

# Working paper: Domestic supplier-customer communications rulebook reforms

## Working paper

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### Overview:

The retail energy market is undergoing a period of far-reaching and exciting change driven by new technologies, new business models and new ways of running the energy system. Our ambition is to change the way we regulate the retail energy market in order to support innovation and improve outcomes for all consumers, including those in vulnerable circumstances.

To take full advantage of the opportunities these changes create, it is essential that consumers have the information they need to effectively engage with their energy supply. Supplier-customer communications are critical to this. We think that improvements can be made, so we are prioritising reforms to the rules governing these communications.

We intend to rely more on enforceable principle-based rules and remove prescriptive rules, where doing so will help to deliver better consumer outcomes. This will help foster an environment in which consumers get truly engaging, informative communications, which feature all the information they need, and suppliers have room to innovate and differentiate their communications.

This paper sets out our latest thinking on how we might amend the supply licence rules relating to customer communications so they remain fit-for-purpose in a rapidly changing market. We outline our approach to reviewing the rules, our priority areas for reform and our early views on the changes we intend to take forward.

This document will inform discussions with stakeholders as we continue to develop proposals for a policy consultation in early 2018. We particularly welcome stakeholder evidence to either support or challenge our thinking in advance of the policy consultation.

## Context

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We are committed to relying more on enforceable principles in the way we regulate the retail energy market, rather than detailed, prescriptive rules. We believe this approach will better protect consumers in a rapidly-evolving market, promote innovation and place responsibility firmly on suppliers to understand and deliver good outcomes for consumers.

In September 2017 we set out our plans to reform the rules relating to supplier-customer communications. This document provides an update on our thinking and is intended to generate further discussion to inform a policy consultation in early 2018.

## Associated documents

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Revealing Reality, [Consumer First Panel: Understanding information needs](#), December 2017

Ofgem, [Market-wide derogation – Statement of Renewal Terms](#), December 2017

Ofgem, [Statutory consultation: Estimated annual costs for domestic consumers](#), November 2017

Ofgem, [Open letter: Reforming our rules related to domestic supplier-customer communications](#), September 2017

Ofgem, [Final decision: Standards of conduct for suppliers in the retail energy market](#), August 2017

Ofgem, [Final decision: Enabling consumers to make informed choices](#), April 2017

Ofgem, [The future of retail market regulation – Update on the way forward](#), June 2016

Ofgem, [The future of retail market regulation](#), December 2015

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## Executive Summary

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The energy market is in a state of rapid change. Smart meters, changes to settlement arrangements, the increasing importance of storage and demand-side response, and large increases in consumer self-supply, among many other changes, are transforming the energy market.

To take full advantage of the opportunities provided by these changes, it is essential that consumers can engage more easily and actively with the retail energy market – they must be able to quickly and easily access and understand the information they need to effectively manage their consumption and costs. The way suppliers communicate with their customers is critical to delivering these outcomes, and we consider there is considerable scope for improvement in how they do so.

The current framework for regulating customer communications has evolved over time as new rules were put in place to remedy poor supplier practice. While they were introduced for good reason at the time, we no longer consider that the best way to deliver positive outcomes for consumers is through a significant volume of prescriptive customer communication rules. There is increasing evidence that our prescriptive framework cannot keep up with market developments. The market has evolved and so too must our rulebook.

### *Our vision*

We want to ensure that all consumers, including vulnerable consumers, are treated fairly and receive the right information, in the right format and at the right time, in a way that is accessible and inclusive, so they can effectively manage their consumption and costs. This includes making sure that suppliers are tailoring their communications to meet their customers' needs. Our rules must ensure that this happens.

Our current rulebook delivers our policy intent through a detailed set of prescriptive rules. This prescription is, in significant part, focused on 'how' we expect suppliers to deliver our expected outcomes for consumers. We consider that consumers would be better served if suppliers had flexibility to deliver these outcomes in different ways – enabling innovation and improving standards for consumers.

To achieve this we are considering a suite of narrow principles (enforceable rules that are focused on outcomes in certain areas). The new principles would supplement the Standards of Conduct, providing greater detail in some areas where we think it is needed. This will enable us to remove prescription and ultimately help to deliver better outcomes for consumers by ensuring they have the information they need, when they need it.

As a package, our rules will put the responsibility firmly on suppliers to ensure that consumers are **encouraged** to engage and are equipped with information that will **enable** them to do so, and to provide **assistance and advice** when they need it.

This framework would also include principles-based rules centred around key stages of the consumer journey, including **contract information**, **Bills and billing information**, and **changes to contract terms**. There would also be a principle to capture the types of information that consumers may not need regularly or at set points in their consumer journey, but which should be sent to them from time to time or which they should be able to access themselves when they choose.

Our aim is to create an environment in which consumers get truly engaging, informative communications, which feature all the information they need, and suppliers have room to innovate and differentiate their communications. This includes allowing information to be more tailored to individual characteristics and preferences, rather than the current one-size-fits-all approach to communications.

To be clear, there will continue to be areas where it is appropriate to retain prescriptive rules, for instance where there is only one acceptable way of doing things or where there is a minimum standard we expect to see.

### *Priorities*

To make sure we can make positive changes as soon as possible, without compromising consumer protections, we are considering introducing the new principles outlined above, and focusing our efforts on key areas where we think a reduction in prescription will deliver the greatest benefit to consumers. This includes looking to remove prescription in the following areas:

- **The Bill:** Stakeholders have consistently identified the Bill as an area where a reduction in prescription would facilitate a shorter, more engaging communication. There is some information that we think should continue to be provided on a Bill. However we think there is scope to remove some prescribed content and certain prescriptive rules around how and where certain information is provided.
- **Statement of Renewal Terms:** Currently the Statement of Renewal Terms is relatively long and contains a significant amount of tariff information, which may dilute its effectiveness as a prompt and a tool to help consumers make an informed choice. We continue to see great value in this communication channel as a prompt for consumer engagement with the market. However, we think that providing greater flexibility around the content of this notice could help to maximise its impact and benefit consumers.
- **Annual Statement:** Consumer awareness and use of the Annual Statement has been low relative to other communications. The content and formatting of the statement is relatively prescriptive. While we continue to see value in much of the information provided in the Annual Statement, we are currently considering whether there are better ways of delivering informative, impactful information to consumers. One option is to remove the requirement to send out an Annual Statement, but retain requirements to provide some of information it currently contains at key decision points during the consumer journey. Another option is to retain the requirement to provide an Annual Statement but remove requirements relating to the format, language and layout of the document. We welcome views on which of these approaches is likely to deliver better consumer outcomes.

- **Tariff Information Label (TIL) and Cheapest Tariff Message (CTM):** The TIL and the CTM are two highly prescriptive information requirements – the language, format, content and placement are largely prescribed by us. We may retain requirements to provide the TIL and CTM. However, we are considering whether providing greater flexibility around their placement, formatting and content may increase the impact they have for consumers.
- **Price Increase Notice (PIN) and other unilateral variation notifications:** Stakeholders have suggested that the level of prescription of the Price Increase Notice may be leading suppliers to adopt a compliance-first approach, at the expense of more engaging, innovative communications. We want to ensure that these communications are clear and engaging, so that consumers are aware of, and understand, changes to their contract and can take action to address or avoid these changes as necessary.
- **Rules relating to assistance and advice:** Stakeholders have consistently stated that consumers must be able to easily identify the relevant party to contact, and how to contact them, when they have queries, complaints, emergency situations, or want to obtain impartial advice. This is particularly important for emergency situations due to the significant risk of harm to the consumer. We are considering proposals that provide additional flexibility, place a greater focus on consumer outcomes and put the onus on suppliers to understand how to effectively engage their customers with this information.

Separately, we are today issuing a market-wide derogation on some of the rules relating to the Statement of Renewal Terms – those setting out specific language and format requirements, and some relating to the content. This will enable suppliers to develop different designs for the notice. We think this is a good opportunity improve consumer engagement with the market.

Today, we have also published a report from our Consumer First Panel, setting out consumer views about their own experience with supplier-customer communications. We encourage all suppliers to review this report as it includes helpful reflections from consumers on their current experience with customer communications, including areas where they think these communications should be more clear or presented in a more engaging way.

We do not, at this time, intend to remove or alter the policy intent of rules where our powers to make changes are limited or where we are not the owners of the policy – for instance those derived from the EU’s third energy package or requirements which were introduced by government (eg machine-readable images on Bills).

We will use this document to inform discussions with stakeholders and develop formal proposals for a policy consultation in the new year. We do not expect stakeholders to respond formally to this working paper, though should you wish to respond we would particularly welcome views on our priority areas for reform and evidence to challenge or support our thinking ahead of policy consultation in the spring. We will continue to engage with a range of stakeholders as we progress our policy thinking. If there are particular views you would like to share with us, email us at: [futureretailregulation@ofgem.gov.uk](mailto:futureretailregulation@ofgem.gov.uk)

# 1. Introduction

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1.1. For domestic consumers to engage effectively with their energy supply, they need to have timely access to information that will encourage and enable them to engage, and be able to get assistance and advice when they need it. Good quality supplier-customer communications are critical to ensuring that consumers are aware of and can access this information.

1.2. Our current customer communications rules set out in a relatively detailed manner the information suppliers must provide to consumers. While these rules have delivered effective minimum standards for consumers, we no longer think that having a significant number of prescriptive rules will provide the best protection for consumers. We want to redesign the customer communications requirements to create an environment in which all consumers – including vulnerable consumers – get truly engaging, informative communications, and where suppliers have room to innovate.

1.3. Below we set out some background to why we are reviewing these rules, and summarise some of the links between this work and other important initiatives in the energy market. In the following chapter, we set out the key issues and options we have considered in relying more on enforceable principles to protect consumers and drive increased innovation.

## Background and why we are reviewing these rules

1.4. In our 2017-18 forward work plan we set out our intention to continue our work to remove unnecessary prescriptive rules and introduce new principles into the licence.<sup>1</sup> We signalled that a key focus of this work would be on suppliers' written communications with consumers. We have reviewed our existing evidence base, commissioned and conducted further consumer research, continued bilaterals with a range of stakeholders and held roundtables with consumer groups. We have also been clear that we want industry to think hard about what is right for customers, and to that end we asked Energy UK to work with a range of stakeholders and produce a report setting out its recommendations for reforms to the customer communication rules. In parallel, we also issued an open letter setting out our intended approach to reforming the customer communications rules, and calling for greater stakeholder input to help us progress this work at pace.<sup>2</sup>

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<sup>1</sup> Ofgem, [Forward Work Programme 2017-18](#), March 2017

<sup>2</sup> Ofgem, [Reforming our rules related to domestic supplier-customer communications](#), September 2017

### *Current rules<sup>3</sup>*

1.5. As part of the Energy Supply Probe (2009)<sup>4</sup> and the Retail Market Review (2013)<sup>5</sup>, we introduced a variety of requirements for suppliers to provide different bits of information to consumers.<sup>6</sup> A number of other changes have been made since these interventions, including by government, though these two reform packages represent the most significant overhauls of the customer communication rules.

1.6. The current framework for regulating customer communications consists of these enforceable rules:

- Broad principles set out in the **Standards of Conduct**, which require, among other things, that suppliers provide consumers with information that is complete, accurate and not misleading. The Standards of Conduct cover almost all areas of customer-supplier interactions, including the information provided to consumers. They also require suppliers to identify vulnerable customers and meet the needs of these customers – this includes tailoring information for these customers, where appropriate, to make sure their communications are accessible and inclusive.
- **Informed choices narrow principles on sales and marketing activities**, which require, among other things, that suppliers put in place information, services and/or tools to enable each consumer to compare and choose the right tariff for them. As many different communications can or could be used to help support consumers make the right tariff choice for them, the informed choices principles will be relevant to many customer communications. They will most clearly apply in the case of communications aimed at marketing or selling to consumers.
- Rules relating to **channel-specific communications**, most prominently the Bill, Annual Statement, Price Increase (or unilateral variation) Notice, and Statement of Renewal Terms (also known as the end of fixed term notice). There are also rules relating to the dead tariff notice, and mutual variations notice. Many of these rules prescribe the content of these communications, and in some cases the format and placement of that content.
- **Content-specific requirements**, which set out information that must be provided to the consumer under certain circumstances or at certain points in time. Some of these specific bits of information must be provided on the communications set out above, others need to be 'made available' to the consumer (eg on the supplier's website), and others need to be provided on request. Requirements here include the estimated annual cost, cheapest tariff

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<sup>3</sup> To note, this does not cover rules that may apply to customer communications that sit outside the supply licence, for example consumer protection law.

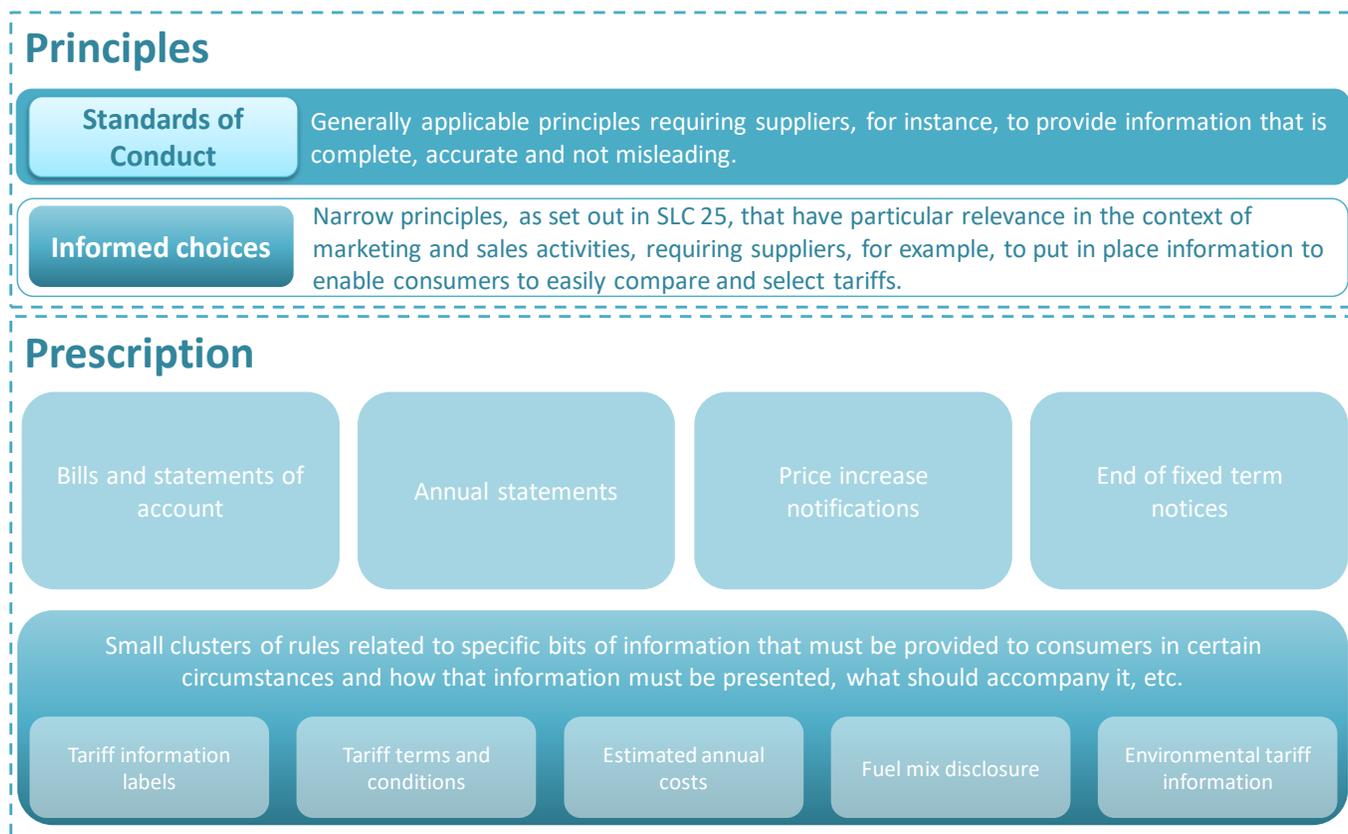
<sup>4</sup> Ofgem, [Implementation of the Energy Supply Probe Retail Market Remedies](#), October 2009

<sup>5</sup> Ofgem, [Retail Market Review – Implementation of Simpler Tariff Choices and Clearer Information](#), August 2013

<sup>6</sup> There have been a number of other changes to the customer communications rules. The Energy Supply Probe and the Retail Market Review remedies are referenced here as they represent the most significant set of rule changes.

message, tariff information label, fuel mix information, and environmental tariff information.

**Figure 1:** Summary of current customer communications requirements framework<sup>7</sup>



*Why we are reviewing these rules*

1.7. The current framework for regulating customer communications has evolved as new rules were put in place to remedy poor supplier practice. While the rules were put in place for good reason at the time, there are several ways in which we consider they can be improved. These are:

- **Greater use of principles:** A significant number of the existing rules relating to customer communications are prescriptive in nature – defining the channel, content, format (or all three) that suppliers must provide to consumers. The

<sup>7</sup> The outline of requirements provided above is mainly for illustrative purposes and does not provide a comprehensive picture of all of the rules that relate to customer communications. For instance, there are requirements under the Consumer Rights Act (2015) and Consumer Contracts (Information, Cancellation and Additional Charges) Regulations (2013) that may be relevant to customer communications.

prescriptive nature of the rules means that supplier innovation is constrained in certain areas and may mean that every consumer gets the same information – while this guarantees minimum standards for consumers it may mean that prescription is hampering the potential for even better outcomes or tailoring of information to specific consumer needs. Stakeholders have consistently told us that the current framework is too prescriptive.

- **Future-proofing:** Some of the rules have been designed in a bottom-up rather than top-down manner (addressing specific information needs as opposed to setting out the outcomes we expect for consumers on the whole). This may mean that they need to be updated relatively frequently to keep pace with technological innovations or other developments, or we risk leaving gaps in protections where new offerings come to market. This could slow or prevent innovation. We have increasing evidence that our prescriptive framework cannot keep up with market developments. The market has evolved and so too must our rulebook. Principles that are focused on outcomes are much more future proof than prescriptive rules that are drafted to apply within a specific market context which may change over time.
- **Greater impact and better outcomes for consumers:** The current rules have helped deliver positive outcomes for consumers, particularly in respect of consumers' ability to find and understand information about their current tariff or energy use.<sup>8</sup> Existing requirements have not, however, delivered a significant impact in the proportion of consumers *reading and taking action* after receiving communications from their supplier.<sup>9</sup> This leaves significant room for improvement.

1.8. We want to design a framework that is comprehensive and future-proofed, and that facilitates and encourages suppliers to innovate and find better ways of communicating information to consumers (including tailoring communications to meet consumer needs). We intend to do this by putting in place a principles-based framework that is focused clearly on the outcomes we expect suppliers to deliver for consumers. We can then remove unnecessary prescription, where appropriate.

1.9. To be clear, there will continue to be areas where a prescriptive approach is appropriate, such as where there is only one acceptable way of doing things. However, we want to make sure that prescription and principles are used in the right areas.

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<sup>8</sup> In 2016, 78% of consumers found it very or quite easy to find the information they wanted and 70% found it easy to understand. TNS BMRB, [Consumer engagement in the energy market since the Retail Market Review: 2016 Survey Findings](#), August 2016

<sup>9</sup> For instance, of those who recall receiving a Bill in 2016, 27% went on to find out more about their tariff and 10% looked into switching supplier. Ibid. These are broadly comparable to the equivalent figures before the current rules came into effect. TNS BMRB, [Domestic Retail Market Review – Evaluation framework and baseline results](#), December 2014

1.10. In the following chapter we set out our latest thinking on the changes we propose to make to the customer communications requirements.

## Related initiatives

1.11. We are mindful that there are a number of initiatives relating to how suppliers communicate with consumers. These include:

- **Consumer engagement work:** We have launched a programme of work to identify new and more effective ways to support and encourage consumers to engage in the market.<sup>10</sup> This will be based on research, such as randomised controlled trials, that will demonstrate what does and doesn't work. This includes trials initiated by Ofgem, as well as suppliers' own trials. We have recently issued the findings from the first wave of trials that we have conducted and set out our intended next steps for taking forward the results.<sup>11</sup> The evidence base for the Statement of Renewal Terms derogation (more details below) also stemmed from supplier-led trials. Going forward, we are continuing to investigate new measures to trial. We will use the findings of the trials to support our future policy development. The findings of the trials should also act as a bank of evidence and best practice guidance for suppliers to take into account when developing new prompts. The trials link most closely to our customer communications work in relation to the new narrow principle we are considering introducing to require suppliers to ensure that consumers are, in a timely manner, provided with information that will prompt them to engage by encouraging them to consider changing their tariff or supplier.
- **Statement of Renewal Terms derogation:** The Statement of Renewal Terms (also referred to as the End of Fixed Term Notice) is an important communication that prompts consumers to look at their options at the end of their current fixed-term tariff, rather than inadvertently defaulting onto a tariff that might not be right for them. The number of consumers on fixed-term tariffs has increased and with a number of suppliers announcing their intention to phase out standard variable tariffs, the importance of this communication is likely to increase. Results from a recent supplier trial of a new Statement of Renewal Terms design found a significant increase in the proportion of customers taking action at the end of their fixed-term tariff when they get the new notice design. We are keen to enable suppliers to implement more engaging Statement of Renewal Terms. To help support this, today we are issuing a market-wide derogation to enable suppliers to implement new and more effective Statements of Renewal Terms to help promote customer engagement in the market.<sup>12</sup> We will monitor how suppliers use the flexibility provided by this derogation and use any findings

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<sup>10</sup> Ofgem, [Open Letter: Finding ways to unlock consumer engagement through supplier trials](#), August 2017

<sup>11</sup> Ofgem, [Consumer engagement work: trial results and next steps](#), November 2017

<sup>12</sup> Ofgem, [Market-wide derogation – Statement of Renewal Terms](#), December 2017

to support our policy development for the Statement of Renewal Terms rules in 2018 (we expect to see positive evidence from suppliers, showing how consumers have benefited from diverse approaches to communications at the end of their fixed-term tariff).

- **Estimated Annual Cost:** In November, we published a statutory consultation<sup>13</sup> setting out our proposals to remove the prescriptive methodology for the Estimated Annual Cost and enable suppliers and comparison sites to come up with their own methodologies, as long as the estimate meets certain criteria specified by us. These changes would help to ensure the estimate is fit-for-purpose now and in future. The Estimated Annual Cost is an important tool that helps consumers understand how much they are paying on their current tariff and enables them to compare it with others. It is currently included on a number of communications such as Bills and Annual Statements. We intend to make a decision on our proposals before the end of the year. This work did not consider the presentation or placement of the Estimated Annual Cost. We will consider these issues as part of our work on customer communications.
- **Half-hourly settlement, smart meters and tariff innovation:** The rollout of smart meters and the move to half-hourly settlement of consumers will lay the groundwork for more innovative tariffs to come to market, including time-of-use and demand-side response tariffs. These tariffs may be more complex than those most consumers are on at present. This will place additional emphasis on having good quality communications that can help consumers to understand the tariff they are on, compare it with others, and make the right choice for them. We want to make sure that our rules around supplier-customer communications are fit for purpose and enable (and require) suppliers to communicate these complex tariffs in a way that customers can understand and benefit from. This includes making sure that prescriptive content formatting does not limit a supplier's ability to effectively communicate a complex tariff and also requiring suppliers to be clear on the relationship between a customer's consumption and costs.
- **EU Clean Energy Package:** As part of its forthcoming Clean Energy Package, the EU Commission is considering requirements for suppliers to include certain information on Bills and other communications.<sup>14</sup> We are providing input into this work and will continue to engage with it as it progresses.

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<sup>13</sup> Ofgem, [Statutory consultation: Estimated annual costs for domestic consumers](#), November 2017

<sup>14</sup> European Commission, [Clean Energy for All Europeans](#), November 2016

## 2. Progress to date, emerging thinking and priority reform areas

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### Chapter Summary

We set out our progress to date, our envisaged framework for regulating customer communications in future, our priority areas for reform and prescription to remove, and our latest thinking on a package of new narrow principles we are considering.

### Your views

We welcome stakeholder views on our priority areas for reform and evidence to challenge or support our thinking ahead of policy consultation in the spring. A set of questions that we would particularly welcome views on, should you wish to provide feedback, is included in appendix 1.

2.1. Below we set out our (i) work to date redeveloping the rules for customer communications, (ii) emerging thinking on what our framework for regulating customer communications might look like, (iii) priority areas for reform, and (iv) a draft version of the new principles we are considering introducing, along with an indication of the types of prescription we may look to remove.

2.2. We have engaged closely with a range of stakeholders throughout our policy development to date, including large and small suppliers, consumer bodies and industry bodies. We intend to continue engaging stakeholders so as our thinking evolves, and we are keen to hear from as wide a range of stakeholders as possible during this process.

### Progress to date

2.3. Earlier this year, we set out our intention to remove unnecessary prescription from the supply licence and rely more on principles, focusing as a priority on the customer communication rules.<sup>15</sup>

2.4. We have considered the evidence and recommendations put forward by stakeholders so far. We have sought the views of consumer groups to help us develop potential changes to customer communications rules that will help to deliver better outcomes for consumers. We have also met bilaterally with a variety of stakeholders to seek evidence and input at an early stage of our policy development.

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<sup>15</sup> Ofgem, [Forward Work Programme 2017-18](#), March 2017

2.5. To ensure we are also capturing and understanding consumer views, we sought views from our Consumer First Panel over summer 2017. We did this via a series of deliberative workshops that were held with a representative sample of 75 consumers, spanning four locations across Great Britain. These customers were supplied by 25 different suppliers, which gave a broad sample of Bills and other customer communications to consider. The overall aim of this research was to understand consumers' needs, behaviours and preferences regarding supplier communications and information provision – both in terms of day-to-day interactions with existing suppliers, and engagement with the market more widely. We encourage all suppliers to review this report as it includes helpful reflections from consumers on their current experience with customer communications, including areas where they think these communications should be clearer or presented in a more engaging way.<sup>16</sup>

2.6. In addition to this new research, we have conducted an evidence review, covering a broad array of recent research into consumers' information needs, wants and expectations. We have also conducted a line-by-line review of the current customer communications licence conditions and we have started to identify where we can remove prescriptive requirements. We note that a large number of these rules are derived from EU or government requirements. We are focusing our change proposals on those rules which are fully within our remit to change.

2.7. We have been clear that the onus is on suppliers to think for themselves about what is right for their customers. To that end, and to accelerate evidence-gathering and input to our policy process, we requested that Energy UK develop a report setting out recommendations for reforms to customer communications rules, including:

- How, when and in what form information should be communicated to consumers.
- What principles could be applied to all communications, not just the four main regulated communications (ie Bills, Annual Statements, Price Increase Notices and Statements of Renewal Terms).
- Whether there are certain existing prescriptive rules that should be considered for removal or enforcement de-prioritisation in the short-term.
- What should be expected of suppliers in relation to testing communications with consumers – for instance, evaluating their effectiveness over time – and whether there would be value in Ofgem setting out these expectations in prescriptive rules.

2.8. The aim of this exercise was to consolidate evidence and provide initial recommendations for us to consider as we develop our proposals for changes to the rules. This is part of our wider stakeholder engagement activities as we develop our

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<sup>16</sup> Revealing Reality, [Consumer First Panel: Understanding information needs](#), December 2017

thinking. We have been clear that we hold the pen on rule changes, and will be consulting on our own proposals in the new year.

2.9. Following a literature review and a number of workshops with its members, Energy UK produced a report setting out its view of the problem, consumers' key information needs and recommendations for changes to customer communications regulations.<sup>17</sup> This report has been a helpful input to our policy thinking. It recommended that we seek to remove as much prescription as possible, and that while further additions to the Standards of Conduct were unnecessary, there may be scope for some narrower principles. The report suggested that we shouldn't define specific forms of communication in the supply licence, eg the Bill or Annual Statement. It suggested that we should instead focus our rules around the outcomes we want for consumers, and leave it up to suppliers to decide the right vehicle for delivering this information.

2.10. We also asked Energy UK to host a workshop to discuss and seek challenge on these issues with a wider variety of stakeholders, including consumer bodies, small suppliers and think tanks. At this workshop, stakeholders agreed about the importance of putting the consumer at the heart of communications activities. They also generally agreed with the proposals to remove considerable prescription from the rules relating to supplier-customer communications, and to rely more on enforceable principles to regulate, as this would deliver better outcomes for consumers. A number of keynote speakers (including representatives from a consumer body, a consumer engagement expert, a small supplier, a large supplier and an Energy UK representative) provided views on how to ensure industry delivers positive consumer outcomes via customer communications. These views are now available via a series of published blogs, and give an indication of how different stakeholders are thinking about these issues.<sup>18</sup>

2.11. Building on the stakeholder views and recommendations we've received so far, and our own research and analysis, we have identified our priority areas for reform and developed a draft framework for regulating customer communications. We set out our latest thinking on each of these in the sections that follow.

2.12. Our intention at this stage is to give stakeholders a view of our direction of travel. We have been developing the detail of our proposals in parallel, and will consult on this in spring 2018. To provide stakeholders with an example of what our detailed proposals may look like, we have included a draft version of proposed changes to rules relating to assistance and advice in Appendix 4. This includes our early proposals on prescription to remove and new enforceable principles to introduce. These are indicative only and subject to change.

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<sup>17</sup> Energy UK, [Rules of engagement: Putting customers at the heart of communications](#), summer 2017.

<sup>18</sup> The blogs are available at [Energy UK – Policy – Customer communications](#)

## Emerging thinking on a regulatory framework for customer communications

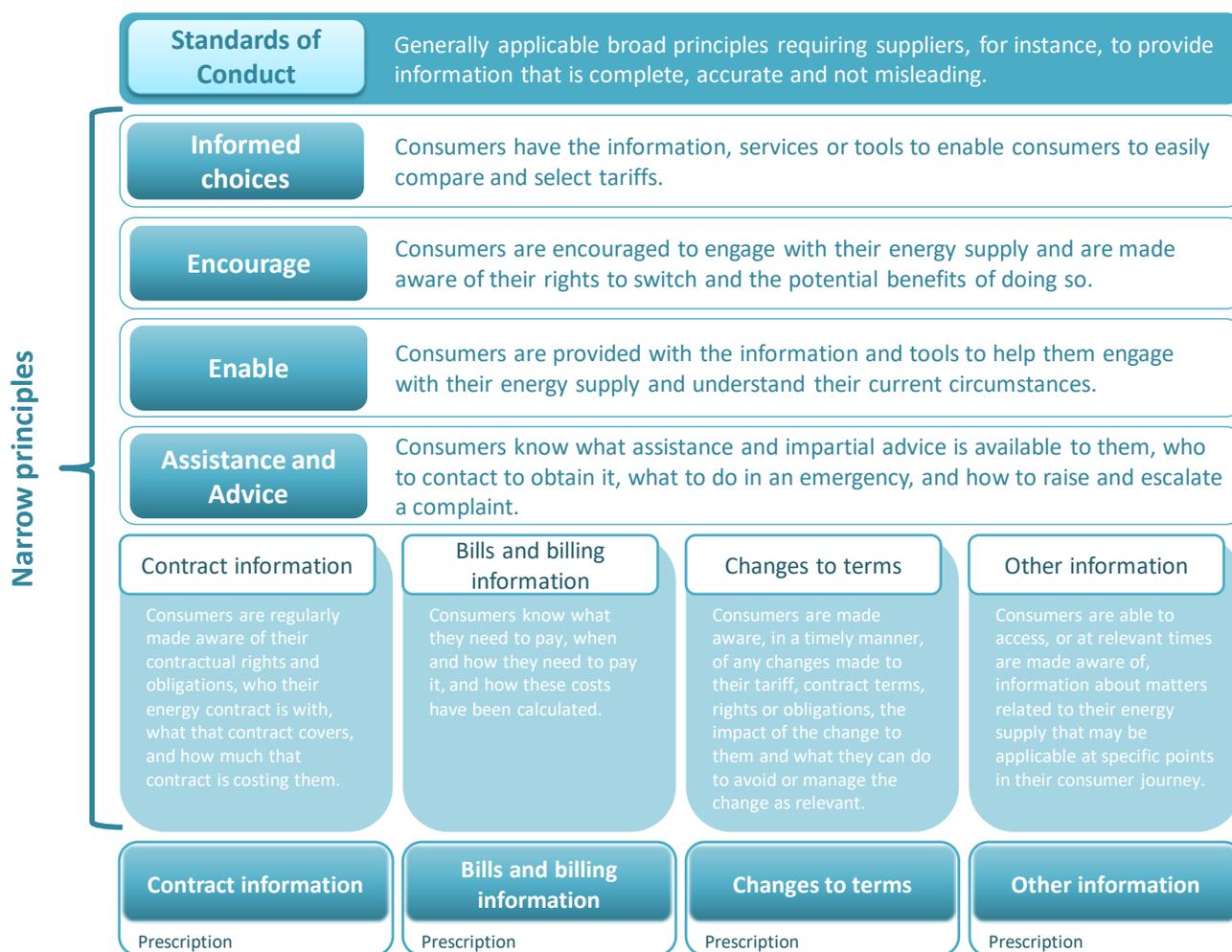
2.13. The current framework for regulating customer communications has grown from the bottom up, as prescriptive requirements were added to address specific customer information needs. We would like to move away from this and adopt a more 'top down' approach. We have attempted to articulate what this new structure might look like in figure 2 below. This proposed framework would comprise three different types of rules:

- 1. Broad principles:** Standards of Conduct principles, including requirements for suppliers to provide information that is complete, accurate and not misleading, which apply to every piece of supplier-consumer communication.
- 2. Narrow principles:** Narrower principles that would require suppliers to make sure that in their communications with consumers in general they deliver four key outcomes: they provide the means for consumers to make **informed choices**<sup>19</sup>, to **encourage** and **enable** consumers to engage with their energy supply, and make sure consumers know where and how they can get **assistance and advice**. We would also include principles relating to key stages of the consumer journey – **information about their contract** (eg principal terms), **Bills and billing information**, and any **changes (or ending of) contract terms**. There would also be a category of requirements to cover information that may occasionally be required by the consumer, but which would not be something that they need at a set point in time or in a defined context – eg energy efficiency information.
- 3. Prescriptive requirements:** For each of the areas above, we would envisage that there will be a continued need for some prescription. As highlighted in the following section, we have been ambitious in setting out our priorities, so that we reduce prescription as much as we can, without compromising protection for consumers.

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<sup>19</sup> The informed choices principles we refer to here are those set out in SLC 25. For the avoidance of doubt, we don't intend at this point to amend these principles. However, we include them here as they are relevant to the information suppliers provide to consumers.

**Figure 2:** Summary of a future regulatory framework for customer communications



2.14. Introducing a set of narrow principles (enforceable rules that are focused on outcomes in certain areas) would enable us to be more ambitious in removing prescription from the licence. The new narrow principles would supplement the Standards of Conduct, providing greater detail in some areas where we think it is needed. This would enable us to remove prescription and ultimately help to deliver better outcomes for consumers by ensuring that consumers have the information they need, when they need it.

2.15. The new principles would provide ongoing clarity, as we remove prescription, about the outcomes we would expect to see for consumers in two different ways. Firstly, we would ensure that suppliers are giving consumers the information they need to prompt them to engage, equip them with the tools they need when they do so, and provide them with assistance and advice when needed. Secondly, we would make sure that consumers have the information they need at each stage of their consumer journey. For example, the requirements would help to ensure consumers

can understand the key features of their contract when they sign up to it, and manage their account (and any changes to it) on an ongoing basis.

2.16. By defining the outcomes we expect to see in this way, we would better future-proof the customer communications framework – by centring the rules around outcomes the rulebook can remain relevant as the market evolves and new technologies or forms of communication appear.

2.17. We intend to be ambitious in the changes we make in the near term and have prioritised certain areas we intend to focus on in the immediate future, which we set out in the following section.

## Priorities

2.18. As we have set out above we believe that by changing the rules related to supplier-customer communications we can improve consumer outcomes and facilitate innovation. Given the current wide scope of the rules, in order to bring about reforms quickly we intend to prioritise changes to the areas where we see greatest potential for positive impact.

2.19. We do not intend, at this time, to remove or alter the policy intent of rules where our powers to make changes are limited or where we are not the owners of the policy – for instance those derived from the EU’s third energy package or requirements which were introduced by government (eg machine-readable images on Bills). Tackling these rules would take longer and we do not wish to delay bringing about other reforms by including them in this programme of work.

2.20. Our priorities fall into two categories – removing prescription and introducing new narrow principles. Below we summarise those areas where we intend to focus our efforts at removing prescription. In the section that follows we outline our latest thinking on new narrow principles.

2.21. These priorities have been identified based on the feedback that we’ve received from stakeholders, including suppliers, Energy UK and consumer groups. They also reflect our own assessment, based on the evidence available, of those areas where changes would:

- Have a positive impact for consumers, by enabling more engaging communications and providing better protections.
- Help to future-proof our regulations and make them more comprehensive.
- Have a positive effect on innovation, competition and suppliers’ ability to differentiate.

## **Priority area 1: Bills and statements of account**

2.22. Rules relating to the Bill<sup>20</sup> are primarily in SLC 31A and schedules 1 and 2 of 31A, with further references in SLCs 20, 21, 21B, 22, 22G, 31, 36, 37.

*Why is this a priority?*

2.23. Bills should enable consumers to understand and engage with their energy supply – explaining how much is owed/has been paid and providing the information needed to make informed choices about their energy supply.

2.24. The rules for Bills prescribe some of the content, as well as some of the formatting requirements, for these communications.

2.25. While we consider that each of the bits of content set out in our rules is important, we also think there may be better vehicles for certain information. Our own consumer research has demonstrated that while consumers want many of the individual pieces of information that are currently on the Bill, some find the presentation confusing and the amount of information overwhelming when taken together.<sup>21</sup> Stakeholders have identified the Bill as a priority for reform, and suggested that changes to our rules could enable it to be a more engaging communication for consumers.

*What will this likely mean for our policy proposals?*

2.26. We will continue to require Bills. We are reviewing how often these should be provided. Our early thinking is that we may propose to:

- (i) Remove prescriptive requirements regarding layout, format and language
- (ii) Attempt to ensure that, going forward, these communications are not the default vehicles for all information, by removing the requirement for certain pieces of information to be provided on a Bill specifically.

## **Priority area 2: Statement of Renewal Terms**

2.27. Rules relating to the Statement of Renewal Terms are found in SLC 22C and 23.

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<sup>20</sup> Unless otherwise stated, where we refer to 'Bills' throughout this paper we are also referring to statements of account (statements that inform direct debit and prepayment customers about how much they have paid).

<sup>21</sup> Revealing Reality, [Consumer First Panel: Understanding information needs](#), December 2017

*Why is this a priority?*

2.28. The Statement of Renewal Terms is a critical communication – it should prompt consumers to review their options when their tariff is coming to an end and make them aware of what will happen if they take no action or agree to a further fixed-term with their supplier.

2.29. Elements of the content, language and format are set out in prescriptive requirements. We have some evidence that removing or limiting the prescriptive requirements can improve engagement rates.

2.30. We consider that a change in the rules relating to this notice could help to maximise its impact and increase the proportion of consumers that take action upon receiving it.

*What will this likely mean for our policy proposals?*

2.31. The requirement to provide an Statement of Renewal Terms is likely to remain. A number of elements of the notice that are derived from EU legislation will also remain (these include the provision of principal terms of the tariff a consumer would roll on to if they don't make an active choice to switch).

2.32. We are considering removing some of the other prescriptive requirements – for instance by no longer stipulating specific language or content within the document.

2.33. We are considering whether to change the timeframe for providing the notice and would welcome evidence that supports greater flexibility in terms of when suppliers issue notice Statement of Renewal Terms to a customer.

**Priority area 3: Annual Statements**

2.34. Rules relating to the Annual Statement are found in SLC 31A and Schedule 4 to SLC 31A.

*Why is this a priority?*

2.35. The Annual Statement is intended to act as a prompt to encourage consumers to think about their energy tariff and consumption, and a tool to help them engage, compare and switch if they choose.

2.36. The content and formatting of the statement is mostly prescribed by us – suppliers have little room to design their own versions. Consumer awareness of the Annual Statement is low compared to other communications, and a relatively small proportion of consumers take action upon receiving it. While we continue to see

value in much of the information provided in the Annual Statement, we are currently questioning whether the Annual Statement is the best way of delivering informative, impactful information to consumers.

*What will this likely mean for our policy proposals?*

2.37. We are considering a number of options in relation to the Annual Statement. One is to remove the requirement to send out an Annual Statement, but retain the requirement to provide some of currently included information at key decision points during the consumer journey. Another is to retain the requirement to provide an Annual Statement, but remove requirements relating to the format, language and layout of the document. We welcome views on which of these approaches is likely to deliver better consumer outcomes.

#### **Priority area 4: Tariff Information Label (TIL) and Cheapest Tariff Message (CTM)**

2.38. Rules relating to the TIL are found in SLC 31B and Schedule 2 to SLC 31A. Rules relating to the CTM are found in Schedule 1 to SLC 31A. Relevant overarching requirements are found in SLC 31E.

*Why is this a priority?*

2.39. The TIL, and the 'about your energy tariff' box on Bills, provide consumers with key bits of information about their energy supply arrangements. The CTM is a prompt to make consumers aware of other, cheaper tariffs their supplier provides.

2.40. The language, format, content and placement of both of these are heavily prescribed. We continue to believe that these are important pieces of information. However, we are keen to maximise their impact by introducing greater flexibility in these rules.

*What will this likely mean for our policy proposals?*

We are considering retaining both the TIL and the CTM, but removing prescriptive requirements about the placement, language and elements of the content of both.

#### **Priority area 5: Price increase and other unilateral variation notifications**

2.41. Rules relating to the Price Increase Notice are found in SLC 22C, 23, and Schedules 1, 2, 3 and 4 to SLC 23. Rules relating to the unilateral variation notifications are found in SLC 22C and 23.

*Why is this a priority?*

2.42. Suppliers are required to give consumers advance notice of price increases or other unilateral variations that are to the consumer's disadvantage. This notice is an important communication as it informs consumers of upcoming changes, prompts them to consider their options, and enables them to take action to avoid the change if they so wish.

2.43. The rules around this notice are prescriptive, including schedules for the presentation of price increase information, reflecting past concerns that price increases weren't being communicated transparently to consumers.

2.44. Stakeholders have suggested that the level of prescription may be leading suppliers to adopt a compliance-first approach, at the expense of more engaging, innovative communications.

2.45. We want to ensure that these communications are clear and engaging, so that consumers are aware of, and understand, changes to their contract and can take action to address or avoid these changes as necessary.

*What will this likely mean for our policy proposals?*

2.46. We are considering retaining requirements for suppliers to provide consumers with advance notice of price increases or other adverse unilateral variations, but removing rules prescribing specific wording and formatting to be used by suppliers when providing price increase information (ie removing all requirements set out in schedules 1 – 4 of SLC 23).

**Priority area 6: Assistance and advice**

2.47. Rules relating to assistance and advice are primarily found in SLC 20 and SLC 31. Additionally, parts of SLC 13, 26, 27 and 28 are in scope.

*Why is this a priority?*

2.48. It is essential that consumers know who to contact for assistance and advice and how to contact them when they need to. This enables consumers to get help in emergency situations, make queries and complaints, and obtain impartial advice regarding their energy supply.

2.49. The current rules prescribe the information that must be provided to consumers to help them contact the relevant party to obtain assistance or advice. However, there is evidence to suggest that not all consumers are able to locate

relevant contact details easily which carries significant risk of detriment, especially in emergency situations.

*What will this likely mean for our policy proposals?*

2.50. The proposed introduction of two narrow principles in this area places greater onus on suppliers to consider consumer outcomes and subsequently, how and when they provide information to better meet their customers' needs. We believe that more flexibility in some areas, such as the contact details for the DNO and gas transporter, will enable suppliers to ensure their customers have the information they require, when they require it.

2.51. This will help to ensure that, going forward, the rules are focused on consumer outcomes for assistance and advice, rather than a 'tick box' exercise for suppliers.

## Principles – early thoughts

2.52. In this section, we set out how we envisage delivering on the priorities outlined above in practice – we cover our latest thinking on the outcomes we want suppliers to deliver for consumers and how this could be translated into new principles-based requirements.

2.53. In October 2017, important changes to the Standards of Conduct (SOC) came into place. These changes included new rules requiring suppliers to enable domestic consumers to make informed choices about their energy supply (see Appendix 2). This lays the foundation for what we expect of suppliers and how they are to treat customers fairly when they communicate with them, and will give us the confidence to remove unnecessary prescription across the rulebook.

2.54. We intend to rely more on the Standards of Conduct to ensure suppliers are delivering good consumer outcomes, and stand ready to take action where this is not the case. We've seen some improvements. But we expect more from suppliers and our new rules make this clear.<sup>22</sup>

2.55. Many stakeholders have told us that they are keen for us to remove prescription and enable greater innovation – however they still want clarity on the consumer outcomes we expect them to deliver.

2.56. We do not intend to rely on guidance to provide this certainty, as we are concerned that this will merely act as prescription by the back door and we want suppliers to think hard about what is right for their customers. So, as we remove

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<sup>22</sup> Ofgem, [Raising supplier standards of conduct – our new rules](#), October 2017

sections of prescription from the supply licence, we are also considering introducing a set of narrow principles to supplement the SOC and the existing narrow principles related to marketing and sales activities (see Appendix 3) that are clear about the outcomes we expect suppliers to deliver in specific areas.

2.57. We have developed these narrow principles as a package, and they should complement each other and ensure that suppliers deliver good consumer outcomes throughout the entire consumer journey. They should also complement and align with both the SOC and remaining elements of prescription.

2.58. To be clear, the SOC and other principles (where in scope) apply to all aspects of supplier activities. It is not our intent that the SOC or other principles would ever undermine the effect of an existing prescriptive rule. We will give further consideration to how principles interact with prescription in particular areas as our policy develops.

2.59. The new narrow principles will support removal of prescription in our priority areas, and give suppliers more flexibility in how they deliver good consumer outcomes. Where we do not progress immediate changes to related prescription, these narrow principles should clarify our expectations of suppliers in these areas and ensure that they continue to treat customers fairly even as the market evolves.

2.60. Our initial thoughts on new principles and associated prescription we will review are set out below. These are just draft principles, and they are subject to change before our spring consultation. To provide stakeholders with an idea of what these changes may look like in practice, we include a slightly more detailed summary of some of the changes we may make to the ‘assist and advise’ rules in Appendix 4.

2.61. We would like to highlight our thinking on ensuring information is provided in a timely manner. We want to enable greater flexibility in how and when information is provided, while still ensuring that customers receive information when it is needed. To support this, we are considering including ‘Key Decision Points’ as a defined term within the licences. This would mean “the points in time at which a Domestic Customer is likely to evaluate the benefits of switching Tariff and/or Gas and/or Electricity Supplier, for example when a Fixed-Term Supply Contract is due to end”. We welcome views on this.

Outcomes sought	Principle	Commentary
<ul style="list-style-type: none"> <li>• All consumers are aware they can switch tariff and/or supplier</li> <li>• Consumers are encouraged to switch tariff and/or supplier</li> <li>• Consumers have the information and tools they need to switch tariff and/or supplier</li> </ul>	<p><b>A. Encouraging and enabling engagement</b></p> <p>The licensee must ensure that each Domestic Customer is, frequently and around the time of Key Decision Points, provided with prominent information which is designed in a manner best calculated to:</p> <p>(a) prompt the Domestic Customer to engage by encouraging them to</p>	<p>There are currently a number of tools that suppliers are required to include in various communications to help encourage consumers to engage, and enable them to do so. These include the Cheapest Tariff Message (CTM), Estimated Annual Costs (EAC, previously known as the personal projection) and the Tariff Information Label (TIL).</p>

<ul style="list-style-type: none"> <li>• Ultimately, more consumers are engaging in the market</li> </ul>	<p>consider changing their Tariff(s) and/or Electricity and/or Gas Supplier ('product changes');</p> <p>(b) enable them to evaluate the potential benefits of making such product changes, including in the context of that particular Domestic Customer's characteristics and/or preferences; and</p> <p>(c) facilitate the Domestic Customer making comparisons between, and an informed choice about, those product changes.</p>	<p>We will review the requirements for these tools (priority area 4 above) – both what they contain and where/how they are presented. We are considering removing requirements about the placement, language and elements of the format. (Note we have already reviewed and consulted on the methodology for EAC, so we are not proposing any further changes to this).</p>
<ul style="list-style-type: none"> <li>• Consumers know what they need to pay, when and how they need to pay it</li> <li>• Consumers understand how their costs have been arrived at</li> </ul>	<p><b>B. Billing information</b></p> <p>The licensee must ensure that each Domestic Customer is frequently, and in writing, directly informed about:</p> <p>(a) the Charges they need to pay;</p> <p>(b) when and how they need to pay the Charges; and</p> <p>(c) how the Charges have been calculated.</p>	<p>Rules in this area cover information that must be included in a Bill (mostly in SLC 31A) plus other rules around Billing, such as those related to frequency of Billing (eg SLC 21B).</p> <p>We will review the information that must be provided in a Bill (priority area 1 above), with a view to removing prescriptive requirements regarding layout, format and language. We are considering other rules around Billing, for example how often Bills should be provided.</p>
<ul style="list-style-type: none"> <li>• Consumers know when their contract is changing, in good time, and understand what this means for them</li> <li>• Consumers are aware of their options when their contract is changing</li> <li>• Ultimately, more consumers take action that's in their best interests</li> </ul>	<p><b>C. Contract changes</b></p> <p>Each Domestic Customer must be directly informed, in a manner best calculated to enable them to make an informed assessment, of the main effects of all changes to charges and contractual terms and conditions (including where contracts are terminated by the licensee or otherwise come to an end) in good time before such changes are due to take place, and where the change(s) involve an increase in charges in any way or are to the disadvantage of a Domestic Customer, that Domestic Customer is:</p> <p>(a) given a right to change supplier and/or Tariff without being penalised in any way or being affected by the change(s); and</p> <p>(b) prompted to consider exercising this right and informed how to do so.</p> <p>What constitutes "in good time" is to be assessed from the perspective of a typical Domestic Customer having a realistic opportunity to evaluate the contractual changes and make</p>	<p>Rules in this area cover Statement of Renewal Terms (SORTs, SLC 22C), price increase notifications and notices of other unilateral variations (SLC 23 including schedules), and mutual variations (SLC 23A).</p> <p>We will review the requirements relating to SORTs (priority area 2 above) with a view to stripping back rules around specific language and content where possible. We will also review the requirements around notices for price increases and other unilateral variations (priority area 5 above) and consider changes to specific wording and presentation requirements. We are not prioritising review of the mutual variation rules at this stage.</p>

	practical arrangements to facilitate switching supplier or tariff.	
<ul style="list-style-type: none"> <li>Consumers know about and can easily understand the relationship between consumption profile and cost relative to their tariff (or the tariff they are considering switching to)</li> <li>Consumers feel confident to act on that information</li> </ul>	<p><b>D. Cost-consumption relationship</b></p> <p>The licensee must provide Domestic Consumers with information regarding the relationship between their consumption profile and the cost relative to their tariff, or the tariff they are considering switching to.</p>	As we move into a world of potentially more complex tariffs, which may require consumers to alter their behaviour in order to maximise the benefit of their Time of Use tariff, it will be important that consumers understand how their consumption impacts their costs. There are no rules directly relating to this at the moment.
<ul style="list-style-type: none"> <li>Consumers are able to accurately compare their current tariff with other tariffs and select one which suits their characteristics and preferences</li> </ul>	N/A – covered by informed choices principles	
<ul style="list-style-type: none"> <li>Consumers know who to contact if they have a query, to make a complaint, to seek redress or in an emergency</li> <li>Consumers are able to easily obtain their supplier’s contact details</li> </ul>	<p><b>E. Complaints, disputes, emergencies</b></p> <p>The licensee must ensure that each Domestic Consumer can quickly and easily identify the relevant party to contact with a problem, question, and/or other request for assistance in relation to their energy supply, and how to contact them. This includes, but is not limited to, general or specific queries, complaints, resolution of disputes and/or emergencies.</p>	Rules in this area are generally covered in SLC 20. By introducing a narrow principle (priority area 6 above) framed in terms of consumer outcomes, we will be able to remove certain prescriptive rules from this area.
<ul style="list-style-type: none"> <li>Consumers know their rights and who to contact for dispute resolutions</li> <li>Consumers are aware of, and understand, the sources of impartial information and advice that are relevant and available to them, and how to contact them at the right time</li> </ul>	<p><b>F. Impartial advice and information, and dispute settlement</b></p> <p>The licensee must provide each Domestic Consumer with relevant information concerning their rights as regards the means of dispute settlement available to them in the event of a dispute and the contact details of Relevant Independent Parties that offer impartial advice regarding their energy supply.</p> <p>The licensee must direct customers to prominent and easily accessible relevant assistance taking into account that customer’s characteristics, circumstances and needs. This relevant assistance should include but not be limited to: (i) managing debt and finances; (ii) managing consumption and costs; (iii) energy efficiency, social and financial programmes.</p>	Rules in this area are generally covered in SLC 31. By introducing a narrow principle (priority area 6 above) framed in terms of consumer outcomes, we will be able to remove certain prescriptive rules from this area.

	<i>"Relevant Independent Parties" would include Citizens Advice/Citizens Advice Scotland and dispute resolution bodies.</i>	
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### 3. Next steps

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3.1. We will use the contents of this working paper to inform conversations with stakeholders over the coming months. We encourage stakeholders to engage with us bilaterally, and we have already had many useful conversations. We don't expect stakeholders to formally respond to this working paper, though we would welcome any views that parties wish to share, particularly in relation to our proposed priority areas, draft principles and our vision for the customer communications regulatory framework.

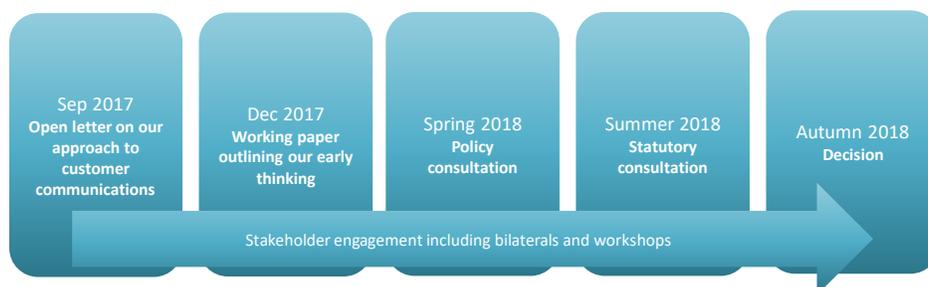
3.2. In parallel with the positions set out in this paper, we have also been developing the detail of our proposals. We intend to consult on our proposals in early 2018, including specific licence changes, in the spring. Subject to responses, this will be followed by a statutory consultation in summer, such that we can issue a decision before the end of 2018.

3.3. Today, we have also issued a market-wide derogation to enable suppliers to implement new and more effective Statements of Renewal Terms to help promote engagement in the market.<sup>23</sup> We will monitor how suppliers use the flexibility provided by this derogation and use any findings to support our policy development for the Statement of Renewal Terms in 2018.

3.4. We will continue to engage with stakeholders over the coming months. We hope this working paper is helpful and particularly welcome evidence that either supports or challenges our proposals, in advance of our policy consultation in early 2018. We will be able to progress this work at a greater pace and scale with your support and input. A set of questions that we would particularly welcome views on, should you wish to respond, is included in appendix 1.

3.5. If you have thoughts on the contents of this working paper or evidence to accelerate our thinking, please get in touch via [futureretailregulation@ofgem.gov.uk](mailto:futureretailregulation@ofgem.gov.uk)

**Figure 3:** Forward plan for customer communications



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<sup>23</sup> Ofgem, [Market-wide derogation – Statement of Renewal Terms](#), December 2017

## Appendix 1 – Questions for stakeholders

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1. What are your views on our proposed future regulatory framework for customer communications, set out in figure 2?
2. What are your views on our proposed priority areas?
3. What are your views on how well our proposed package of principles will deliver the consumer outcomes we have articulated? (We are not looking for specific comments on the drafting of the principles at this stage. The drafting is indicative only and subject to change before our spring consultation.)
4. What are your views on how we could best ensure that consumers get information in a timely way? Part of the way we're considering achieving this is by creating a new 'Key Decision Points' definition – do you agree that this is the right direction of travel or can you suggest better ways of achieving this objective?
5. To help develop our proposals in specific areas, we are looking for evidence to help answer the following questions. Please share any evidence and/or consumer research you have relating to:
  - The optimal frequency for consumers to receive Bills, particularly to help them manage their finances/any debt.
  - What statements of account/information suppliers regularly give to their customers paying by prepayment meter.
  - For suppliers: how you make it clear to customers what the implications of not paying their Bills on time are.
  - Consumer engagement with:
    - the Cheapest Tariff Message,
    - the Tariff Information Label,
    - the "About your tariff" label on Bills, and
    - Estimated Annual Costs on Bills.

For example, how well do consumers understand these tools in their current formats/wording? Do you have any research as to how effective these tools are? Have you done any research/testing of alternative formats or wording that may be more effective?

- Consumer engagement with the Annual Statement. What evidence do you have as to how consumers use the Annual Statement? Do you provide any other annual summaries or prompts in addition to the Annual Statement? If so, why, and what evidence do you have of its effectiveness?

- For suppliers: Does having to structure all your tariffs with zero or more unit rates and standing charges, and/or having to present all your tariffs by listing out unit rate(s) and standing charge(s) restrict your ability to innovate? If yes, please explain.

## Appendix 2 – Domestic Standards of Conduct

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### Condition 0. Treating Domestic Customers Fairly

#### Customer Objective

0.1 The objective of this condition is for the licensee and any Representative to ensure that each Domestic Customer, including each Domestic Customer in a Vulnerable Situation, is treated Fairly (“the Customer Objective”).

#### Achieving the Standards of Conduct

0.2 The licensee must, and must ensure that its Representatives, achieve the Standards of Conduct in a manner consistent with the Customer Objective.

0.3 The Standards of Conduct are that the licensee and any Representative:

a) behave and carry out any actions in a Fair, honest, transparent, appropriate and professional manner;

b) provide information (whether in Writing or orally) to each Domestic Customer which:

- i. is complete, accurate and not misleading (in terms of the information provided or omitted);
- ii. is communicated (and, if provided in Writing, drafted) in plain and intelligible language with more important information being given appropriate prominence;
- iii. relates to products or services which are appropriate to the Domestic Customer to whom it is directed;
- iv. in terms of its content and in terms of how it is presented, does not create a material imbalance in the rights, obligations or interests of the licensee and the Domestic Customer in favour of the licensee; and
- v. is sufficient to enable the Domestic Customer to make informed choices about their supply of electricity by the licensee;

Informed  
choices  
principles

c) in relation to customer service arrangements:

- i. make it easy for a Domestic Customer to contact the licensee;
- ii. act promptly and courteously to put things right when the licensee or any Representative makes a mistake; and
- iii. otherwise ensure that customer service arrangements and processes are complete, thorough, fit for purpose and transparent;

d) in relation to Domestic Customers in Vulnerable Situations:

- i. seek to identify each Domestic Customer in a Vulnerable Situation, in a manner which is effective and appropriate, having regard to the interests of the Domestic Customer; and
- ii. when applying the Standards of Conduct in paragraphs (a) to (c) above, do so in a manner which takes into account any Vulnerable Situation of each Domestic Customer identified in accordance with (d)(i) above or otherwise.

### Scope of condition

0.4 Standard condition 0 only applies to the licensee if:

- a) the Secretary of State has provided, by a scheme made under Schedule 7 to the Utilities Act 2000, that Section B of the standard conditions will have effect; or
- b) the Authority has issued a Domestic Supply Direction to the licensee under paragraph 3.3 of standard condition 3.

0.5 Subject to paragraph 0.6, standard condition 0 applies to all activities of the licensee and any Representative which involve, or otherwise relate to, dealings with a Domestic Customer.

0.6 Apart from any matters relating to Deemed Contracts, standard condition 0 does not apply in respect of the amount or amounts of any Charges for the Supply of Electricity or any other type of charge or fee, applied or waived.

0.7 Standard Condition 0 applies to the exercise of a licensee's discretion to apply or waive any fee or charge.

### Guidance

0.8 The licensee must have regard to any guidance on standard condition 0 (including in respect of definitions which appear in standard condition 1) which, following consultation (which may be conducted before this condition takes effect), the Authority has issued, may issue and may from time to time revise (following further consultation).

### Definitions

0.9 For the purposes of this condition:

Customer Objective	Is to be interpreted in accordance with paragraph 0.1.
Fair and cognate expressions	The licensee or any Representative would not be regarded as treating a Domestic Customer Fairly if their actions or omissions give rise to a likelihood of detriment to the Domestic Customer, unless the detriment would be reasonable in all the relevant circumstances.
Standards of Conduct	Means one or more of sub-paragraphs 0.3(a) to (d).
Vulnerable Situation	Means the personal circumstances and characteristics of each Domestic Customer create a situation where he or she is: (a) significantly less able than a typical Domestic Customer to protect or represent his or her interests; and/or (b) significantly more likely than a typical Domestic Customer to suffer detriment or that detriment is likely to be more substantial.

## Appendix 3 – Informed choices principles

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### Condition 25. Informed choices

25.1 The licensee must ensure that the structure, terms and conditions of its Tariffs are clear and easily comprehensible.

25.2 The licensee must ensure that its Tariffs are easily distinguishable from each other.

25.3 The licensee must ensure that it puts in place information, services and/or tools to enable each Domestic Customer to easily compare and select appropriate Tariffs within its offering, taking into account that Domestic Customer's characteristics and/or preferences.

25.4. The licensee must not, and must ensure that its Representatives do not mislead or otherwise use inappropriate tactics, including high pressure sales techniques, when selling or marketing to Domestic Customers.

25.5 The licensee must only Recommend and must ensure that its Representatives only Recommend, to a Domestic Customer Tariffs which are appropriate to that Domestic Customer's characteristics and/or preferences.

25.6 Where a Domestic Customer to whom the licensee or any Representative has provided information in the course of Face-to-Face Marketing Activities or Telesales Activities enters into a Domestic Supply Contract with the licensee, the licensee must maintain a record of the information which it provided to that Domestic Customer concerning that Domestic Supply Contract in accordance with this licence condition for a period of 2 years.

### Definitions for condition

25.7 For the purposes of this condition:

**"Face-to-Face Marketing Activities"** means any activities of the licensee or any Representative, that:

- (a) take place with the simultaneous physical presence of the licensee or any Representative and a Domestic Customer; and
- (b) are directed at or incidental to identifying and communicating with Domestic Customers for the purpose of promoting the licensee's Domestic Supply Contracts to them and includes entering into such contracts with such customers.

**"Recommend"** means communicating (whether in Writing or orally) to a Domestic Customer information about one or more Tariffs in a way which gives, or is likely to give, the Domestic Customer the impression that the particular Tariff(s) is/are suitable for their characteristics and/or preferences.

**"Telesales Activities"** means any activities of the licensee or any Representative that are:

- (a) conducted by telephone; and
- (b) directed at or incidental to identifying and communicating with Domestic Customers for the purpose of promoting the licensee's Domestic Supply Contracts to them and includes entering into such contracts with such customers.

## Appendix 4 – Example of proposed changes in a specific area

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Below we have set out our detailed thinking on possible reforms to the rules in a specific area – assistance and advice for consumers. This is intended as an indication of the policy process we are going through as we assess the rulebook line by line. We are progressing similarly detailed policy proposals for all other priority areas set out in chapter 2.

The rules around assistance and advice are a priority for us due to the importance of all consumers being able to easily access assistance or advice for a range of needs, including emergencies. This framework contains the Standards of Conduct, possible new narrow principles, and prescription where required (in other words, the 'framework' set out below covers the package of rules we think could be appropriate to ensure). This includes our current thinking on why we think that the specific SLCs should be removed or retained.

### **Summary of 'Assist and Advise' framework**

#### Standards of Conduct (SLC 0) – relevant limbs

**The Customer Objective (SLC 0.1)** – Licensees and any Representative ensure that each Domestic Customer, including each Domestic Customer in a Vulnerable Situation, is treated "Fairly".

**The Fairness Test (SLC 0.3 a)** – The licensee's or any Representative's actions or omissions would not be regarded as "Fair" where they give rise to a likelihood of detriment to a Domestic Customer, unless the detriment would be reasonable in all the relevant circumstances

**Broad 'informed choices' principle (SLC 0.3 b)** - Requires suppliers to enable domestic customers to make informed choices about their energy supply

**Broad vulnerability principle (SLC 0.3 d)** - Suppliers must make an extra effort to identify and respond to the needs of those in vulnerable situations

**Assessing Compliance (SLC 0.2)** – The licensee must, and must ensure that its Representatives, achieve the Standards of Conduct in a manner consistent with the Customer Objective.

#### New narrow principles

#### **Principle E (Queries, complaints, disputes, emergencies)**

*"The licensee must ensure that each Domestic Consumer can quickly and easily identify the relevant party and how to contact them with a problem, question, and/or other request for assistance in relation to their energy supply. This includes, but is not limited to, general or specific queries, complaints, resolution of disputes and emergencies."*

**Principle F (Dispute resolution, impartial advice and information)**

*"The licensee must provide each Domestic Consumer with relevant information concerning their rights as regards the means of dispute settlement available to them in the event of a dispute and the contact details of Relevant Independent Parties that offer impartial advice regarding their energy supply.*

*The licensee must direct customers to prominent and easily accessible relevant assistance taking into account that customer's characteristics, preferences and needs. This relevant assistance should include but not be limited to: (i) managing debt and finances; (ii) managing consumption and costs; (iii) energy efficiency and social programmes"*

Retained prescription relating to 'assist and advise'

**Arrangements for site access (SLC 13.2)**

**Enquiry Service, supply number and dispute resolution (SLC 20.1 (gas), 20.4, 20.5 (gas))**

**Priority Service Register (SLC 26)**

**Payments, Security Deposits, Disconnections and final Bills (SLC 27.6, 27.2)**

**Prepayment Meters (SLC 28.1, 28.3)**

**General information for Domestic Customers (SLC 31.5-31.7)**

Removed prescription relating to 'assist and advise'

**Enquiry Service, supply number and dispute resolution (SLC 20.1, 20.2, 20.3 (gas), 20.5, 20.6 (gas))**

**General information for Domestic Customers (SLC 31.1)**

Out of scope SLCs and requirements relating to 'assist and advise'

**Customer transfer blocking (SLC 14.9)**

**Duty to offer and supply (SLC 22.5)**

**General Information for Domestic Consumers (SLC 31.2 - 31.3)**

**Green Deal information requirements (37.2, 37.4, 37.6, 37.7)**

**Complaints Handling Standards**

**Table 1: Current thinking on whether to retain or remove prescription**

<b>SLC</b>	<b>Clause</b>	<b>Requirement</b>	<b>View on retain or remove and why</b>
13 Arrangements for site access	13.2	Licensee must (a) prepare a statement setting out arrangements for complying with 13.1 (b) publish and make readily accessible this statement on its website (c) give a copy of the statement free of charge to anyone who requests it	<b>Retain prescription</b>  We believe the prescription in this area is relatively high level and not particularly onerous on suppliers. Additionally, there is not a clear case that the benefits of enabling innovation and flexibility for providing this information outweighs the potential for consumer detriment if the minimum standards for providing information intended through the prescription is not fulfilled.
20 Enquiry Service, supply number & dispute settlement	20.1 (Elec)	Keep each Domestic Customer (DC) informed of current postal address and telephone number of the Licensed Distributor’s Enquiry Service.	<b>Remove prescription as covered by new narrow principle (E)</b>  Principle E is comprehensive and sets a higher level of protection with a greater focus on consumer outcomes by enabling suppliers to decide what information is most effective for their customers’ needs. For instance, in the case of emergency information, it may be best to leave it up to suppliers to decide whether all consumers should be provided with a postal address.
	20.1 (Gas)	Keep each customer informed (a) that an escape or a suspected escape of gas should be reported immediately; and (b) of a telephone number which should be used for that purpose.	<b>Retain prescription</b>  We propose to retain all requirements in the gas supply license relating to gas safety and emergencies. This condition may be revisited in the future, but at this point any changes to the prescription carries significant risk to consumers. We also note that changes to this condition would require much wider consultation to ensure health and safety standards are maintained.
	20.2	Comply with 20.1 by (a) providing each Customer when licensee first begins to supply electricity or becomes aware it is doing so (b) providing information on each Bill or Statement of Account (SoA) in relation to Charges, or	<b>Remove prescription as covered by new narrow principle (E)</b>  Principle E covers the minimum standard set by the prescription. However, there is a greater onus on suppliers to deliver good customer outcomes rather than a focus on

	annually (c) providing the information as soon as reasonably practicable after it is requested	internal processes (ie less of a tick box exercise for suppliers).The additional flexibility also enables suppliers to provide information in ways that consumers require/meets their characteristics and preferences.
20.3 (Elec)  20.4 (Gas)	Licensee must take all reasonable steps (TARS) to inform each DC of any change to the postal address or telephone number before the change becomes effective	<b>Remove prescription as covered by new narrow principle (E)</b>  Principle E improves on prescription in terms of a greater focus on customer outcomes. TARS is lower level of protection for consumers than what is provided in the new principle. There is greater onus on suppliers to achieve good outcomes rather than a 'tick box' exercise focusing on internal processes. This also allows suppliers to tailor communications based on individual consumer's preferences and circumstances. For example, some customers may prefer an email address rather than telephone or postal address.
20.3 (Gas)	The licensee must give: (a) the telephone number referred to in sub-paragraph 20.1(b); and (b) the current postal address and telephone number of the Relevant Gas Transporter's Enquiry Service, to a Customer when he requests it.	<b>Remove prescription as covered by new narrow principle (E)</b>  This prescription is largely the same as SLC 20.1 for electricity supply and the rationale for removal is the same. There is a slight difference with the information in 20.3 being requested rather than provided but we believe this is covered by a greater focus on the outcome that consumers know who to contact when they need to, outlined in Principle E.
20.4 (Elec)  20.5 (Gas)	Licensee must inform each DC of his Supply Number (a) On each Bill or (SoA) (b) Annually if no Bill/statement sent	<b>Retain prescription</b>  This information is essential for all customers to have access to engage in assistance-related communications. For example, customers will need to quote their number to log queries, complaints or otherwise get in contact with their supplier. This is highlighted in Ofgem's 2017 Consumer First Panel report where the value in being able to easily find a reference number for contacting suppliers was essential. Therefore, we believe that the potential consumer detriment if this information is not consistently provided outweighs the benefits of flexibility.

	20.5 (Elec)  20.6 (Gas)	Licensee must provide information concerning rights as regards to dispute settlement by providing information on any relevant Promotional Materials and on or with each Bill or SoA sent, or annually	<b>Remove prescription as covered by new narrow principles (E) &amp; (F)</b>  This license condition is directly transposed from EU requirements within the 3rd Energy Package. We believe that it is essential consumers are provided with this information regularly and in this instance, this is sufficiently covered by our new narrow principles (E & F)
26  Priority Services Register		Services for specific Domestic Customer groups (E.g. Pensionable Age, disabled or chronically sick)	<b>Retain prescription:</b>  We believe that the current prescription within SLC 26 is the best way of ensuring positive consumer outcomes and reducing the potential for detriment for vulnerable customers. Indeed, there is a specific minimum standard below which suppliers' outputs should not fall in this area and therefore additional flexibility offered by a principle may lead to a worsening of customer experience.
27  Payments, deposits, disconnections and final Bills	27.6          27.12	Services referred to in 27.5 are (a) [irrelevant] (b) The provision of information about how the DC could reduce costs by using electricity supplied more efficiently  Licensee must (a) Prepare a statement that sets out, in plain and intelligible language, its obligations under paras 27.5-27.11A (b) Publish that statement on and make readily available on its website (c) TARS to inform each DC, at least once a year, of that statement and how to obtain it (d) Give a copy of that statement on request and free of charge	<b>Retain prescription:</b>  Whilst there may be some benefits of increasing flexibility in this area to enable more innovative methods of communications, we deem the potential detriment too significant to remove this prescription. Customers in financial difficulties may be particularly in need of protections and thus have a greater need for efficiency advice that may enable them to reduce their consumption, costs and subsequently their debts. In this instance, the risk of further detriment to consumers already in Vulnerable Situations may outweigh any potential benefits of flexibility associated with a principles-based approach.
28  Prepayment meters	28.1	If licensee offers to enable DC to pay charges through a prepayment meter (PPM), or DC asks to pay charges through PPM, licensee must provide, prior to or upon installation of PPM, appropriate information about: (a) advantages and	<b>Retain prescription:</b>  There is a need for minimum standard in this area in the light of the context that PPM customers have been identified by the CMA as being more likely to be in vulnerable situations. The SoC provides some protection,

		disadvantages of PPM (b) where he may obtain info or assistance if (i) PPM is not operating effectively; (ii) any device used to allow charges to be paid is not working effectively (c) the procedures that the licensee will follow when removing or resetting the PPM	ongoing prescription in this area may be valuable to prevent consumer detriment. Rewording the prescription to emphasise the outcome and provide more clarity of what PPM customers require is likely necessary in the future. However, this is out of the scope of this project.
31  General information for Domestic Customers	31.1	Licensee must inform each DC (a) that Citizens Advice can assist in providing information and advice (b) how to contact Citizens Advice by providing that information on or with each Bill / SoA sent in relation to charges or annually if no Bill / SoA has been sent	<b>Remove prescription as covered by new narrow principles (E) &amp; (F)</b>  The new narrow principles (E & F) cover the minimum standard set by the prescription in terms of what information is provided, in what form and how often. However, it adds an additional layer of protection by focusing on consumer outcomes. As with other proposals for removing prescription, this approach will prevent suppliers' taking a 'tick box' approach by focusing on outcomes rather than internal process.
	31.5	Licensee must publish latest version of the Energy Consumer Guidance (ECG) & Concise Guidance (CG) on its website within 28 days of Citizens Advice publishing	<b>Retain prescription:</b>  We believe there is only one clear way of achieving the outcome of the EU directive from which these rules originate. Extra flexibility in this area offers minimal potential to improve consumer outcomes and risks consumer detriment if consumers do not receive the information specified. This independent information is highly important in setting out the rights of the consumer, where to seek advice and reduce the cost of energy Bills.
	31.6	Licensee must inform each DC how the ECG & CG can be accessed by (a) providing each new DC who it supplies with this info when the licensee first begins supplying, or, in the case of a Deemed Contract, becomes aware it is doing so (b) including their info in or with each Bill or SoA sent, or annually if no Bill or SoA is sent (c providing this info as soon as reasonably practicable after he requests it	
	31.7	Licensee must provide the CG to a DC annually	