

# Statutory Consultation: Enabling consumers to make informed choices

## Energy UK response

March 2017

### Introduction

Energy UK is the trade association for the energy industry. We represent over 90 members made up of generators and gas and electricity suppliers of all kinds and sizes as well as other businesses operating in the energy industry. Together our members generate more than 90 per cent of the UK's total electricity output, supplying more than 26 million homes and investing in 2012 more than £11 billion in the British economy.

Energy UK strongly believes in promoting competitive energy markets that produce good outcomes for consumers. In this context, we are committed to working with Government, regulators, consumer groups and our members to develop reforms which enhance consumer trust and effective engagement. At the same time, Energy UK believes in a stable and predictable regulatory regime that fosters innovation, market entry and growth, bringing benefits to consumers and helping provide the certainty that is needed to encourage investment and enhance the competitiveness of the UK economy.

These high-level principles underpin Energy UK's response to Ofgem's statutory consultation on enabling consumer to make informed choices. This is a high-level industry view; Energy UK's members may hold different views on particular issues. We would be happy to discuss any of the points made in further detail with Ofgem or any other interested party if this is considered to be beneficial.

### Executive Summary

Energy UK welcomes the publication of Ofgem's statutory consultation on enabling consumers to make informed choices. Energy UK agrees with Ofgem that energy customers should be able to make informed choices about their tariffs. We also agree that customers should not be subject to mis-selling, be it through the provision of misleading information or high pressure sales techniques.

Energy UK feels there are a number of very positive developments in this consultation. These include welcome changes to drafting around "characteristics and/or preferences" which allow for diversity of customer characteristics and preferences in relation to their choice of tariff. On a similar note, the clarification on targeting and segmentation is welcome as it recognises the heterogeneous nature of suppliers' customers. We also welcome Ofgem's recognition that suppliers have different degrees of control over certain types of "representative" than others. We agree with Ofgem that "the level of control and influence a supplier is able to exert on the conduct of a TPI depends on the proximity of the relationship"<sup>1</sup>.

Energy UK does however have concerns about the nature of recommendation in the drafting of principle six (now five) and the potentially broad definition of 'recommend' proposed. In addition there is confusion around the definition of 'easily distinguishable' in relation to tariffs.

Energy UK also notes that Ofgem seems to have dropped the proposal to allow Fixed Term Contract (FTC) customers to be offered another FTC to roll onto. No explanation is provided for dropping this proposal, which was supported by a number of stakeholders, including many of our members. We

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<sup>1</sup> 2.17, Pg.13, Ofgem statutory consultation, Helping Customers Make Informed Choices

encourage Ofgem to reintroduce the proposal to allow suppliers to roll customers from a FTC to another FTC (without exit fees).

Our answers to the specific questions posed by the consultation are set out below.

## **Questions**

### **Question 1: Do you have any specific concerns with our proposal to remove prescription from standard licence condition 25 and rely on the proposed package of principles?**

Energy UK members are concerned that the proposed definition of 'recommend' is too broad. As currently drafted, the definition of recommend could mean that a supplier is recommending a tariff that is described in any positive terms, even if the supplier is just describing the characteristics of the product. Suppliers may have to introduce caveats into almost all customer communications and marketing activity to make clear that the supplier is not recommending the tariff or to point the customer to other tariffs. The introduction of numerous caveats may be appropriate under the Standards of Conduct (e.g. to provide clear, accurate and not misleading information) but is not the most engaging means of communicating and/or engaging with customers. Energy UK asks Ofgem to either adopt a much tighter definition of 'recommend' or to remove the definition altogether.

Our members are also concerned about the concept of 'easily distinguishable' in relation to tariffs. It is unclear what this entails. Would a series of tariffs that have the same name but end in 'version 1', 'version 2' etc. be considered as 'easily distinguishable'? We would welcome clarification from Ofgem on both points.

### **Question 2: Do you have any specific concerns with our proposals to amend the RMR Clearer Information tools?**

We do not have any specific concerns relating to the proposals to amend the RMR Clearer Information tools.

**For further information or to discuss our response in more detail please contact Daniel Alchin on 020 7747 2965 or at [daniel.alchin@energy-uk.org.uk](mailto:daniel.alchin@energy-uk.org.uk) / Natan Doron on 020 7747 2932 or at [natan.doron@energy-uk.org.uk](mailto:natan.doron@energy-uk.org.uk)**