



The Big Deal
Church House
29 Great Smith Street
Westminster
SW1P 3BL

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The Big Deal's response to Ofgem's Confidence Code Review 2016

- This submission focuses on the changes to the Confidence Code around the requirement that Price Comparison Websites (PCWs) show a Whole of Market view.
- We believe that allowing sites to default to a "partial view" of energy tariffs would see a return to the dark days of deal hiding that was widespread before the Confidence Code changed in 2015. This would be bad for consumers, bad for competition, bad for smaller suppliers and would hugely undermine trust in the energy market. Ofgem should not make any changes to the Confidence Code.

About The Big Deal - thebigdeal.com

- The Big Deal is an energy switching site that organises collective switches. Started in 2014, the Big Deal now has over 200,000 members and switched over 60,000 households. 62% of our members have never or hardly ever switched before – the very people who have been let down by the energy market for too long. Moreover, 60% of our members are over the age of 55 and 30% over the age of 65.
- We have championed working with smaller suppliers and with several winning our collective switches including: Places for People Energy, Good Energy, LoCO2 Energy, Robin Hood Energy, First Utility, GB Energy Supply, Bulb and Green Star Energy.
- In October 2014, the Big Deal and The Sun newspaper carried out a 13 week investigation of the biggest PCWs (uSwitch, MoneySupermarket, Compare the Market, GoCompare and Confused) and found that they hid the cheapest deals from consumers online and over the phone for weeks on end.
- The investigation received widespread media coverage and PCWs' actions were condemned by politicians of all parties and Citizens Advice. Ofgem then tightened up the regulations around the Whole of Market view in the Confidence Code.
- We believe in transparency so we are open about our commission publishing it on our website. For our current switch it is £20 per fuel - this is the same for all suppliers who bid. Every supplier who has won our collectives has been willing to pay a commission.

Hiding deals would increase prices for consumers

- If PCWs are allowed to go back to the days of hiding deals it would lead to higher prices for families for two reasons:
- Firstly, people searching on price comparison sites will not see the cheapest deals. They won't know they exist and therefore won't know to take them. This means that families will choose more expensive deals and miss out on lower prices and higher savings. Our investigation last year showed that this could be as much as £60. When the average saving from moving from the Big Six to a smaller supplier is roughly £250, losing £60 of that is losing a quarter of the total saving.
- Secondly, allowing PCWs to hide deals puts more power into the hands of the dominant PCWs who control huge amounts of switches. This will lead to an increase in commissions which then leads to higher prices. Ultimately the consumer pays for commissions in their bills.
- uSwitch and Moneysupermarket account for roughly 80% of all switches that go via PCWs. uSwitch do an extremely high 50% of all switches. This market dominance means they can charge high commissions. It is widely known in the energy industry that the biggest PCWs charge the highest commission demanding £35+ per fuel.
- Many smaller suppliers are willing to pay a commission, but are unwilling to pay such huge prices. When they are producing dual fuel deals that cost just over £700 a year then a £70+ commission is 10% of someone's annual bill. Small firms - who don't have a huge customer base on SVT to subsidise their prices - simply can't afford to pay these kinds of prices.
- But they are willing to pay a reasonable level of commission. For example, GB Energy agreed a deal with the Big Deal at a commission of £20 per fuel. So have numerous other independent suppliers. Furthermore, many smaller suppliers are on smaller switching sites but not the highest charging ones - in particular uSwitch - Extra Energy and Places for People Energy for example.
- It is extraordinary that the Competitions and Markets Authority - a body that should be promoting competition and attacking monopolies - has failed entirely to spot or chosen to ignore the huge market power that just two energy switching companies have in the energy market.

Hiding deals would damage competition, hurt smaller suppliers and boost the Big Six

- Most people think there is just one monopoly in the energy industry - the Big Six. Unfortunately there is another glaring one in the switching market and it's arguably much worse than the Big Six. The two biggest energy suppliers - British Gas and SSE - account for 40% of the market. The two biggest switching sites - uSwitch and SSE - account for a staggering 80% of the switching market.
- Such huge dominant market power allows these two sites to demand the highest commissions. As mentioned above, it's widely known in the industry that the biggest switching sites, in particular uSwitch, charge the highest commissions. As much as £35+ per fuel.
- Smaller suppliers can't afford these commissions. They do not have huge amounts of customers on SVTs to subsidise their cheaper deals. The suppliers who can afford to pay such large commissions are the biggest suppliers.

- Removing the requirement to show suppliers that don't pay them their desired commission, means these big sites can threaten companies with obscurity if they don't pay up. That will see commissions rise further – and commissions are a cost that end up on bills.
- If this change goes ahead we'll see more Big Six deals at the top of the tables and more switching to the Big Six rather than smaller suppliers. This suits PCWs very well despite their occasional anti-Big Six rhetoric. Why? Because they know that someone is more likely to switch on their site - and earn them a commission - if that person recognises the name and brand of the company with the cheap deal. That means higher conversion rates for PCWs, more switches and bigger profits.
- PCWs argue that they should be able to hide deals because suppliers refuse to pay them a commission and free-ride. Suppliers say they do pay commissions just not the sky high ones from the biggest suppliers. To see who is right let's see what has happened in 2015 since the Confidence Code changes.
- Did switching go down during the whole of market requirement was in place? No – in fact, overall switching went up. Was the comparison site business model ruined by the requirement to give honest advice? No – Zoopla bought uSwitch - by far the biggest energy switching site - for £160m in 2015.

Hiding deals would undermine trust

- Everyone knows the energy market has a trust problem, in particular with the Big Six. Allowing PCWs to hide the cheapest deals from consumers will further undermine trust. PCWs market themselves as cuddly, fluffy, funny opera singers, meerkats or robots that do the right thing. People you can trust. Some even claim they are “consumer champions”. They spend hundreds of millions of pounds to get into people's living rooms to portray this image and be the people that consumers feel they can trust. But if this change goes through it will be clear to millions that they can't even trust these supposed consumer champions. The question will be who can they trust in the energy market?
- Polling from reputable polling companies Populus and YouGov (they are members of the British Polling Council) shows that the public strongly thinks that these changes should not go through. 86% of people say price comparison sites should ensure every user sees the lowest price tariffs regardless of whether they receive a commission or not from the supplier. Just 3% disagree.
- So many switches go through PCWs - Ofgem's figures showed 51% of switches went through PCWs, an increase from 44% the year before - it's important they are highly regarded so as not to put people off switching.
- The CMA's proposals are a backward step. Rather than improving trust in the energy market they will lead to consumers becoming more disillusioned.
- This will only increase when the CMA's new database remedy is introduced, where suppliers are allowed to directly market to consumers who have not switched in the last three years. When this database - also known as “spammers charter” in the media - is introduced, consumers will need more sources of trustworthy advice, and allowing PCWs to show a “partial view” by default would snuff that out.

How to increase trust and keep prices low for consumers - transparency

- The way to improve trust in the energy market is more openness and transparency not less. Transparency is a prerequisite to trust. Consumers need to know how things work so they can make informed choices. Unfortunately too many people don't understand how the PCWs make money and too often think they are doing what they do out of the goodness of their hearts. YouGov polling found that 30% of people were unaware that price comparison websites make money when someone switches through them.
- We believe that accredited price comparison websites should be required to publish their commissions by supplier and tariff, so that consumers are aware what interests are at play when they switch. We are not suggesting that in the user journey the exact commission level should be provided for each deal - this may confuse a consumer - but they do need to be made more aware of how these sites work.
- Instead commissions at supplier and tariff level should be published by each site so they can be monitored by groups like Citizens' Advice to guard against bias. PCWs would then know that if they tried to push any specific deals that they will be held to account for why they are doing it - because it's the best deal for the consumer or because it's the deal that makes the PCW the most money?
- The publication of commissions would also increase competition between price comparison websites driving down commissions rather than them going up as the biggest players solidify their market power. Commissions end up on families' bills so if commissions go down bills will go down.
- YouGov polling found that 70% of people say it would be a good idea for comparison sites to publish the amount of money they make, just 4% disagree.
- At the very least, Ofgem needs to collect data on commission levels of any accredited PCWs, so they can understand if any PCWs (uSwitch and MoneySupermarket particularly) are abusing their market power and monopoly position by charging more to smaller suppliers than bigger ones.

Conclusion

- This move will mean that the interests of PCWs will veer away from the interests of consumers. They will no longer be showing the consumers the best deals for them but rather the best deals for the PCW and their profits. Trust is an important commodity. Too rare in the energy market. This change will erode trust and should not happen.

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