



## Policy Consultation: Domestic supplier-customer communications rulebook reforms

### E.ON response

#### **Question 1:**

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

1. Ofgem's proposals are based on a piece of work carried out by Energy UK and its members. The original proposals were more radical: suppliers felt that the Standards of Conduct ("SoC") already sufficiently regulated how they communicate with customers and that prescription could be removed without replacing it with narrow principles. For example, information provided to Domestic Customers must be complete, accurate and not misleading; be communicated in plain and intelligible language with more important information being given appropriate prominence; in terms of content and how it is presented, must not create an imbalance in favour of suppliers and must be sufficient to enable the customer to make informed choices (Standard Licence Condition ("SLC") 0.3). In addition, suppliers must take account of a Domestic Customer's vulnerabilities (SLC 0.3(d)).
2. E.ON considers that there are significant opportunities to simplify communications to engage consumers more effectively. Cluttering communications with multiple messages confuses some customers, particularly those who are vulnerable, and we believe this often results in them disregarding the communication in its entirety. While Ofgem has removed much of the prescription relating to customer communications it has, in most cases, merely replaced this with principles that effectively prescribe the same outcomes. It will be extremely difficult, if not impossible, for suppliers to make their communications as effective as they should be because the principles are so inflexible.
3. We remain of the opinion that Ofgem could rely purely on the SoC to regulate how suppliers communicate with customers.

#### **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?***

4. There are some instances where Ofgem has not removed sufficient prescription, but this appears to be by error rather than design. We would draw Ofgem's attention, for example, to SLC 22C.5(a) and SLC 23.2, both of which prescribe the timescales for sending notices that a fixed term contract is coming to an end. Another instance is in SLC 24.17, which defines a Switching Window with reference to prescribed timescales for sending a Statement of Renewal Terms.
5. Ofgem states, in paragraph 2.6, that it considers the changes it is making will "result in better consumer outcomes, improve consumer protections and enable innovation today and in the future." While we welcome the new flexibility in timing, positioning and content of some messages, we believe other changes remain too prescriptive and could result in poorer

consumer outcomes and restrict innovation. Wherever prescription has been removed it has been replaced with principles that are so restrictive that, in order to avoid enforcement action, suppliers may consider it is necessary to overwhelm consumers with multiple messages at every communication point, rather than identifying the right time for the right message. Providing more information to customers does not equal giving them a better service; suppliers should have the flexibility to decide what information is the most appropriate in a given situation, providing it is based on robust analysis.

6. We would like assurances that the new principles relate only to written communications, and not for verbal communication. There are many and varied verbal messages that could be given to customers in any situation, for example a customer who indicates they cannot pay their bill could be offered energy efficiency advice, advice on where to get financial advice, savings that could be made by switching to our cheapest tariff for them and a reminder that they could switch supplier. This is a lot of information to provide over the telephone and may be too much for a customer who is in a vulnerable situation to absorb. We therefore do not believe it is appropriate to apply the customer communications principles to verbal communications.
7. Ofgem needs to allow a reasonable amount of time for the redevelopment of communications. In E.ON's case, making changes is a complex, time-consuming and expensive process. Given the uncertainties for suppliers at present regarding the impact of the Government's default tariff cap, any reviews of communications are likely to be delayed. Some smaller suppliers, we believe, use third parties to design and produce their communications: each supplier has the same format and wording with just logo and contact detail changes. These problems could be exacerbated were a supplier be required to take on another suppliers' customers under the Supplier of Last Resort process. We would like assurances from Ofgem that those suppliers who continue to use the existing prescriptive rules for their communications will not be at risk of enforcement action.
8. We note that Ofgem appears to intend to retain the requirement for suppliers to provide details of the savings a customer could make by switching to both the Relevant Cheapest Tariff and the Alternative Cheapest Tariff (Cheapest tariff message, Change to prescription box below para. 3.29 of the consultation). We agree that suppliers should provide customers with information on how much can be saved by switching to the supplier's cheapest tariff for them; however, we believe this should only be the Alternative Cheapest Tariff, as providing two savings messages is confusing for customers. This is an issue we have raised consistently in previous consultations on customer communications and in Ofgem workshops. Ofgem's own findings (para. 3.7 of the consultation) were that consumers *"find some of the jargon confusing – eg cheapest "similar" versus cheapest "overall.""* We do not believe it is merely the 'jargon' that makes this confusing, it is the fact of two savings messages. We do not believe the difference between the two can be explained simply in plain and intelligible language, and in any event, this particular messaging is intended as a prompt to action. We strongly recommend that Ofgem removes the requirement to provide both savings messages and relies on its principles to encourage suppliers to find ways of providing savings information that is simpler for customers to understand.

9. We do have some concerns about the lack of consistency that will result from Ofgem's proposals, particularly with reference to the Tariff Information Label ("TIL"). The existing rules for the TIL are cumbersome and inflexible and are likely to be too restrictive in the future, with the introduction of new time-of-use tariffs. However, some prescription in the design of the TIL may be useful to ensure consumers can easily compare between different suppliers' tariffs. This should be a smaller, more concise set of information, with some flexibility in content to allow for innovation.

**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?***

10. We welcome the opportunities Ofgem's proposals present in terms of being able to provide communications for different types of vulnerability to meet consumers' characteristics and preferences. We believe that the SoC adequately addresses how suppliers should treat customers in Vulnerable Situations and no further regulation in this area is required.

**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?***

11. We welcome the changes Ofgem is proposing in these areas. They will enable suppliers to innovate and provide communications that better meet the needs of customers.

**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?***

12. We appreciate the need for a definition for "Key Engagement Points". We discuss the definition later in this response.
13. We support suppliers being able to make their communications as relevant as possible to the consumer to which they are addressed; each supplier will need to group customers as they see appropriate and ensure communications take account of the characteristics and preferences of each group.
14. We do not believe Ofgem's expectations of suppliers will change as a result of the changes proposed, nor should they. Suppliers should always seek to achieve appropriate outcomes for customers without putting their business at risk.

**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.***

15. We broadly agree with these principles. However, we do have concerns with the definition of Key Engagement Points and “*throughout each year*”: together, these appear to indicate that the relevant messages should be provided to customers several times a year.
16. We do not consider it appropriate to provide all messages on all communications, for two main reasons.
  - a. If there is an important communication to be delivered, for example that a customer’s Direct Debit amount is changing, that message must be clear and simple and the communication should not be cluttered. Each communication should consider its main purpose and only provide messages that are pertinent to that purpose. Customers are less likely to engage with long communications.
  - b. If messages that are continually repeated, even if they are in a different position on the communication and use different wording, customers are likely to become ‘immune’ to them and will not take note of the important message they are trying to deliver.

Use of the words ‘throughout each year’ is likely to discourage suppliers from innovating or tailoring their communications, as it is likely to be perceived that failure to provide messages on every communication could result in enforcement action. We discuss alternatives in our response to the next question.

**Question 7:**

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

17. We do not agree with this definition. It could be considered that every point in time is one where a Domestic Customer is “*likely to want to consider, or could benefit from considering, their options relating to contract and terms, including their choice of Tariff.*” Taken in conjunction with the phrase “*throughout each year*”, it could result in consumers being bombarded with information.
18. We would propose a less broad definition, concentrating on the overall service provided to customers rather than on individual communications. Suppliers should be encouraged to take into account consumers’ characteristics and preferences in their decisions about which information to include in each communication. We propose an alternative definition below:

*“In communicating with consumers, the licensee must include information that:*

- a. *provides clear and unambiguous information about:*
  - i. *the key reason for the communication; and*
  - ii. *other relevant important messages that may be relevant to the customer as a result of receiving that communication; and*

- b. *takes into account the characteristics and preferences of the consumer in the way the messages in a. above are positioned, presented and worded, with more important information being given greater prominence.*

*As a minimum, Key Engagement Points are at point of sale, prior to the end of a Fixed Term Supply Contract and prior to a disadvantageous contract change, including a price change. In addition consumers must be provided with Bills at regular intervals throughout the year, or, where relevant, statements of account at least once a year."*

**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.***

19. We have no particular concerns about this principle. We note the removal of the requirement to include the electricity network operators' addresses and telephone numbers on the bill; however, this is clearly important information. Consumers must know who to contact in the event of a power cut. Even with these details included on each bill, many customers contact their supplier rather than their network operator when their power fails. We propose that there should be a greater requirement for network operators to make consumers aware that they are responsible in the event of a power cut and provide their contact details to consumers.

**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.***

20. We welcome the ability to provide billing information separately from the Bill. This will make it easier for suppliers to innovate, providing billing information via apps or other electronic means on a more regular basis, freeing up the Bill to be simpler and clearer for customers.
21. We agree that customers should either be sent a Bill or be directed to where to find a new Bill when it becomes available. However, the word 'provide' is merely a synonym for 'make available', therefore we do not believe that "*must ensure that they provide Bills, statements of account and/or any relevant billing information ...*" meets Ofgem's policy intention.
22. We do not agree with the need to provide prepayment customers with more regular billing information. It is probable that prepayment customers are more aware of their consumption and costs than other customers, as they will need to be aware of when to top up their meters to avoid losing their supply.
23. In paragraph 5.20, Ofgem states that Bills are often used by consumers as reference documents, but provides no evidence to back this up. Demands for payment and billing information are historic in nature and have decreasing value as time goes on. The type of information that may be useful for customers to keep would be covered by the Encourage and Enable and Assistance



and Advice principles, and therefore any requirement for customers to be able to retain information should relate to those principles. This would enable suppliers to provide Bills and statements of accounts by alternative means, for example by SMS messages.

**Question 10:**

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

24. We agree with this distinction.

**Question 11:**

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

25. We agree that the Bills and billing information principle reflects the different needs and circumstances of different customer groups. In our response to question 9, we have expressed our belief that prepayment customers are likely to be able to manage their costs and consumption better than customers on other payment methods. It is probable that these customers' characteristics and preferences are adequately served by receiving an annual statement of account which includes billing information.

**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.***

26. We recognise that there may be circumstances where suppliers should notify customers of a price decrease, although it will not always be necessary to provide the same amount of information as would be necessary for a price increase, nor the same amount of notice. For example, where it is necessary for a supplier to change prices due to changes to a price cap and the change is very small, there is unlikely to be a material detrimental impact for customers. In that case the communication could be brief, or it may not be necessary to communicate the change at all. This would avoid a situation where the cost of providing a communication to a customer is greater than the value of the potential benefit to the customer.

**Question 13:**

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

27. We do not have significant evidence one way or the other about the value of Annual Statements for customers. We generally see a significant amount of activity resulting from other communications, either in terms of tariff switches, account losses or general queries. That is not the case for Annual Statements, where we receive a very small number of enquiries over the course of a year and very little customer churn. This may be due to the fact that there is no call to action.



28. We agree with Ofgem (para. 7.5 of the consultation) that many of the individual pieces of information are valued by some customers; nearly all of these are already provided on other customer communications, such as bills and renewal notices.
29. We therefore agree with Ofgem's proposal to remove the requirement for suppliers to provide consumers with Annual Statements.

**Question 14:**

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

30. As Ofgem is proposing to remove requirements to provide Annual Statements, we do not think it is appropriate or necessary to consider what outcomes are intended. Instead, suppliers should look to other provisions of the licence, including existing and proposed new principles, to deliver outcomes for all domestic customer communications.
31. Ofgem's proposed new 'encourage and enable' principle will ensure that suppliers provide prompts for customers to engage and equip them with information about their tariff, costs and consumption. The proposed new 'assistance and advice information' principle will ensure suppliers provide information to enable customers to quickly and easily find where they can obtain impartial advice from independent parties. Provisions in the Standards of Conduct are designed to ensure that information provided to customers by suppliers is complete, accurate and not misleading and is communicated in plain and intelligible language, and that the needs of Domestic Customers in Vulnerable Situations are met. We therefore believe that, if the new proposals are accepted by Ofgem, the supply licences will sufficiently reflect the outcomes the Annual Statement was initially intended to achieve.