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Consumers & Competition
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Submission via email:
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Dear Dennis,

Thank you for the opportunity to respond to the consultation on the removal of certain Retail Market Review (**RMR**) "Simpler Tariff Choices" rules dated 3 August 2016.

First Utility is overall supportive of removing the RMR simpler tariff choices rules, as the proposals broadly reflect the recommendations around RMR made by the Competition and Markets Authority (**CMA**). We continue to have concerns around the removal of the four-tariff rule and around the decoupling of information to be provided to existing customers around new tariffs but will not address these here as we have previously done so extensively in our responses to the CMA. Below we address comments on the Personal Projection proposal and on the forthcoming trials on potential information remedies.

Personal Projections

In this consultation, Ofgem raises new tariff comparison proposals, specifically around how personal projections are calculated. We are very concerned by this, as by allowing suppliers 'the freedom to develop their own methodologies for estimation', substantial discrepancies not only between suppliers, but between suppliers and PCWs will occur. This will make it impossible for customers to obtain a like-for-like quote from two or more sources, risking further confusion and disengagement.

This could in part be mitigated through phasing the implementation of the 'simpler'



aspects of RMR. This would, focus on enabling suppliers to offer product bundles, discounts, including cashback, and partner tariffs first, and potentially specific “types” of tariff such as social and environmental tariffs, and then aligning the removal of the four-tariff rule with the introduction of the specific information remedies.

The personal projection proposals are also raised in the Ofgem consultations on ‘helping consumers make informed choices’ and that of the Confidence Code: we will comment in full in our responses at the end of September.

Ofgem Trials on Information Remedies

We also support the Ofgem trials on tackling customer disengagement through information remedies, to happen as soon as possible. This is not just about the simplicity and transparency of communications, but also their frequency and language used. The renaming of Standard Variable Tariff (SVT) to ‘Out-of-Contract’ and using ‘Renewal Notice’ instead of the Annual Statement are two key examples. Alongside an increase in the frequency of the supplier cheapest tariff messaging, to once a month, this would prime customers with greater awareness, of both the benefits of switching tariffs and suppliers.

However, if supplier trials in this area are delayed, then not only will customers miss out in the interim, but they may become further disengaged: this would embed and further strengthen the ‘tale of two markets’ that we currently see between the disengaged - the 70% of customers on the SVT tariff - and the 30% of customers who are engaged. Indeed for customers in the active 30%, competition would further intensify with SVT customers continuing to provide cross-subsidy.

We look forward to continuing our engagement with Ofgem and fellow industry stakeholders on implementing the CMA remedies. In the meantime, if you have any questions or would like to discuss any of the issues covered in my letter, please do get in touch.

Yours sincerely

Malcolm Henchley
Head of Legal Services