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against  
poverty

**CAP**

## ***Domestic supplier-customer communications rulebook reforms***

*CAP's official response to Ofgem's policy consultation*

May 2018

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**always hope.**



Christians Against Poverty (CAP) is pleased to respond to Ofgem’s consultation on *Domestic supplier-customer communications rulebook reforms*. CAP welcomes Ofgem’s move to increase engagement through reducing prescription and encouraging innovation in communications, however, caution needs to be exercised.

The energy industry has long struggled to engage customers, particularly customers who are in financial difficulty or using certain payment methods, such as prepayment meters. This focus on redesigning communications in order to enhance engagement will help to reach some of those customers who had previously not engaged. By allowing suppliers to innovate and design their communications, customers will be able to receive more personalised information, displayed in a more concise way to enhance engagement and understanding.

With switch rates on the rise, the Smart meter rollout and a growing understanding of how to write engaging communications, these rulebook reforms come at a good time. It will be interesting to see how customers will interact with more bespoke and engaging communications.

For vulnerable customers, such as those in financial difficulty, it is imperative that suppliers do as much as they can to engage. It is a challenge to engage those customers who are not opening their post or answering their phone. We found that before CAP’s help 80% of clients were afraid to open the post and 73% were afraid to answer the phone.<sup>1</sup> However, if energy suppliers can build a good relationship with customers before they enter financial difficulty, there may be more opportunity to support customers as they go through life events. The emphasis on displaying assistance and advice information is welcome. This information, clearly depicted on the page, will explain to customers how to engage with their supplier, and where to go if they are struggling with finances, or high energy consumption, for example.

Nevertheless, we are concerned that a lack of prescription regarding timing could mean that some customers may not receive enough communications during their customer journey. CAP recommends that Ofgem requires suppliers to contact customers at a minimum of twice a year. CAP is also hesitant to support the removal of the Annual Statement, feeling that it acts as a valuable touchpoint for customers, in that once a year they receive all the relevant information regarding their tariff. A second concern we have is over the removal of prescription regarding placement of some of the important information boxes, such as the About Your Tariff box and Cheapest Tariff message. This information is important and the prominence of these messages needs to be maintained.

CAP would like to thank Ofgem for their continued work in the sector. We are encouraged by the good practice coming from the energy sector, and expect that with these changes to communication rules, more customers will engage with their energy supplier.

**Matt Barlow**  
UK Chief Executive

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<sup>1</sup> CAP (2018) *Client report: Bringing restoration to desolate homes*, available at [capuk.org/clientreportpdf](http://capuk.org/clientreportpdf)

## **Question 1: Do you agree in general with our proposed reforms to the rules related to supplier-customer communications?**

In general, CAP agrees with the proposed reforms of the rules related to supplier-customer communications; however, caution is needed to ensure customers are put at the heart of communications.

CAP welcomes the move towards simpler communication, particularly reducing the length of letters and removal of prescriptive wording across the board. It is encouraging to see Ofgem create room for innovation, giving suppliers the ability to diversify communications with the aim of increasing engagement. The removal of prescription will allow communications to differ in appearance, which in turn may cause customers to spend more time reading and understanding their letters. It is also welcome to see Ofgem emphasise the need for personalisation, and for suppliers to use technology to deliver nudges instead of providing an overwhelming amount of information in one communication.

The removal of prescription will be beneficial to customers, so long as suppliers ensure that they put their customers' interests first. This includes, but is not exclusive to, maintaining prominence of Cheapest Tariff messages or presenting the Tariff Information Label in an engaging format in order to encourage switching, for example.

There is also concern that the newly placed responsibility on suppliers to decide timings for communications may be too vague. There should be prescription to outline the minimum number of communications sent per year and checks to ensure that customers are receiving adequately timed information. As a result, Ofgem will need to audit a range of the communications developed by suppliers in order to check that they are remaining compliant to the principles' intended outcomes.

## **Question 2: Do you think our proposals make appropriate use of principles and remove the right amount of prescription? Have we gone too far, or not far enough in removing prescription to enable suppliers to innovate?**

It is integral that customers understand the communications that they receive from their supplier. The removal of prescription opens up the potential for energy suppliers to innovate and create engaging communications, but it also comes with risks. Removing the prescription on content and placement may lead to suppliers reducing the prominence of important messages, for example, the Cheapest Tariff message. This is particularly the case when the information displayed is not in the business interest of the supplier. While suppliers are required to evidence reasons for changing this message, this could cause detriment to consumers, especially if a default safeguard tariff is introduced and customers falsely believe they are on the cheapest tariff available to them.

Another concern relates to the list of key features of each tariff in an easy-to-compare format. This information for those customers in financial hardship, or struggling to engage, is valuable, yet if it requires active pursuit could prevent these customers comparing their tariff with the available options. When presented with tariff choice, vulnerable customers may find it challenging to pick the most suitable tariff, and constraints of vulnerable customer teams and sales teams mean that recommended options are not available. In certain circumstances, suppliers should be able to recommend the best tariff for the customer.

CAP agrees that the timing of communications should not be as prescriptive as it has historically been. The opportunity for suppliers to communicate with customers at Key Engagement Points and with enough time for action is welcomed by CAP. It is also encouraging to see the scope for energy suppliers to innovate and target customers at certain points with bespoke communications, to increase engagement. It should be ensured that for those customers on a rolling tariff, such as prepayment customers, there are still regular communications that provide vital touchpoints for the customer. This is why CAP is recommending that Ofgem stipulate that suppliers must contact their customers at least twice a year. This will help to build relationship with customers who do not engage often, such as those with standard variable tariffs (SVT) and prepayment meters.

### **Question 3: Do you think there are any areas of particular risk to Vulnerable Consumers that are not already addressed in this consultation and/or by the vulnerability principle in the Standards of Conduct?**

There is also increased risk concerning customers in vulnerable circumstances, so it is encouraging to see that suppliers are making good progress to help mitigate these risks. However, there are more steps that can be taken in communications in order to cater for more vulnerable customers. Customers should be able to select their communication preferences without penalty, particularly those who may be digitally excluded, struggle to read, or do not speak much English, for example. Language and format of communications are even more important for vulnerable customers, and it should be ensured that customers are able to engage with the information provided.

Regarding engagement, those who are financially vulnerable may be unable to afford to call suppliers with queries or complaints. Energy suppliers should endeavour to make their phone lines free, and ensure that customers know they are free, increasing the likelihood of engagement – particularly for those customers on lower incomes, where the price may have previously acted as a barrier.

As previously mentioned, when vulnerable customers are presented with tariff options, there are barriers in place that stop the energy supplier from recommending the most appropriate tariff. CAP would recommend that vulnerable customers are presented with the most appropriate tariff for their circumstances, helping the customer to make the best decision and achieve a better outcome as a result. This currently happens in the debt advice industry where FCA regulations require customers to be presented with the full range of options to become debt free, but CAP is also able to recommend the best route for the client’s circumstances to help them make an informed decision in light of the complexity of the decision.

There is an ongoing challenge for customers who move into a property and inherit a prepayment meter. These customers are often unaware of the need to engage with their supplier. Energy suppliers could put more information on the top-up cards, encouraging customers to engage once they have moved in or to signpost to contact points if the customers finds themselves in difficulty.

**Question 4: Do you support our proposed changes to the rules regarding the (i) content, (ii) format, layout and wording, and (iii) frequency and timing of communications? If not, why not?**

**Content**

Less prescription in order not to overwhelm customers and to increase understanding is welcome. However, certain content serves a useful purpose and should remain. For instance, the Tariff Information Label is useful for CAP and other third parties, when creating budgets for clients in order to quickly identify their energy costs, as well as for consumers. CAP is concerned about the removal of prescriptive requirements for suppliers to provide Cheapest Tariff Message, Estimated Annual Cost and annual consumption information on the bill. Relying on suppliers to do so at other engagement points is a risk. Ofgem will need to audit the communications that energy suppliers are issuing in order to ensure that customers are receiving this information during their customer journey.

**Format, layout and wording**

CAP is concerned that the lack of prescription may cause energy suppliers to unintentionally, or purposefully, reduce prominence of important information, such as the Cheapest Tariff Message. Energy suppliers need to ensure that the information most beneficial to customers is on the front page.

While prominence is a concern, CAP welcomes the removal of prescriptive wording. Giving flexibility for suppliers to communicate simply and clearly is welcome, as is allowing for shorter letters and the use of Plain English which will encourage readership and engagement. In particular, CAP is pleased to see the removal of prescriptive wording in the About Your Tariff box. However, consideration needs to be given to the ability of the most vulnerable to compare energy tariffs, as they may be digitally excluded, and are often the customers who are overpaying and need to switch in order to get the best deal.

**Frequency and timing of communications**

CAP agrees that energy suppliers should be encouraged to engage with customers at appropriate points in a customer’s journey where they are more likely to engage. It is also welcome to see Ofgem ensuring that customers are given reasonable time to take any appropriate action ahead of a tariff change.

**Question 5: Do you agree with the key features of the new principles: (i) “Key Engagement Points”, (ii) “characteristics and preferences”, and (iii) our expectations of suppliers?**

In general, CAP agrees with the key features of the new principles, particularly with regard to allowing suppliers to send more effective communications to customers who have different characteristics and preferences. The expectation for suppliers to research and use behavioural insights to engage customers in their communications is also welcome, helping to drive better outcomes for all consumers.

CAP is also pleased to see Ofgem encouraging suppliers to communicate with customers even in the absence of Key Engagement Points. It is integral that those on default and SVTs know their options with regards to switching and have a relationship with their supplier. CAP suggests that Ofgem

should prescribe that energy suppliers should communicate with their customers at a minimum of two times per year.

**Question 6: Do you agree with our package of proposals to change the current customer communications rules to “encourage and enable” engagement? Please explain your answer, in particular noting any consequences you envisage for consumer outcomes or suppliers’ ability to innovate.**

The *Contract choices* principle focuses on customers being enabled to understand that they are able to switch, and able to benefit financially from doing so. For the majority of customers, this will be achieved through communications, information available online and over the phone. Yet, for the many customers in more vulnerable situations, energy suppliers will need to adopt a different strategy in order to ensure their customers are encouraged and enabled to make good choices. This is especially the case for those who are digitally excluded, are in financial difficulties or have learning difficulties. 80% of CAP’s clients were afraid to open the post before help and 22% do not have Internet access.<sup>2</sup>

The *Consumption and cost choices* principle aims to ensure that customers understand their tariff, and how and when they consume energy. This is particularly relevant for those on a lower income, as being able to save money by using electricity at specific times or increasing their energy efficiency will really make a difference in their lives. It is good to see steps towards presenting this information in a clear and concise way, to encourage customers to read and understand the information.

The consequences of removing the prescription and encouraging suppliers to innovate are hard to identify. The consequences are fully reliant on energy suppliers’ ability to recreate their communications, using research and behavioural insights in order to best serve their customers. With such a radical removal of prescription, Ofgem will need to ensure that suppliers remain compliant to the principles by presenting evidence of their choices and how customers’ interests are being served.

**Question 7: Do you agree with our definition of Key Engagement Points?**

The definition of Key Engagement Points, as being when a customer is likely to want to consider, or could benefit from considering, their options relating to contracts and terms, is quite broad and open to interpretation. This risks neglecting communications at some important moments in a customer journey. It would be worthwhile for Ofgem to issue guidance of the Key Engagement Points during a customer journey, for all types of customer, leaving energy suppliers to design the communications and decide the timings.

CAP is concerned that for prepayment customers and those on rolling SVTs there will be too few Key Engagement Points. As a result, this customer base may not experience enough engagement with their supplier – particularly as these are some of the most disengaged consumers to start with. Further comment is provided in response to question eleven.

<sup>2</sup> CAP (2018) *Client report: Bringing restoration to desolate homes*, available at [capuk.org/clientreportpdf](http://capuk.org/clientreportpdf), CAP (2017) *Offline and shut out: digital exclusion in an increasingly digital landscape*, available at [capuk.org/offlineandshutout](http://capuk.org/offlineandshutout)

**Question 8: Do you support our package of proposals to change the current customer communications rules to ensure consumers are aware of, and can obtain, “assistance and advice”? Please explain your answer, in particular noting any consequences you envisage for consumer outcomes or suppliers’ ability to innovate.**

The emphasis on easy-to-find assistance and advice is welcome. It is vital that customers know where to go if they are faced with a problem, complaint or hardship. The Financial Conduct Authority currently prescribes that creditors send out an information sheet with consumer credit debt collection letters with information about a range of financial help services. Ofgem could consider a similar approach as part of the communication rules.

There is a large emphasis on Citizens Advice, which is appropriate given their expertise in energy, debt and generalist advice. However, a variety of support services are needed to support and meet diverse customer needs. The Money Advice Service debt advice locator tool signposts to various channels of debt advice in the UK, both national and local, based on postcode, and would also be valuable. It is also worthwhile to signpost to sources of trusted online advice, for topics such as energy efficiency, mental health problems and financial advice for customers who can engage digitally and prefer the anonymous nature of this help.

**Question 9: Do you support our proposed changes to the customer communications rules relating to “Bills and billing information”? Please explain your answer, in particular noting any consequences you envisage for consumer outcomes or suppliers’ ability to innovate.**

Customers need to be able to understand their bills, in order to make payments and budget effectively. It is welcome to hear that bills will be shorter and therefore more accessible and easier to understand, particularly with the average customer reading their bill for 20 seconds.

Retaining the frequency of the bill is another welcome principle; customers know when to expect their bill and changing this would cause customer confusion. While this provides the potential for innovation, online billing will not cater for all customers and flexibility is key.

**Question 10: Do you agree with the distinction between billing information and Bills?**

Yes, CAP agrees with this distinction.

**Question 11: Do you agree our principle reflects the different needs and circumstances of different customer groups, including prepayment customers?**

**Prepayment customers**

CAP welcomed Ofgem’s December working paper suggestion requiring a new billing principle that would cover all customers, increasing the amount of information that prepayment customers

receive. At present, customers can move into a property and start paying for their energy without engaging at all with the supplier. As a result, the supplier is more likely to be unaware of cases where customers are in vulnerable situations and customers are less likely to make contact with the supplier when they are in difficulty. The move towards increasing communication is therefore welcomed. As *Example 2: Designing communications for a prepayment customer* outlined, energy suppliers may use these new rules to interact with this customer group. The example demonstrates some good practice ideas that could be adopted, such as identifying Key Engagement Points on the prepayment journey and engaging with the customer at these stages.

It is also encouraging to see the stance taken on outcomes, ensuring that prepayment and credit customers' outcomes are held to the same standards. CAP would echo that suppliers should not assume that use of a prepayment meter in and of itself is sufficient to ensure customers can manage their costs and consumption. In 2015 CAP released a report titled *The poor pay more*, which found that 57% of those on a prepayment meter were limiting their energy use, 29% doing so severely and 8% did not use their heating at all over winter.<sup>3</sup> The new principles will give energy suppliers the opportunity to try and engage with their customers throughout the year, offering a helping hand to those who are self-disconnecting through innovative communications.

### Consumers with different needs

CAP welcomes the opportunity for energy suppliers to alter communications in order to best serve each customer's needs. However, the principles do not explicitly outline the different needs and circumstances of different consumer groups. Ofgem's removal of prescription leaves room for energy suppliers to adapt communication, but does not prescribe how or whether they need to do this. There is a risk that some customers' needs and differences may not be catered for. Ofgem will need to ensure that energy suppliers are catering for the breadth of customers' different needs.

### **Question 12: Do you support our proposed changes to the customer communications rules relating to "contract changes"? Please explain your answer, in particular noting any consequences you envisage for consumer outcomes or suppliers' ability to innovate.**

As contracts change, it is important that customers are informed and can take informed action, if necessary. The new principles require suppliers to provide adequate time for customers to act, which is valuable for customers, especially for those with busy or chaotic lives. However, the onus is on the supplier to decide timing, which means suppliers can be flexible and notify the customers they know need extra time earlier. As always, there is a risk that giving the responsibility to suppliers could be detrimental and this needs to be mitigated through supervision.

In addition, CAP supports the retention of contract change notifications as separate communications, so that they are not 'lost' amid other important information. The decision to make these contract change communications shorter is also welcomed by CAP, helping to reduce confusing and convoluted information.

<sup>3</sup> CAP (2015) *The poor pay more: prepayment meters and self-disconnection*, available at [capuk.org/poorpaymore](http://capuk.org/poorpaymore)



### **Question 13: Do you agree with our proposal to no longer require suppliers to provide Annual Statements?**

Annual Statements provide useful information for the customer, especially for those on SVTs. Although research suggests they may be redundant for many, consideration should be given as to whether an annual communication of this type is valuable and if it is the content, language and format of existing Annual Statements that prevent increasing engagement levels. CAP feels that it would be worth preserving the Annual Statement to bring together the information provided throughout the year in a clear and concise way. This will be particularly relevant as there is less prescription for communications. An Annual Statement will ensure that customers receive important information at least once a year.

Instead of scrapping the Annual Statement it should be considered how it can be improved to serve its intended purpose. Energy suppliers should be encouraged to innovate and research the best ways to engage their customers using an Annual Statement, setting out the tariff information clearly and in an engaging way.

### **Question 14: Do you agree that the intended outcomes of the Annual Statement are reflected in our proposed new principles?**

The Annual Statement is intended to equip customers with information about their tariffs, costs and consumption, as well as to prompt engagement. These are valuable outcomes and, while they are reflected in the proposed new principles, this does not mean the Annual Statement is redundant. See response to question 13 for more information.

## Requests for further information

This response has been written by Kiri Saunders, External Communications Manager for Christians Against Poverty (CAP), with contributions from:

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