompts sent by suppliers to consumers following the Statement of Renewal Terms. Some suppliers send other

⁵⁵ Ofgem, Data collected from suppliers, November 2017.

⁵⁶ Supplier research shared with Ofgem.

⁵⁷ ScottishPower, Domestic Tariff Renewals, November 2017.

⁵⁸ Npower, PEN Timing Test, March 2018.

communications besides the regulated Statement, and these often correlate with lower auto-rollover rates.

Price Increase Notification

The Price Increase Notification informs consumers of price increases that will affect their contract⁵⁹, prompts them to consider their options, and enables them to take action to avoid the change if they so wish without facing any penalty or charge for switching away. The Notification is a valuable prompt, as saving money is generally the main priority for most consumers (it was mentioned as a motivator to engage by 91% of those who had engaged, and 82% of those who had not, in 2017⁶⁰).

Compared to other regulated communications, Price Increase Notifications are sent to consumers with less regularity – they are only sent when suppliers increase their prices. This means that recall is likely to be lower (as many consumers may not get a Price Increase Notification at all during a year), and may explain why there is generally less evidence about how well the current rules work for Price Increase Notifications than other communications.

Overall engagement with Price Increase Notifications

Our 2017 consumer engagement survey revealed that 40% of respondents recalled receiving a Price Increase Notifications from their energy supplier in the previous 12 months.⁶¹ Of those that recalled receiving one, just under half (49%) claimed to have read it in detail, with 42% claiming to have glanced over it or skim read it, and the majority (81%) said that the information was presented either quite or very clearly.

Of all those respondents who had switched or compared their tariff or supplier in the previous 12 months, 17% of respondents in our 2017 survey claimed that they did so because of they received a Price Increase Notification from their supplier. This is the most common reason cited apart from receiving an end of fixed term notice. Another 4% of consumers who had switched or compared their tariff or supplier in the previous 12 months said they did so because they heard their energy supplier's prices were going up.

Annual Statements

Overall engagement with Annual Statements

In our 2017 consumer engagement survey⁶², 59% of respondents recalled receiving an Annual Statement from their supplier. Of these, 90% said they read it (42% in detail and 48% glanced at it or skim read it). Other sources of evidence suggest that consumer recall of the Annual Statement may be lower than this. For example, research by one supplier found that 80% of customers surveyed didn't recall the Annual Statement without being prompted, even though they had received it 4 weeks previously.

Evidence suggests that engagement with the Annual Statement is positive but not very high. In our consumer engagement survey, among those who had either compared or switched their tariff or supplier in the previous 12 months, 2% stated that their Annual

⁵⁹ Suppliers are required to provide notice of any unilateral variations that are to the customer's disadvantage. These variations could relate to matters other than increases in price, for example increases in penalties for late payment. We use the term "Price Increase Notification" here as shorthand for all such notices, though obviously the precise content of the notice will depend on the change in question.

⁶⁰ GfK, [Consumer Engagement in the Energy Market 2017: Report on a survey of energy consumers](#), September 2017.

⁶¹ It is important to remember when considering this data, that many consumers would not have been subject to a price increase in the previous 12 months, and therefore would not have been sent a PIN.

⁶² GfK, [Consumer Engagement in the Energy Market 2017: Report on a survey of energy consumers](#), September 2017.

Statement was a main reason for doing so. This is supported by anecdotal evidence from a supplier that said they have a much smaller response rate (0.1%) from the Annual Statement compared to other communications, including requests for meter reads.

Content

A large proportion of the content in the Annual Statement is also currently mandated in Bills or other supplier communications.

In the previously mentioned supplier research into the Annual Statement, consumer awareness of the content of the statement focused on the graphic breakdown of energy usage on the front page. Recall of other information in the Statement was much lower. Consumers who were spontaneously aware of the Statement generally found it useful in managing their energy (52% rated it between 8 and 10 out of 10 for usefulness).

Form and layout

Of those that claimed to have read their Annual Statement in at least some detail in our 2017 survey⁶³, the majority thought the information was presented either very (24%) or quite (55%) clearly. This is supported by supplier research, which found that 75% of consumers slightly or strongly agreed that the information in the Annual Statement was clear and easy to understand. However, this research also found that only 38% of respondents found the Annual Statement eye-catching and 43% as engaging).

One consumer group highlighted the usefulness of the Annual Statement being sent in paper form, as consumers can use this as proof of identification.

Timing

Evidence about the effectiveness of the Annual Statement as an annual prompt to engage is limited. The evidence outlined above suggests that the Statement in its current form and frequency has had a small but limited impact. However, it is not possible to infer from this whether an annual prompt in a different form would be more effective.

Looking to similar communications in other sectors, the FCA did some research into the effectiveness of their regulator-led annual summaries for domestic banking.⁶⁴ They concluded that they had no major effects on consumer behaviour in terms of incurring overdraft charges, altering balance levels or switching to other current account providers. In comparison, the FCA found that commercially driven methods such as text and app services had a substantial effect, reducing overdraft charges and facilitating customers banking with multiple providers.

⁶³ Ibid.

⁶⁴ FCA, [Message received? The impact of annual summaries, text alerts and mobile apps on consumer banking behaviour](#), March 2015.