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Dear Barry Coughlan,

## **Default tariffs for domestic consumers at the end of fixed-term contracts – statutory consultation**

We are writing on behalf of Christians Against Poverty (CAP) to provide feedback on the proposal for default tariffs for domestic customers at the end of fixed-term contracts.

In the context of increasingly hard-pressed household finances, we fully support the intended outcome of this proposal: to help reduce the number of customers on poor value Standard Variable Tariffs (SVT). We recognise the importance of flexibility to allow suppliers to achieve better consumer outcomes, but also reiterate Ofgem's strong emphasis on ensuring appropriate protections are in place.

As initially stated in our response to the August 2016 Informed Choices consultation, CAP welcomes the proposal to permit suppliers to roll customers onto another fixed-term tariff; as well as the criteria set to ensure the tariff is suitable and customers are not 'locked in'. We do, however, believe that any Relevant Fixed Term Default Tariff should be cheaper than the alternative SVT to address risks of uncertainty.

We perceive that these new rules would be beneficial in allowing suppliers to provide a competitive offering to customers at the end of fixed-term contracts. While we appreciate the importance of increasing consumer engagement for a well-functioning and competitive market, and support the wider work Ofgem are undertaking to do this, trust in the sector is of equal importance and consumer loyalty needs to be rewarded to foster this.

### **Q1. Do you have any specific concerns with our proposal to allow suppliers, as a default and subject to the controls we outline in our recommendation, to roll customers onto further fixed-term contracts at the end of their existing fixed terms?**

There are three minor concerns we wish to raise in response to the consultation question. These are points for consideration and we do not deem them to be sufficient to counteract our support for the proposal, but would welcome any mitigating actions deemed appropriate.

Firstly, we are concerned about the lack of visibility created by the loss of a single benchmark of disengaged customers who are likely to be on a poor-value tariff, namely the

volume of customers on a SVT. Being able to measure the extent that the market is performing well for consumers and that consumers are accessing better-value tariffs is of utmost importance. We note that this issue was acknowledged in the consultation document and would welcome Ofgem's confirmation that effective monitoring will be in place.

Secondly, while we support the decision to include customers who have been rolled onto a Relevant Fixed Term Default Tariff in the disengaged customers database if they meet the qualifying criteria, it should be recognised that some may make an active decision to stay on the Relevant Fixed Term Default Tariff that they are rolled onto. This further highlights the importance of a simple opt-out in the decision of the database.

Finally, while we appreciate Ofgem's justification for setting the point of comparison at the point the end of fixed term notice is sent, it is of concern that some consumers may be worse off on a Relevant Fixed Term Default Tariff than they would have been if the SVT falls in price. We appreciate that this is hard to mitigate due to the inability to foresee future prices, as well as not wanting to rule out the potential for consumers to benefit from a fixed-term tariff should the SVT tariff increase (perhaps a more likely situation). However, it would be prudent for the proposal to set the requirement that any Relevant Fixed Term Default Tariff needs to be cheaper than the variable tariff the consumer would otherwise have been rolled onto. This would ensure that consumers realise at least some benefit in the short term in comparison to being on the SVT, in light of the uncertainty of future price changes.

Furthermore, it is imperative that comparison is made simple for consumers so that they have a clear choice of the cheapest tariff for them. The number of tariffs offered by one supplier is confusing for consumers. As previously raised, it is a concern that consumers may assume that being on a default fixed-term contract is good value as messaging is often around the importance of fixing your tariff. Therefore, in line with the decision to require Relevant Fixed Term Default Tariffs to have no termination fees, rather than merely waiving them, to reduce consumer confusion when looking to switch, CAP is of the view that default tariffs should be the suppliers' cheapest offering at the point of comparison. This would then make it clear to consumers whether they stand to benefit by fixing their tariff with their supplier (if they are on a SVT) or whether they need to look to switch to access a better value deal.

To close, we want to welcome the timescale set by Ofgem so that these changes can be actioned by the end of 2017 to realise the consumer benefit as soon as possible. We recognise Ofgem's commitment to realising an energy industry that puts the interests of consumer first and anticipate positive outcomes from these final proposals in the near future.

Yours sincerely,



**Dawn Stobart**  
Director of External Affairs



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External Affairs Analyst