



moBILlity's response to Ofgem's proposed changes to rules around tariff comparability and marketing

"Helping consumers make informed choices"

Contact:

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About moBILITY

We are a technology company situated in London with the aim of putting people like you & me back in charge of our financial data. We are focusing on developing seamless solutions for consumers to manage & improve their personal finances including utility bills.

Clem Perry
Domestic Consumers Team
Ofgem
9 Millbank
London
SW1P 3GE

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Dear Mr. Perry,

moBILITY's response to Ofgem's proposed changes to rules around tariff comparability and marketing

We welcome the opportunity to respond to your proposed changes to rules around tariff comparability and marketing. We are strongly convinced that helping consumers make informed decisions must be central to all participants in the energy market as it enables the market to improve & become more transparent.

Overall, we believe that the proposal is a step in the right direction, however we are concerned that if the proposal is implemented in its current form, we might fall short of creating a better & more transparent energy market. As a consequence, in this response, we highlight several topics which we think have the potential for improvement in order to fulfill the goal to enable consumers to make informed choices.

Innovation through simplification

We do understand the reason for the proposed removal of simpler tariff choices and do not oppose the introduction of more and more complex tariffs in the market, as long as consumers benefit through lower prices and higher overall trust in the energy market.

Nevertheless, we are convinced that giving suppliers the freedom to develop their own methodologies is not the best way to achieve these goals. We think it is likely that in the case that energy providers are able to use their own methodologies, cross-market comparability of tariffs might be significantly impeded. This loss of comparability will lead to various negative effects:

- Many consumers who are not engaged in optimizing their energy contracts are already confused by the sheer amount of available tariffs and options which are currently available on the market.
- Consumers who are already engaged in switching their energy providers will most likely be willing to invest the time & effort into understanding the differences between the various offers. For the unengaged consumers however, a lack of comparability through the implementation of provider-specific methodologies & calculations represents a significant entry-barrier to the switching market. This would lead to a lower level of switching and as a consequence higher bills than necessary.

- This is supported by our experience that especially younger age groups state that perceived complexity (“It’s too complex to switch and I don’t know which tariff to choose”) is already now among the main reasons for not switching. We do believe that the inability to understand and compare tariffs easily, will prevent those users from engaging in the market in the future even more.

Innovation through regulation

In principle, we support the introduction of a principle-based regulation model and are convinced that in the future it will provide all market participants with the opportunity to positively shape the energy market. Additionally, we are convinced that the aim to encourage innovation in the energy market is important and will drive the industry in the future.

Nevertheless, we think that especially for the beginning of the implementation clear guidance and not only principles for energy suppliers should be available in order to minimize any risks. We propose a “*regulatory sandbox*” system in which for example innovative tariffs can be pre-tested with certain test-consumers under regulatory supervision. On the one hand, it would allow energy companies to be innovative and experiment in a secure environment without the fear of breaching the principles. At the same time, it would prevent consumers from being exposed to new complex and overwhelming tariffs. In the worst case, overly complex and overwhelming tariffs might lead to a further deterioration in consumer trust on the energy market. This model of a regulatory sandbox could be extended beyond the testing of new tariffs and should encourage new innovative players to enter the market and provide better value to consumers in the future. The model of a regulatory sandbox has been recently introduced at the Financial Conduct Authority (FCA) and allows innovative companies in the financial sector to engage with the regulator early on. As a consequence, all involved parties would be able to benefit:

- *Consumers:* Consumers would not be exposed to the negative aspects (e.g. confusion) of new complex un-tested tariffs but still could benefit from the positives (e.g. lower prices) such new innovative tariffs could bring the market once it has been tested.
- *Energy providers:* Energy providers would have the possibility to pre-test new complex solutions with the regulator and avoid exposing their customers to possibly non-compliant tariffs.
- *Regulator:* As a regulator, you would be able to protect consumers from potentially overly complex tariffs while at the same time ensuring innovation in the energy sector.

We believe that the benefit of such a sandbox solution would significantly outweigh the costs and risks associated with it.

We look forward to being involved in the ongoing discussions with Ofgem and would be delighted to discuss the content of our letter with you either in person or via phone.

Please do not hesitate to contact me at any time via Email (Lukas.Zoerner@moBILITY.co) or via phone (+44 7523 726 299).

Yours sincerely

Lukas Zoerner
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