

Dennis Berg

From: Fell, Michael <michael.fell@ucl.ac.uk>
Sent: 15 September 2016 12:14
To: Dennis Berg
Cc: Nicolson, Moira
Subject: Response to consultation on the removal of certain RMR Simpler Tariff Choices rules

Dear Mr Berg,

We are grateful for the opportunity to respond to your letter of 3 August 2016 setting out the proposed changes to the rules regarding Simpler Tariff Choices. Because we are preparing a full response to the associated consultation on 'Helping consumers make informed choices', here we briefly note just two issues with the specific changes which we think may benefit from further consideration going forward. We cover these and other issues in more detail in our other consultation response.

In general we think that the proposed rule changes will help promote development of the market for smart energy product offerings. Both our points relate to the removal of rules on offering bundled products, which will allow packaging of tariffs with other services. Firstly, there is a risk here that bundling will take place which is not fully and clearly understood by the customer. For example, dynamic switching of appliances could be offered as an additional service as part of new 'smart tariffs'. It is important to consider how such a service is presented since it introduces elements of external control into the home which customers may not previously have experienced, and which may have ramifications for comfort, privacy, etc. Moreover, the ways in which the service is presented could affect the extent to which customers are aware that they are signing up not just to a tariff but also to some additional service. It is not clear that the newly proposed Principle 1 (*'The licensee must ensure that the terms and conditions of its Tariffs (including their structure) are clear and easily understandable'*) would necessarily apply to bundled services or, if it does, what level of detail on the potential impacts of such services would be considered appropriate.

Secondly, it is likely that bundled services will be offered to make certain tariffs more attractive both to switch to and to remain on. This is not a problem in itself. However, it is possible that certain bundled services could lead to a level of lock-in to certain suppliers or tariffs that would be undesirable from the point of view of encouraging switching. For example, a tariff offering smart heating controls (or other appliance control systems) that are not compatible with other suppliers' load control programmes could present a barrier to switching away from that supplier because it might mean losing capabilities that the customer has come to rely on.

Equally, we are aware that additional services could increase the potential consumer benefits of smart tariffs and, in some cases, may even be necessary for realising them (e.g. dynamic tariffs). We also note that the points made above are *possible* concerns, both of which we believe could be addressed in a manner consistent with Ofgem's 'principles' approach if preliminary consumer research indicates that these concerns are likely to occur in practice. We also note that the views outlined in this email are our own and we do not claim to represent the views of the UCL Energy Institute.

We hope this brief response has raised useful points and, as mentioned above, we expand on these and other issues in our response to the consultation on 'Helping consumers make informed choices' to be submitted later this month. Please let us know if you have any questions.

Best regards,

Michael Fell and Moira Nicolson

Dr Michael Fell

Research Associate in Buildings (Domestic Energy and Behaviour)

UCL Energy Institute

The Bartlett School of Environment, Energy and Resources

michael.fell@ucl.ac.uk

+44 (0)20 3108 5926

www.bartlett.ucl.ac.uk/energy

[@mikefsway @ucl_energy](#)

Moira Nicolson

PhD candidate

Bartlett School of Environment, Energy & Resources

UCL Energy Institute

m.nicolson.11@ucl.ac.uk

07735296030

University College London | Central House | 14 Upper Woburn Place | London | WC1H 0NN