

31 May 2018

Xander Fare
Consumers and Competition
Ofgem
10 South Colonnade
Canary Wharf
London, E14 4PU

Email: alisonrussell@utilita.co.uk

Dear Xander,

Re: Implementation of the CMA's Whole of Market recommendation

Utilita Energy Limited (Utilita) is GB's leading provider of smart prepayment (PPM) gas and electricity, supplying lower income and energy conscious households with an affordable and accessible smart prepayment service since 2008. Our customers can easily monitor, manage and budget for their energy usage via their smart meter which is installed free of charge.

PPM customers are the group of customers who stand to benefit most from smart meters, but at the same time, they are most exposed to any issues with the system or communication networks. As a smart PPM specialist, we have a unique insight into the risks and issues which can impact PPM customers in moving to a smart meter.

We have also established a deep understanding of customers who use PPM, both those who choose it and those for whom it is a necessity. While PPM is not a proxy for vulnerability, there is a higher proportion of vulnerable customers using PPM as their payment method. These customers may already lack confidence in engaging with an online switching process, and feel more supported making a choice in a human interaction, whether face to face or by telephone.

Removing the Whole of Market obligation

We have a number of concerns on the approach of removing the Whole of Market (WoM) comparison. Consumers who are not confident engaging online, may struggle with using filters or understanding the view they are seeing unless the messaging is very clear and prominent. Such consumers may be reluctant to enter data repeatedly in multiple PCWs and hence may not shop around or realise they need to.

There is a second issue with the proposals. While we agree that stimulating switching via PCWs would incentivise PCWs to invest in their energy offering, we question the level of consumer benefit.

Removing the WoM requirement from PCWs may encourage consumers to switch by offering only deals they can switch to, however, this does not mean that they will see the best, or even

close to best offers. Given the costs of using PCWs (noted below) the best deals may be those where the supplier either does not pay PCW commissions or cannot afford to.

On this basis, if the approach of removing the WoM requirement is to proceed a number of actions are needed to mitigate the effects. The PCWs should be compelled to provide on the landing page a clear advisory if the site only displays commissioned offers, and not a WoM comparison. The consumer can then decide if they wish to proceed before entering their data.

An alternative approach would be to require the PCW to list (up front) the suppliers they will show and those they do not. This will enable the consumer to make an informed choice on whether to use that particular PCW, reducing the risk of the consumer not realising the limitations of the site they are on.

Used in conjunction with a robust requirement to display the link to the Citizens Advice comparison tool, this will mitigate a significant amount of risk. Risk could be further reduced by Ofgem stipulating where and how the Citizens Advice link is to be provided, including the number of clicks, so consumers know where to look on any site. Ofgem could communicate this via their own advisory factsheets.

Breadth and cost of coverage by PCWs

At present, PCWs are free to select those suppliers with whom they will do business, and may refuse to list their offers. PCWs can also vary significantly in the commission fees required of suppliers or their willingness to reach a commercial agreement. These policies may restrict the offers visible to consumers, indeed many new entrant suppliers may not be able to afford such fees or lack negotiating power. On the other end of the scale, there may be a risk of suppliers with greater negotiating power seeking to influence PCWs.

A link to the Citizens Advice comparison tool, in a form stipulated by Ofgem, plus a clear requirement to state up front the site limitations will reduce the impact of these policies. If consumers are not happy with the service offered by the selected PCW, it is then clear and they can move to a PCW which will provide a complete service for them if they wish.

We note the test and audit point, and consider that to complete a robust audit, an Auditor might require access to the commercial arrangements between the PCW and suppliers. This information would naturally be commercially sensitive unless the commission fees charged by PCWs are regulated and/or become more transparent.

The costs of signing up via PCWs should not be overlooked; consumers signing directly via supplier websites will reduce costs, as the cost of PCW commissions would be avoided. This may become increasingly important in the context of broad policy developments such as price caps.

Regulation of PCWs

At present, PCWs may be accredited by Ofgem under the Confidence Code, and may be sanctioned by removal of that accreditation for compliance failure.

We have set out in this submission a number of our concerns with the proposals. We believe that based on our experience, with customers who often struggle to engage online or with complex comparisons, the level of protection will be reduced.

We believe that the appropriate way forward would be for PCWs to be regulated by Ofgem. We would like to see clear and enforceable standards of conduct applicable to switching sites, which would deliver a reliable quality of experience for consumers. The areas covered should include ensuring that customers can enter their current contract accurately (for both fuels), and select their future contract of choice.

Ofgem should also consider, in the context of other policy developments, whether there is need for improved transparency on PCW charges and accessibility to all suppliers.

We trust this submission has been helpful, and would be pleased to meet with you to discuss the points raised in more detail.

Yours sincerely,

By email

Alison Russell
Director of Policy and Regulatory Affairs