

# Active Choice Collective Switch

**February 2018**

- In 2016 the Competition and Markets Authority (CMA) investigation concluded that, among other Adverse Effects on Competition (AEC), there was an AEC stemming from lack of consumer engagement in the retail energy market
  - 70% of customers of the six largest energy firms were on a Standard Variable Tariff (SVT)
  - up to 55% of those customers had been on their current supplier's SVT for over 3 years
  - SVTs tend to be more expensive than other available tariffs; possible savings of up to £300.
  - Over 10 million disengaged domestic customers were on an SVT; a financial detriment of around £2 billion per year
- Following the CMA's investigation, Ofgem has been testing different approaches for engaging disengaged consumers and helping them switch to cheaper tariffs
  - Saving consumers money and stimulating competition between suppliers
  - The Active Choice Collective Switch trial is the next in the series of trials

- The Active Choice Collective Switch trial will offer customers an exclusive tariff negotiated by an Ofgem-appointed consumer partner organisation, together with a simple process for starting their switch online or by phone
- The trial will test what uplift in switching is delivered by an ‘on your side’ third party negotiating the tariff and helping with the switching process
- And enable Ofgem to understand whether any particular subgroups in the dataset respond differently
- It will also be an early test of third party access to what will become data from the Disengaged Customer Database

- This trial will not be open to everyone
  - Ofgem has selected one of the six largest suppliers as our partner supplier
- 50,000 of their customers who have been on the standard variable tariff for at least 3 years will be offered the chance to have their saving calculated by the consumer partner
- Customers will be able to opt out of having their savings calculated
- Customers that receive a projected saving can then decide whether to switch or not (the 'active choice' element)
- Customer data will be transferred and held securely, and in accordance with data protection law

- Customers who have been on their supplier's Standard Variable Tariff for more than 3 years have a variety of reasons for not switching but
  - tend to be less engaged in shopping around generally
  - are more likely to have concerns around comparing and switching
- Motivated by a lower price *BUT* worry about
  - the perceived hassle of switching
  - things going wrong during the switch
  - not actually saving money in the end
- Less confident comparing tariffs to find the best deal
- Some unaware that they can switch supplier
- More likely to have limited or no internet access

- Ofgem are appointing a third party consumer partner to provide these disengaged customers with extra 'hand holding' and reassurance
- The consumer partner will
  - negotiate a price competitive, ideally market-leading tariff
  - calculate the saving each customer could make and let them know what it is
  - provide online and phone routes to switch to the new tariff and/or conduct a wider search comparing tariffs across the market

- February: Ofgem appoint consumer partner  
Letters announcing the Collective Switch sent to customers
- March: Consumer partner completes tariff negotiation  
Consumer partner sends projected savings to customers
- March/April: Customers can switch via consumer partner's website or call centre to the new tariff and/or conduct a wider search comparing tariffs across the market